



NUCAFE BUSINESS PLAN

Phase II

(2017-2026)

Seeking Green Growth term loan towards:

**Deepening shared value and Improving Climate Resilience in the coffee Value Chain in
Uganda**

BY

NUCAFE

(National Union of Coffee Agribusinesses and Farm Enterprises)

The umbrella association of the coffee farmers in Uganda

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Table of Contents

ACRONYMS	4
1.0 Executive Summary	5
2.0 Business Overview	9
NUCAFE Vision	11
NUCAFE mission	11
Value proposition	11
The NUCAFE hybrid business Model	13
3.0 The Market Opportunity	15
3.1 Size of the problem	15
3.2 Low earnings by farmers at the base of the value chain	15
3.3 Social problem to be addressed	17
3.4 Rationale of the business plan	18
4.0 Market requirements (declining production, high quality and food safety)	18
5.0 Current Situation and what has been done so far	19
6.0 Competitive analysis	20
7.0 Market Solution	20
7.1 PRODUCT and service delivery mode	20
7.2 Description of a working of the Service Centre based farmer ownership model	21
7.3 Marketing Strategy and target markets	23
Positioning	23
Marketing mix	23
8.0 The Market	24
8.1 Industry and outlook	24
8.2 Market size, analysis and forecast	25
8.3 NUCAFE Position in the market	26
9.0 Some Members of the Governance and Management Teams	27
10.1 Summary	32
10.2 Projected Budget, Production Forecast and Service Fee Revenues	33
10.3 Social Return on Investment (SROI) and Break Even Point Analysis	33
Assumptions and risks	34
Objectives	34

Capital requirements	34
11.0 Social/environmental quantitative impact analysis	34
11.1 Social development:.....	35
11.2 Environmental development:	35
11.3 Economic development:	35
11.4 Source of revenue	36
11.5 Social impact assessment of the model	36
11.6 Scalability of the model	36
12.0 Funding request	37
13.0 Detailed financial plan	38
APPENDIX: XIV. Domestic Coffee Consumption as a percentage of National Production of Selected Exporting Countries	53
APPENDIX :XVI. SAMPLE OF MOU BETWEEN NUCAFE AND CAFFE RIVER	55
APPENDIX: XVII. GLOBAL PROJECTIONS FOR DIABETES EPIDEMIC 2003 – 2025 (MILLIONS).....	56

ACRONYMS

aBi Finance	Agribusiness Initiative Finance
AGRICORD	Agri-agences Consortium in Europe and Canada.
CAFÉ	Centre for Agribusiness and Farmer Entrepreneurship Enhancement
CAFNET	Connecting, enhancing and sustaining environmental services and
CIRAD	Centre de coopération Internationale en Recherche Agronomique pour le Développement
CTA	Technical Centre for Agriculture and Rural Cooperation of EU and Africa, Caribbean and Pacific countries
DANIDA	Danish International Development Agency
DSIP	Development Strategy and Investment Plan
EAFFCA	Eastern Africa Fine Coffees Association
EAFF	Eastern Africa Farmers Federation
F.O.B	Free On Board
FAQ	Fair Average Quality
FOM	Farmer Ownership Model
GAPs	Good Agricultural Practices
GHPs	Good Hygiene Practices
GMPs	Good Manufacturing Practices
HoReCa	Hotel, Restaurant and Café segment
ICO	International Coffee Organization
ICRAF	World Agroforestry Centre
IPR	Intellectual Property Rights
KG	Kilogram
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MBA	Master of Business Administration
MT	Metric Tone
NAADS	National Agricultural Advisory Services
NaCORI	National Coffee Research Institute
NaFORRI	National Forestry Resources Research Institute
NDP	National Development Plan
NUCAFE	National Union of Coffee Agribusinesses and Farm Enterprises
PSFU	Private Sector Foundation Uganda
R&G	Roast and Ground
SME	Small and Medium Enterprises
SROI	Social Return on Investment
UBOS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UNBS	Uganda National Bureau of Standards
UNCDF	United Nations Capital Development Fund
UNFFE	Uganda National Farmers Federation
UNHS	Uganda National Housing Survey
US\$	United States Dollar
UTZ	Good

1.0 EXECUTIVE SUMMARY

NUCAFE is the National Union of Coffee Agribusinesses and Farm Enterprises Ltd. It is an umbrella organization of coffee farmers in Uganda with a membership of 200 farmer associations and cooperatives with over 200,000 farming families having over 1,000,000 individual household members. NUCAFE is a market driven nonprofit organization limited by guarantee without share capital. *The vision of NUCAFE is, “Coffee farmers profitably own their coffee along the value chain for their sustainable livelihoods, customer satisfaction and societal transformation.” The social mission of NUCAFE is “To develop and establish a sustainable market driven system of coffee farmer organizations which are empowered to increase household incomes and improved livelihoods through enhanced entrepreneurship and innovation.”* The project idea is centred on deepening creation of shared value and improving climate resilience through adaptation and mitigation of climate smart agricultural and industrial practices to satisfy and exceedingly meet the needs of customers that are ready to pay for environmental services and at the same time enable the business to contribute to the wider societal development. The idea is implemented using the farmer ownership model which enables equitable sharing of treasures in coffee and other agricultural commodities. It is an innovation that allows a whole new population of farmers empowered, private processors, buyers and society access services and products that were historically only accessible by those with a lot of money. The project puts emphasis on coffee because it is the coffee proceeds that will be used to pay back the loan to the lender(s). This Business plan builds on the tremendous success that NUCAFE has achieved in the last seven years by responding to markets that reward farmers to produce and process coffee following climate smart agricultural and manufacturing practices. For such markets, farmers are rewarded for good agricultural adaptation practices and reducing emissions so that they can sell carbon free coffee. Farmers are able to achieve 10% increase in price above the mainstream coffee and achieve at least 50% reduction in energy costs required to process their coffee when solar power is installed. Therefore, with the technical assistance of **Niras**¹, a Danish company, partial funding from the **Nordic Development Fund**² and also aBi Trust has already been secured. To this end, a baseline survey and mapping of adaptation and mitigation practices have already been carried out. With the installation of solar power, it will be possible to share with the surrounding community and also provide other social services such as amendment or maintenance of the community road network within vicinity of the factory. Access to low interest loan for working capital to advance farmers to deliver coffee, the loan will be paid back.

This project is building on the efforts of the first phase of a series of investments that started in 2013 where NUCAFE established the first component of its Centre for Agribusinesses for Farmer & Youth Entrepreneurship enhancement (CAFÉ), which is the coffee processing factory.

¹<http://www.niras.com/>

²<http://ndf.fi/project/ncf-6-improving-climate-resilience-small-scale-coffee-farming-systems-uganda-through>

Moving forward in phase two, NUCAFE would like to “kill two birds with one stone” to continue creating shared value and at the same time improve climate resilience of coffee farmers through climate change mitigation and adaptation practices using the farmer ownership model. In other words, the project will create a more sustainable and self-sufficient coffee value chain with climate resilient adaptation practices at the farm level and also implement mitigation actions at the NUCAFE factory through installing solar power. The excess energy produced will be fed in the national electricity grid and then will supply surrounding communities as the law stipulates. To further empower the neighboring communities and spur development, improvement will be made in terms of upgraded community road network adjacent to the factory as another social contribution. To increase the factory's adaptation needs to a changing climate, there will be landscape development, drainage improvement within the catchment area of the factory, develop the buffer zones and filtration systems, redevelop the swampy area and establish a shade tree ecosystem to reduce runoff and soil erosion and improve natural conservation around the factory.

At the centre, NUCAFE has already put in place the irrigation distribution outlet in partnership with **ZED Group** so that when farmers deliver coffee at the factory to be processed, they are able to carry with them irrigation kits. At the time, the irrigation equipment is manual but in partnership with aBi, NUCAFE would like to make a provision, for interested farmers, by adding on solar pumps to motorize the equipment and make it labour saving especially for women who normally tend to coffee farms and nurseries.

In addition, NUCAFE is also partnering with **Transform**, a Danish company to install a Bio-fertilizer making plant, which will serve at the beginning as a pilot and later to be replicated at the NUCAFE hubs and association levels as input supply centers.

With many buyers such as Caffè River³, based in Italy and coffee shops in Denmark and Romania, Benecke in Germany, iwill coffee in China, Benecafe and Jinsol in South Korea, Fortune Coffee in Netherlands, Olam International in Singapore, and ZED Group South Africa and UVCC in Uganda, NUCAFE has the opportunity to meet the demand for (specialty) sustainable coffee.

Therefore, with solar power installation at the factory including the irrigation equipment, solar pumps and bio-fertilizer distribution outlets and the coffee processing factory at a one-stop-centre, we look forward to creating a sustainable balance with forward and backward integration of services for productivity and quality improvement while exceedingly meeting the demands of specialty coffee buyers and further deepening shared value.

In addition, the project will need to develop skills of teams that will manage the different aspects of businesses at the NUCAFE factory but also at the hub and farmer association levels. Skills to process, and add value to coffee and market it through NUCAFE ensuring chain of custody and

³www.omukwano.com This is nucafe and Caffè River relationship coffee business.

guaranteed traceability, quality to customers and creating shared value to the wider society. The underlying value proposition is to create equitable shared value which involves economic value in a way that also creates value for farmers, buyers and society. The project will, therefore, impart social entrepreneurial skills, climate smart agricultural practices, offer warehousing, processing and marketing services at a one stop centre during and decentralized at hub and association levels during deepening and upscaling. To ensure sustainability after the end of the project, a service fee will be charged for each processed and marketed kilogram of different forms of coffee and inputs including; fair average quality (F.A.Q), graded coffee, roast and ground coffee (finished product), irrigation equipment, bio-fertilizer, solar pumps to ensure sustainability of the business. NUCAFE is also promoting domestic coffee consumption through its own espresso coffee shop. Domestic coffee consumption will help consumers to benefit from coffee caffeine health attributes including inhibiting diabetes type 2, loss of memory, improving alertness and putting more money in farmers' pockets and Uganda's economy. Based on its past seven years of experience in marketing semi-processed coffee, NUCAFE would like to consolidate its horizontal and vertical integration services with 198 member associations and processing and marketing of coffee.

While promoting its services, inputs and coffee brands, it will sell its differentiated products; including solar pumps, irrigation equipments and bio-fertilizers, whose payments are assured because coffee will be processed and marketed through NUCAFE and deductions will be made at that point. By accessing working capital to secure coffee whose proceeds will be used to pay for the other inputs; irrigation equipments, solar pumps, NUCAFE will be in position to guarantee pay back to aBi Finance.

NUCAFE aspires to be a model centre in facilitating; climate smart agricultural and industrial practices with social entrepreneurial skills development, processing, manufacturing and marketing high quality and specialty coffee in Africa. A total investment of US\$1,705,118 for which NUCAFE is seeking 68% in form of long-term debt and working capital towards irrigation equipment, solar pumps, bio-fertilizers and coffee. The proceeds from coffee will be used to pay back as money will be deducted by NUCAFE to be paid back to aBi. NUCAFE like also a grant towards putting in place mitigation and adaptation investments around the factory including solar power, landscape management of the swampy ecosystem with the necessary buffers, manage drainage system of the community road network to the factory and also redevelop a shade tree buffer as green growth. The rest of the money has been secured and work is ongoing. So far a grant funding amounting to Euros 499,886 has been secured through NIRAS where 80% is for technical assistance (consultancy) and 20% capital investment into solar power infrastructure and NUCAFE is seeking local contribution from aBi to bring the project to full implementation. With the interest it has towards green growth, NUCAFE has also been joined with the United Nations Capital Development Fund (UNCDF) to support it towards access to low interest long term debt and working capital to ensure deepening and expansion of creating shared value.

Situational analysis

Analysis of the business environment has been carried out using the 4C framework (i.e. customer, competitor, company and context) within the overall value chain approach.

Customers

NUCAFE is in its seventh year of active operation. It has had sales of green coffee with different customers within and outside Uganda. NUCAFE has facilitated marketing of its exceptionally high quality coffee; facilitating cumulative sales of 125 MT in 2005, 456 MT in 2006, 1,086MT in 2007, 1,867MT in 2008, 2,549MT in 2009, 3,308MT in 2010, 3,842MT in 2011, 3,974MT in 2012, 3155MT in 2013, 3,362MT in 2015 and 4,104MT in 2016. These sales were made to local and international coffee companies and some directly and indirectly to both local and outside roasters in Europe. For example, NUCAFE and Caffè River are nurturing a long term social business relationship for a better future of farmers and consumer satisfaction. Caffè River focuses on the high quality Hotel, Restaurant and Café (HoReCa) segment of the market. An agreement was signed in 2009 between NUCAFE and Caffè River and since then NUCAFE has been selling coffee to Caffè River at very competitive prices due to adhering to environmental and social responsibility practices resulting into high quality coffee. This relationship called omukwano or friendship (www.omukwano.com) has raised hopes of coffee farmers to feel and be recognized as partners in the coffee value chain and that the future of their children can be determined in a better way and not through for example child labour and prostitution which expose them to poor growth and HIV/AIDS especially in case of girls seeking for survival.

NUCAFE has also gone through the MVP period (pilot) of selling roast and ground (R&G) coffee to many customer segments and the results have been so amazing that it has not been able to meet the demand from those who have tasted its brand omukago and NUCAFE branded coffees. NUCAFE has also had discussions with supermarkets in Uganda and have expressed interest in putting NUCAFE branded coffees on their shelves.

Implementation of the business plan will lead to creation of more than 1000 jobs for women and youths. It will empower farming families and communities with capacity to mitigate and adapt climate change activities such as tree planting and use of solar pumps. Families will be in position to meet their social needs such as school fees, medical care and also put in place community development projects such as clean water and tree planting. Continuing with enhancing gender equity in its project build on efforts of the previous gender projects and will result into fairer power relations in the farming households which will further enhance productivity and quality of coffee. At least 50,000 families will acquire social entrepreneurial skills and will improve their economic statuses on a sustainable basis so that the future of their children can be determined. The business model is also replicable to other farming communities, commodities and producing countries.

The total investing finance required is US\$ 1,705,118 of which capital investment funds required is US\$556,013 and working capital is US\$ 1,149,105 for which NUCAFE is seeking financing. Due to capital investment, there will be lack of cash for operational activities and as such a line of credit of US\$ 1,149,105 will be taken in year 1 (2017/18). Revenues from sales amounting to US\$ 1,793,999 will be generated in year 1. The business will start to have a positive cash balance of US\$497,689 by the third year onwards assuming we obtain the remaining financing. For every shilling invested will bring on average at least a social return on investment of US\$8.12 annually.

As a social entrepreneurial organization, the surplus of funds will be reinvested in community development projects; clean water, agroforestry, shade-tree nurseries, renewable energy, medical care, insurance, agricultural inputs, and continued collective entrepreneurship skills development. Key success factors include the home-grown proven model, first phase of factory establishment, track record of seven years, market availability, expertise in the coffee value chain, own source of materials, social entrepreneurship expertise, well placed partnerships and compassionate leadership.

This business plan will be contributing to achieving the strategic objectives of the NUCAFE strategic plan 2016- 2020. The work done so far has positioned NUCAFE in the coffee sector as the most vibrant farmer organization that is empowering farmers to be masters of their own destiny with a focus of being climate smart operators. The business is managed by qualified and experienced business people in business administration, banking and technical in coffee value chain and financial management both at management and Board level. Technical Assistance is also sought from partners such as **NIRAS** and Transform to promote green growth and market driven carbon free coffee.

2.0 BUSINESS OVERVIEW

NUCAFE is a membership based national association of coffee farmers in Uganda. It has members in all coffee growing regions of Uganda. NUCAFE is a nonprofit organization, legally registered as a company limited by guarantee under the laws of Uganda and it is governed by a memorandum and articles of association. It has a board vested with authority from the Members' General Assembly and a national secretariat, with a factory, coffee shop, and other enterprises that are overseen by the Executive Director.

Overall business model

NUCAFE's business model is the Farmer Ownership Model (FOM) and is implemented using the Farmer Association/cooperative framework, which is designed in such a way that small scale coffee farmers can empower themselves as masters of their own destiny to collectively learn social entrepreneurial skills, undertake coffee value addition business having organized themselves to assume as many roles in the coffee value chain as possible to exceedingly outpace

market and customer requirements. This model is a shared value model based on the value chain approach aimed at creating equitable shared value to ensure a sustainable coffee value chain where all players are winners. This is an innovative model that allows a whole new population of farmers empowered, customers and society access to a service or product that was historically only accessible to those with a lot of money⁴ or skill. Key success factors include home-grown proven model, track record of seven years, market availability, expertise in the coffee value chain, own source of materials, social entrepreneurial skills, global demand of coffee. NUCAFE will contribute to domestic consumption through roasting and running a state of the art coffee shop where good quality coffee affordable by all categories of customers is served in a professional manner.

The service centre

The centre will be a service centre providing a portfolio of services including but not limited to warehousing, processing, marketing, supply of inputs and training of farmer associations. Farmers will pay a service fee based on these services for coffee processed and inputs marketed and access to low interest finance. The coffee remains the property of the farmers. The centre just provides the services, which would otherwise be difficult and expensive to be accessed by the farmers without it. Farmers through their rural based community associations transport the coffee to the centre for processing and marketing. NUCAFE facilitates the selling of coffee, a role it has played for over seven years as far as green coffee is concerned. For the finished coffee, NUCAFE sales team will do more aggressive marketing and distribution.

NUCAFE is also a member of other organizations including; EAFCA, EAFF, UNFFE and PSFU, all apex bodies for farmers and business associations in Eastern Africa. NUCAFE has partnerships with government regulatory and research agencies, coffee buyers, and other organizations with a stake in the coffee sector. Some of these include Caffé River in Italy, Savannah Commodity Trading in Uganda, aBi Trust, UNCDF, Niras, Transform, TRAC, CURAD, UCDA, NAADS, NaCORI, ICRAF, UNBS, 1000 cups, Trias, AGRICORD in Belgium, Netherlands Uganda Trade and Investment Platform (NUTIP), Agriterra in Netherlands, International Trade Centre and CBI. Since 2005, NUCAFE has been implementing annual projects and it has recorded consistent success in empowering and improving the livelihoods of smallholder coffee farmers.

NUCAFE has the collective institutional support from members and the compassionate leadership of the Board to implement this business plan. NUCAFE has had the opportunity to engage a number of local and international coffee buyers in the areas of facilitating direct marketing of members' coffee and quality analysis on supplied coffee. Before its factory was ready, NUCAFE has been outsourcing secondary processing services and has been able to link farmers to exporters and roasters cumulatively and successively and progressively with sales 125

⁴Prof. Clayton Christensen, Harvard Business School http://www.claytonchristensen.com/disruptive_innovation.html

MT in 2005, 456 MT in 2006, 1,086MT in 2007, 1,867MT in 2008, 2,549MT in 2009, 3,308MT in 2010, 3,842MT in 2011, 3,974MT in 2012, 3155MT in 2013, 3,362MT in 2015 and 4,104MT in 2016. This has had premium and differential prices and a positive socio-economic impact to the participating farmers.

The key income streams of the business are the service fees linked to a number of a number of services and products/inputs such as processing, marketing, warehousing, inputs and training at the centre which will be earned based on services provided and product sales made. The organization now aims at expanding the sources of revenue by facilitating addition of new business lines of irrigation, solar pumps, bio-fertilizers with the ultimate aim of empowering farmers to enhance productivity and quality of coffee while satisfying and exceeding the needs of customers; conserving the environment and ensuring social responsibility which in turn will enhance incomes of coffee farming households with active participation of women and youths as beneficiaries; creating jobs, meeting social needs of families and communities such as clean water, medical care, sanitation, agroforestry nurseries and appropriate rural energy especially solar power pumps. The surplus money made will be reinvested in community development projects as seen above. The business plan is derived from the NUCAFE strategic plan 2016-2020.

NUCAFE VISION

The vision of NUCAFE is **“Coffee farmers profitably own their coffee along the value chain for their sustainable livelihoods, customer satisfaction and societal transformation.”**

NUCAFE MISSION

To develop and establish a sustainable market driven system of coffee farmers’ organizations through which farmers participate fully in determining the future of their families and communities through enhanced innovation and entrepreneurship. .

VALUE PROPOSITION

Value proposition includes;

- (i) Deepened and expanded shared value
- (ii) Green growth and carbon free coffee with improved farmer resilience to climate change.
- (iii) Better livelihoods, plight and dignity of smallholder coffee farmers, the various communities in which they operate and conserving the environment for current and future generations.
- (iv) Offering bundled service and product to farmers and buyers through consistent quality and reliable supply; customization of service/product to different customers.
- (v) Increased social Return on Investment by farmers
- (vi) Increased household income from 1kg of the lowest form of coffee of at least 30%.

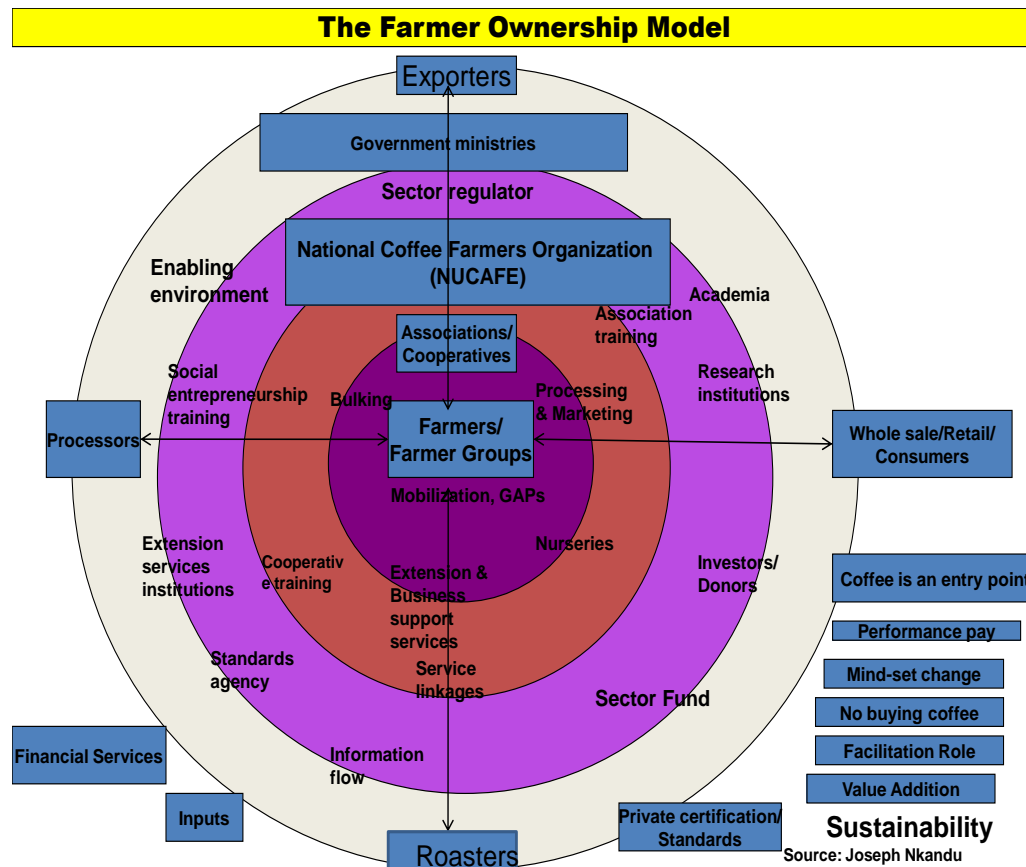
- (vii) The business's corporate culture is based on promoting an environment of trust, hard work, team work, objectivity, effective and timely execution, and openness where people act passionately.
- (viii) Creation of more jobs for the youths and women and attracting more employment in the coffee agribusiness.
- (ix) Enhanced social entrepreneurship among the female and male youths
- (x) Enhanced gender equity
- (xi) Contribute to environmental quality due to economic improvement
- (xii) Enable people to realize coffee health benefits.
- (xiii) Enhance further capacity of farmers to pay school fees for their children
- (xiv) Investment in community projects; clean water, sanitation and appropriate rural energy.
- (xv) Replicability and scalability as a value

In a nutshell, the principle of value proposition is to improve climate resilience and create a shared value which involves economic, social and environmental value in a way that also creates value for society by addressing its needs and challenges (Porter, 2011)⁵ so that there is clearly demonstrated business success with social progress. This is created by using the hybrid business model, the farmer ownership model⁶

⁵ Harvard Business Review January – February 2011; The big idea creating shared value: Capitalism is under siege.

⁶ The model is a value chain shared model created and navigated by Joseph Nkandu.

THE NUCAFE HYBRID BUSINESS MODEL



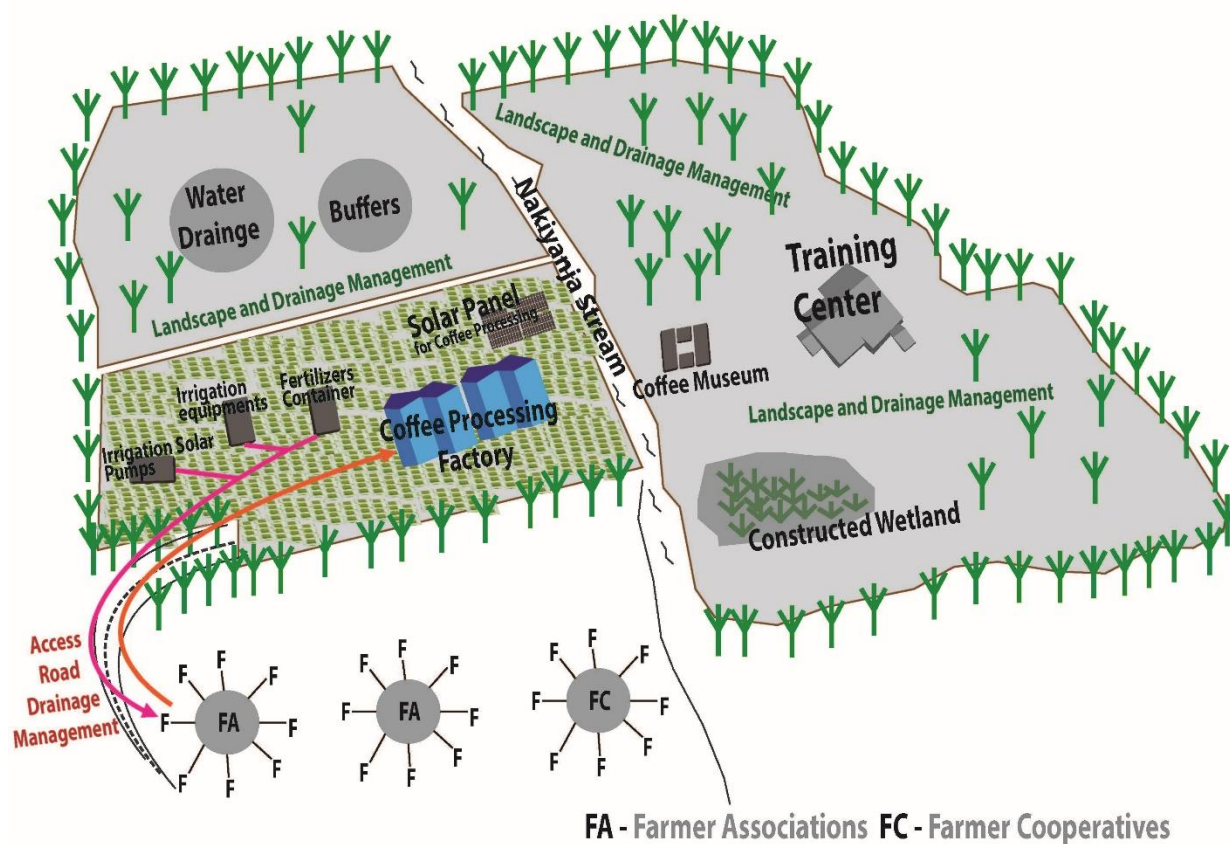
In the model, farmers are organized already to assume collectively as many roles and responsibilities as possible at different nodes of the coffee value chain in order to increase their social and economic power by establishing partnerships with different partners/customers at different stages of the network coffee value chain. Individual farmers are organized into groups, and groups are then organized into associations/cooperatives. The network of associations provides some services; bulking, primary processing of coffee and facilitating linkages. NUCAFE works through associations and cooperatives in facilitating increased productivity and value addition through: (i) accessing inputs (ii) providing secondary processing and manufacturing of coffee, (iii) training, (iv) marketing (iv) market information and policy advocacy.

According to the “farmer ownership model” the role of the farmer organization such as NUCAFE is different. Rather than buying coffee, NUCAFE focuses on being a process facilitator providing services that empower farmers to upgrade in the coffee value chain so that they can satisfy the tastes and preferences of different customers. As a facilitator, NUCAFE does not buy coffee to take away ownership of coffee from farmers, instead it provides affordable services, which would otherwise be extremely hard to get from the conventional middlemen. By having working capital, NUCAFE enables farmers to add value to their coffee or even purchase

inputs (solar pumps, irrigation equipment) on credit or cash. Being an innovative business model, the farmer ownership model has already been patented and the book has been copy righted. With acknowledgement of the innovator, the model is already being disseminated by EU's CTA⁷, based in the Netherlands, as one of its top 20 innovations benefiting the farmers in Africa, Caribbean and Pacific.

This business plan is about further improving climate resilience and enhancing shared value through empowering farmers towards climate resilience through mitigation and adaptation and to patiently hold onto their coffee as owners so that they add value and upgrade to profitable nodes of the coffee value chain. This is made possible through the Centre for Agribusinesses and Farmer Entrepreneurship enhancement (CAFÉ) with a number of business lines with the necessary services and inputs. The conceptual framework below illustrates the interventions of forward and backward integration:

Business and development conceptual framework



The project will support farmers' resilience and profitability in the coffee value chain by enabling them access to climate change mitigation and adaptation opportunities and increase their incomes through processing and accessing input supplies of green growth at NUCAFE as a

⁷http://www.cta.int/images/CTA234%20-%20Top%2020%20Guidebook_Nkandu_NUCAFE%20Farmer_AW%20WEB.pdf

result of access to low interest working capital to pay farmers against coffee. The critical areas of intervention will include:

- a) Install solar energy for agro-processing and manufacturing at NUCAFE factory for farmers to save money on electricity.
- b) Support farmers to test and use appropriate solar pumps for irrigation of their coffee farms.
- c) Support access to bio-fertilizers and training in best farming practices to improve productivity.
- d) Support increased production of shade tree nurseries.
- e) Support access to appropriate irrigation systems by farmers.
- f) Promote coffee quality enhancing handling practices by farmers, associations and hubs.
- g) Promote financial inclusion for farmers' access to affordable finance for climate resilience and value addition using their coffee to pay back.

NUCAFE is already working with Niras, a Danish international company and has already done mapping and baseline survey for both mitigation and adaptation interventions required and some part financing obtained amounting for TA and solar infrastructure but there is still a funding gap.

3.0 THE MARKET OPPORTUNITY

3.1 SIZE OF THE PROBLEM

Since liberalization of coffee marketing in the early 1990s, coffee farmers had increasingly become marginalized in the marketplace. Although some farmer organizations are trying to strengthen themselves, they lack capital and investment funds into the much needed infrastructure for agro-processing, solar power, and opening outlets for inputs supplies. This affects not only farmers to boost productivity but also escalates environmental degradation, increasing child labour and family disintegration because family leaders cannot afford the basic necessities of the families such as medical care and school fees. This becomes a vicious cycle of poverty from one generation to another. But it is interesting to note that coffee buyers in developed countries are being challenged by civil society and consumers to demonstrate social responsibility and creation of shared value with farmers, consumers and society.

3.2 LOW EARNINGS BY FARMERS AT THE BASE OF THE VALUE CHAIN.

The coffee industry has made a major contribution to Uganda's economy in terms of foreign exchange earnings, employment opportunities, and rural development but can do more given the revenues generated from coffee globally as seen in table 1. The table shows that there is still room for Uganda and smallholder coffee farmers to improve their shared value of the finished coffee. The global coffee economy for a trend of more than 10 years has oscillated between 70 –

400 billion United States dollars. Uganda has only been able to get foreign exchange earnings of 84 – 545 million US dollars from raw forms of green coffee beans between 2002 and 2016.

Table 1. Showing global coffee revenues			
Year	Global Coffee Revenues (US\$bn)	Total value of exports for all producing countries (US\$ bn) (Source: ICO)	Coffee revenues for Uganda (US\$ m) (Source: UCDA)
2000	60 ¹	9.2	164
2001	60 ²	7.2	105
2002	70 ³	5.0	84
2003	70 ⁴	5.4	105
2004	70 ⁵	5.8	116
2005	70 ⁶	7.6	162
2006	80 ⁷	9.5	170
2007	90 ⁸	9.0	257
2008	100	12	388
2009	130	15	291.7
2015	200	23	488
2016/17			545

Added Sources:

¹http://www.submergingmarkets.com/submerging_markets/coffee/index.html, 3rd December 2007

²<http://www.organicconsumers.org/starbucks/1112.cfm>, 3rd December 2007

³<http://www.ico.org/documents/globalcrisis.pdf> - The ICO, The global coffee crisis:

⁴<http://www.competition-regulation.org.uk/conferences/Southafrica04/mehta&nanda.pdf>

⁵http://www.nsi-ins.ca/english/pdf/review_spring_summer_2004.pdf

⁶<http://www.tutor2u.net/economics/revision-notes/as-markets-coffee.html>

⁷<http://dryden.easmanhouse.org/2007/01/>, 27th November 2007

⁸http://news.bbc.co.uk/1/hi/programmes/documentary_archive/6609141.stm, 27th November 2007

In 2015, the total economic impact of the coffee industry⁸ in the United States in 2015 was **\$225.2 billion.**

3.3 SOCIAL PROBLEM TO BE ADDRESSED

Globally, over 25 million coffee farming families (about 100 million farmers) are involved in coffee production. In the last decade, over 120 million 60kg bags are produced every year (José Sette, 2011)⁹. In the early 1990s, earnings by coffee producing countries (exports f.o.b) were US\$10-12 billion and the value of retail sales of coffee about US\$30 billion. In 2002, the value of retail sales exceeded US\$70 billion but coffee producing countries only received US\$5.5 billion (Nestor Osorio, 2002)¹⁰. In the same year in its book, *Poverty in your coffee cup*, Oxfam (Gresser and Tickell, 2002) reported that children in Uganda, Peru, Honduras, Mexico, Kenya, and Ethiopia were forced out of schools because their parents could no longer meet even the production costs of coffee. This led to severe hunger and worsening health care situation among coffee farming families leading to disintegration in families and communities. The slump in green coffee prices has severe negative impact far beyond the immediate farming families; it is a development crisis for the producing countries (Gresser and Tickell, 2002). By end of 2010, globally coffee was estimated to have generated over US\$ 100 billion but coffee producing countries earned an estimated US\$ 15 billion. This implies that although the value of retail sales of coffee have increased tremendously over the years, the value gap between producers and traders has continued to widen and if investments in climate resilience and value addition are not made, the current and future generations of farmers will be in trouble. Without opportunities such as the aBi finance is providing, farmers are not capable of investing in climate smart productivity enhancing inputs and agro-processing renewable energy so that they can do product development for better returns. Farmers are finding it difficult to invest in environmental conservation practices, hence, leading to worsening climate change and deepening poverty. Paradoxically, according to the ICO report (Jose Sette, 2011), world coffee consumption increased from 105.2 million bags of 60kgs in 2000 to more than 129 million 60kgs bags in 2009 and prices of Arabica coffee increased from 184.26 US cents per lb in December 1994 to 197.35 US cents per lb in January 2011. Supply is not in tandem with the upward trend of green coffee prices. Opening stocks in coffee producing countries have been declining e.g. from 55.1 million 60kg bags in 2000 to 21.0 million 60kg bags in 2008 indicating a decline of 61.9%. Nevertheless, some producing countries have remained heavily dependent on coffee as a major export earner (Sette, 2011)¹¹ e.g. Ethiopia (31.9%), Uganda (16.3%), Honduras (16.1%), Rwanda (25.4%), Burundi (58.9%) with millions of small scale farmers involved. In 2007, the new International Coffee Agreement¹² was formulated with a call to coffee producing countries to invest in value addition and manufacturing of coffee into finished product. This business plan is aimed at investing in climate smart agricultural and industrial practices and enhancing backward and forward value addition in productivity at farm level and processing(appendix XI).

⁸ <http://www.ncausa.org/Industry-Resources/Economic-Impact>

⁹ *International Coffee Organization Monthly coffee market report, January 2011.*

¹⁰ *International Coffee Organization Executive Director's Submission to the World Summit on Sustainable Development, Johannesburg, 2002*

¹¹ UNCTAD Global Commodities Forum Geneva, Switzerland, 31 January – 1 February 2011.

¹² International Coffee Agreement (ICA 2007) www.ico.org

3.4 RATIONALE OF THE BUSINESS PLAN

The business model conceived to implement this business plan is the farmer ownership model and it presents a great opportunity for the farmers, customers and society in a win win manner. It is a home-grown model. NUCAFE with its innovator have been implementing it for over ten years and has been tested for seven years resulting in good business partnerships between farmers and coffee roasters/buyers entering contracts; for example NUCAFE-Caffe River (appendix XVI). It is a hybrid model integrating conventional and specialty coffees. The model operates with a high degree of social responsibility and fair-trade norms required to create shared value for sustainable development. It is actually a shared ownership model based on dialogue, transparency and respect seeking greater equity in business between farmers and buyers and society transformation. The model addresses customer needs of high quality coffee with reciprocity of performance reward to farmers. It contributes to sustainable development by offering socially responsible coffee and service to customers and at the same time securing the rights of marginalized farmers. The model presents a greater opportunity for the children in abject poverty¹³ who are forced into child labour and depressed coffee farming families to be able to live in a society that is predictable and certain. This project(business) provides the solution because it has a home-grown proven model, track record of at least seven years, market availability, expertise in the coffee value chain business, own source of materials, lower administration costs, has partnerships and has been effective in policy advocacy as it delivered the first ever Uganda's National Coffee Policy.

The underlying principle is to create a shared value which involves economic value in a way that also creates value for society by addressing its needs and challenges so that there is clearly demonstrated social and economic progress in a conducive ecosystem. It is interesting to note that there are a number of requests from other countries to replicate the business model in those countries. In a nutshell, the model allows a whole new population of farmers empowered, customers and society access to a service and/or product that was historically only accessible by those with a lot of money¹⁴

4.0 MARKET REQUIREMENTS (DECLINING PRODUCTION, HIGH QUALITY AND FOOD SAFETY)

Global Coffee consumption¹⁵ has increased due to new countries like those in Eastern Europe, China, Japan and coffee producing countries emerging to consume coffee. However, stocks are

¹³ Children in abject poverty in Uganda: a study of criteria and status of those in and out of school in selected districts in Uganda, UNSCO, 2005.

¹⁴ Prof. Clayton Christensen, Harvard Business School http://www.claytonchristensen.com/disruptive_innovation.html

¹⁵ Monthly Coffee Market Report of the International Coffee Organization (ICO)- www.ico.org

staggering in both traditional coffee consuming countries and producing countries due to uncertainty in weather conditions and encouraging prices. More importantly, the opportunity for domestic and regional coffee consumption in a producing country like Uganda¹⁶ is on the rise as a result of the emerging middle class and viewing coffee drinking as trendy and pride for the youths. About 50% of the coffee consumed in the region is imported. Tastes and preferences are ever changing, quality and food safety requirements have increasingly become high entry barriers in the traditional consumer markets in EU, USA and this calls for shortening the long marketing chain to ensure accountability. This business venture presents a great opportunity to develop not only entrepreneurial skills but also technical skills of operators to practice Climate smart agricultural practices (GAPs), Good hygiene practices (GHPs) and good manufacturing practices (GMPs) to retain current markets in the European Union countries and also develop domestic and regional markets in Africa. Because of its economic, social, cultural and health benefits (appendix: XVII), coffee consumption in Africa is destined to grow twofold by 2020 and will reach 165 million 60kgs by 2020 from 145 million 60kg bags in 2015. Through this business plan farmers have a great opportunity to earn more from their coffee.

5.0 CURRENT SITUATION AND WHAT HAS BEEN DONE SO FAR

The annual production of coffee in Uganda averages 162,000MT. Many factors are impacting negatively on farmers; including limited investments towards climate change, drought, and high interest rates. Consumption of coffee is also growing from only less than 150,000 bags of 60kg in 2001 to over 230,000 bags of 60kg in 2016. Therefore, it is only those organized farmers who can invest in climate smart agricultural and industrial practices, collective entrepreneurship and value addition that will be able to take advantage of this domestic and world consumption growth.

Since 2009, NUCAFE started facilitating farmers in marketing processed coffee; at least Fair Average Quality (FAQ) coffee. This was possible; first through out-sourcing of primary processing factories and later establishing NUCAFE's own factory and eliminating primary middlemen so that farmers directly export coffee to roasters (appendix: XVIII)¹⁷. This is now adopted by many other NUCAFE member farmer organizations that they are able to facilitate marketing of more value added coffee.

NUCAFE has spearheaded and influenced the formulation of the National Coffee Policy for Uganda. So far the policy is in place and already a strategy following the policy is in place. The national Coffee Bill is also before Parliament soon becoming law.

What is also more interesting is that NUCAFE has carried out test cases across the coffee value chain; providing services to farmers; marketing and getting contracts for coffee export. This gives this business plan greater chances of successful implementation. NUCAFE is not beginning from zero but rather from a point of successful practical experience through providing processing services and marketing in a forward integration manner. Now NUCAFE would like to integrate backwards with the necessary climate smart productivity enhancing tools of solar

¹⁶ Consumers' perceptions Survey Report about coffee consumption in Uganda carried out in four regions by UCDA, September 2009

¹⁷ Scanned news article of Uganda's Daily Monitor newspaper of 26th October 2011 www.monitor.co.ug

pumps, bio-fertilizers, agricultural insurance which will further economically empower the farmers to add value to their coffee for better household incomes and livelihoods.

6.0 COMPETITIVE ANALYSIS

There are about 40 buyers (exporters) of green coffee in Uganda. All these exporters operate in the conventional bulky market. NUCAFE operates in the top-most coffee quality market segment pyramid in Uganda.

As far as coffee manufacturing (roasting and grinding) is concerned, it is largely unexploited and during the last six years, following persistent increases in the prices of food stuffs, have seen emergence of firms that are engaged in coffee roasting (value addition) and no social business skills development for farmers. These companies have neither designed affordable products for different categories of consumers nor have consistently provided quality coffee for the emerging middle class and youths who are the majority of the Ugandan population. This is where the fortune¹⁸ is but it has not been tapped. The companies that are already in the inputs and outputs markets are many mainly based in Kampala and for coffee include: Good African Coffee, Star Coffee Ltd, Zicofe Ltd, Nguvu, Cafe Pap, Ban Cafe Uganda Limited, Heritage Coffee Limited and 1000 cups coffee limited. However, None of the above competitors is yet to the level of quality coffee and social impact that this business will create targeting offices, youths, families, students and other customer segments. The project will tap into the NUCAFE strong farmer membership base it currently enjoys to ensure sufficient and consistent supply of high quality coffee beans while endearing them through price give-backs to engender their loyalty. NUCAFE's model allows a whole new population of over 20,000 farmers empowered, customers and society access to a service or product that was historically only accessible to those with a lot of money¹⁹ or a lot of skill.

7.0 MARKET SOLUTION

7.1 PRODUCT AND SERVICE DELIVERY MODE

The business value delivery mode (Fig.2) will be through both product and service. Unique, bundled service (e.g. processing, marketing, training) and differentiated products which are branded will characterize consistency in quality control and supply reliability; customization of service and product while matching customers and to ensure convenience by way of processing, packaging, marketing, branding with a high degree of responsibility. Traceability will be inbuilt as a mechanism for quality and food safety

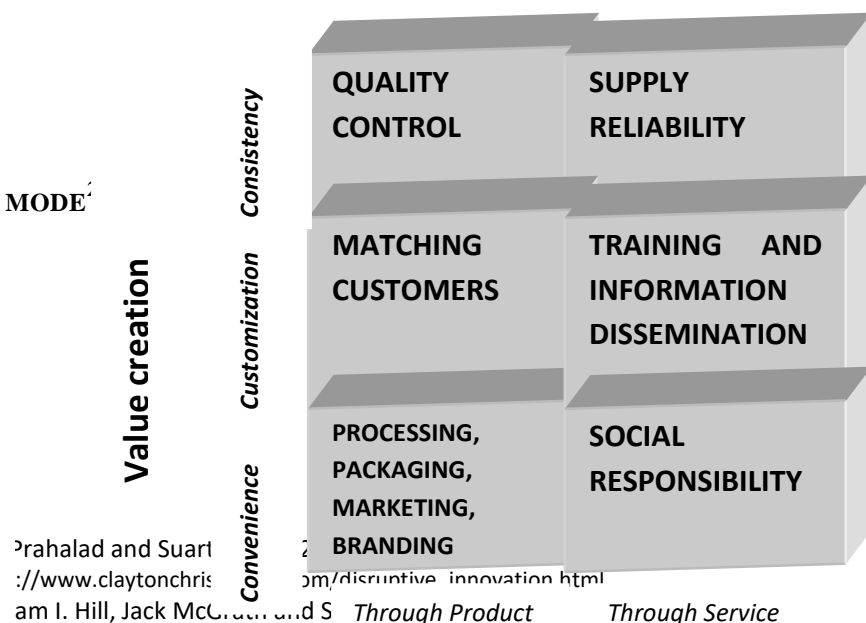


Fig 2. Value delivery mode

7.2 DESCRIPTION OF A WORKING OF THE SERVICE CENTRE BASED FARMER OWNERSHIP MODEL

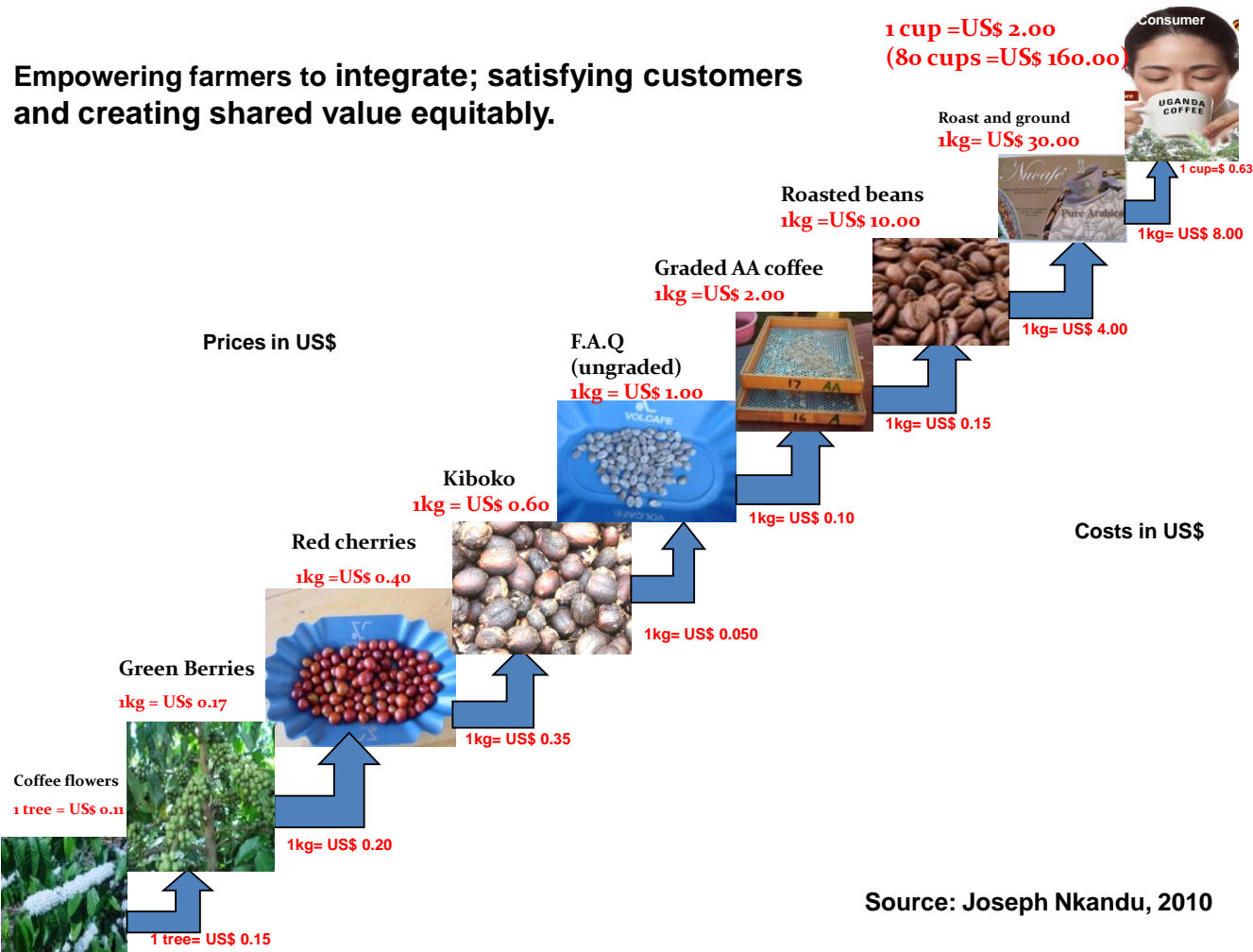
The Centre provides many services including warehousing, processing, training, marketing services for which farmers pay a fee per kilogram of coffee according to the form of coffee processed and marketed. This is a service fee based centre. Service fees are US\$ 0.05, 0.075, 10.00 and 20.00 for F.A.Q, graded, R&G and Coffee shop per kg respectively. This has enhanced capacity of the farmers to participate in the most profitable nodes of the coffee value chain (Fig3), with increased ownership enabling them to negotiate for the price of coffee. Consequently, resulting into improved entrepreneurship, household incomes, improved livelihoods, rural development and employment creation.

From Fig.3, the farmers upgrade from far less than US\$ 1 per kg of cherries to earn at least US\$ 6 per kg when 1kg of the final product will be sold at US\$ 20 while retail (super market) price of competitors is US\$ 30 as per fig.3. A difference of US\$ 10 per kg is part of the created shared value between NUCAFE social business and its customers²¹. This means that customers will save US\$ 10 per kg of the finished product by buying coffee from NUCAFE. Then the rest pay for the loan and administrative costs.

Regarding the coffee shop sales, each cup is projected to be sold at US\$ 1.30 considering that coffee shop prices of competitors in Kampala are at least US\$ 2.00 as per fig.3. NUCAFE customers save at least US\$ 0.30 per cup by buying from the NUCAFE coffee shop.

²¹ This is in consideration that the majority of Uganda's customers (emerging middle class, students and upper class) are averaged to be medium earners so that at least 10% of the total population can be served very well in 5 years.

Empowering farmers to integrate; satisfying customers and creating shared value equitably.



Source: Joseph Nkandu, 2010

Fig.3

7.3 MARKETING STRATEGY AND TARGET MARKETS

The market strategy will continue to focus on maintaining the business relationship with the high-end buyers (e.g. Caffe River, Twin Trading, Cafebeane, Benecke, ZED Group) who appreciate the best specialty coffee. For the roasted and ground coffee, it will focus on using its coffee shop, supermarkets, offices, universities, and other sales agents to directly access retailers and consumers of its products. Locally, NUCAFE will continue to develop the farmers' collective brand and prioritize consistence in quality for the brands. Accordingly, it shall have to focus on growing presence in young people, emerging middle class level as well as high-end distribution and consumer clusters, which find specialty coffee as trendy and benefiting in terms of environmental conservation. NUCAFE will also prioritize establishment of relationships with distributors selling directly to larger masses or with wide distribution networks. The principle of high volumes with low mark-up will be emphasized to further stimulate the local consumption of coffee. Domestic coffee consumption is important to prevent or suppress a number of ill-health conditions and diseases in life-style changing eating habits. For example, the projected increase in diabetes in Africa from an incidence of 13.6 million people in 2003 to 26.9 million people in 2025 indicating an increase of 98% (appendix XVII). This calls for people of Africa to consume coffee. Global projections for diabetes epidemic will increase from 189 million persons in 2003 to 324 million people in 2025 (ASIC, 2007).

POSITIONING

NUCAFE will continue to position itself as the top most value for money coffee brand in Uganda and Eastern Africa as a leader in creating shared value. Its value delivery mode will be bundled through consistent quality control, and reliable supply; customized sales and application of knowledge; and convenient packaging and taking on environmental and social responsibility through combined product and service delivery. NUCAFE facilitated coffee will be traceable from the farm to cup. Origin specific coffees will be promoted to potential customers who will be interested in such coffees.

MARKETING MIX

Product/service: building on past experience of green coffee and roast & ground coffee, NUCAFE will launch different sizes of packs of 20grams, 50grams, 100grams, 250grams, 500grams and 1kg for different customers. Processing of coffee will be done for farmers at a fee for them to be able to sell value added coffee using the collective brands of NUCAFE. At its coffee shop, it will sell flagship coffees of different types, and an assortment of other cups of coffee of different characteristics targeting different clients; young, women, adults, middle class.

Price: It will offer value for money for different sizes of packs of finished product at; US\$ 0.60, US\$1.50, US\$3.00, US\$6.50, US\$12.00 and US\$20.00 for 20grams, 50grams, 100grams, 250grams, 500grams and 1kg respectively. For a cup of coffee in the coffee shop, each on average will go for US\$ 1.30. A 15% discount to wholesalers and retailers will apply for any

exceeding 1MT. A 10% discount will apply to families and groups of at least 3 students who take coffee from the NUCAFE-Coffee shop.

Place: NUCAFE will supply flagship products of roast and ground coffee to offices, walk-ins in the coffee shop, super markets and homes.

Promotion: The entry point for promotion will be the coffee shop and the entire CAFÉ where coffee will be processed into the final consumer product. The second avenue for promotion will be participation in conferences and exhibitions with samples. Sending samples to buyers will be another marketing route. Supply and coffee value chain management with established traceability system will be adhered to. Internet coffee marketing of the best coffees will be promoted.

8.0 THE MARKET

8.1 INDUSTRY AND OUTLOOK

(a) International level

Coffee is the second most traded commodity after oil worldwide. However, farmers earn less than 5% of the retail value. Major producers are: Brazil (47 million bags), Vietnam (21 million bags), Colombia (9.5 ml), Indonesia, Costa Rica, India, Ethiopia, Guatemala, El Salvador, Uganda (3 ml) and Cote d'Ivoire. Global annual production in 2010/11 is about 133 million bags, an 8.1% increase from 2009/10. World coffee consumption was estimated at 131 million bags in 2010 and is depicting an upward trend (ICO 2011). This is attributed to tremendous increase in producing countries especially Brazil which is adding 1 million bags annually and emerging markets in Eastern Europe. In the face of rising populations and changing tastes and preferences especially among youths and upcoming middle income segment in developing countries, there is strong optimism that coffee consumption is on the upward trend.

Besides, current world coffee exports are valued at 145 million bags (2015/16). Although certified stocks on the New York and London futures markets have increased further by 2.4% (from 1.49 million bags in February to 1.53 million bags in March) and 1.9 % (from 2.80 million bags in February 2017 to 2.85 million bags in March 2017) respectively, the stocks have over the years remained low.

There has been low international coffee prices for Arabica (about 134.07 UScents/lb for Arabica at the beginning of 2017). Prices for Robustas on the other hand have remained broadly stable with little in - month variation. The March monthly Average of 106.73 UScents/lb constitutes a marginal Increase of 0.2% compared to 106.49 UScents/lb recorded in February 2017. All in all

indications are that prices are likely to drop, on account of poor conilon from Brazil. Projected global demand (consumption) stands at 155 million bags by end of 2016 whereas global production stands at 151 million bags leaving a balance of 4 million bags. Producing countries (Uganda inclusive) are therefore expected to increase supply of high quality coffee to meet market demand. This will be through increasing coffee productivity and production, up scaling entrepreneurial development and industrial processing along the coffee value chain while being mindful of applying climate smart agriculture and industrial practices.

Contribution of coffee to National economy

At the national level, coffee is the main income generating industry in Uganda contributing on average 16-20%²² annually to foreign exchange earnings. Over 10 million people are involved in its production and trade in Uganda out of 35 million people. It has a well established global value chain but poorly developed at the local level in terms of quality, food safety, quantity, consumption and incomes to the farmers. The coffee value chain development addresses 13 out of 17 Sustainable Development Goals (SDGs) especially no poverty, zero hunger, quality education etc. Coffee is a strategic commodity in the government of Uganda National Development Plan (NDPII) as it is a priority, MAAIF's Agricultural Sector Strategic Plan 2015/16 -2019/20. It is Uganda's major foreign exchange earner (23%) of total exports next to remittances from abroad (*Kyeyo*) (UBOS 2009). Production is from 1.32 million coffee farming households (UNHS 2005/06), whose holding size is approximately 0.3 ha, from which 0.16 ha is under coffee. Coffee contributed US\$ 410 million in 2014/15, US\$ 393 million in 2013/14, US\$ 432 million in 2012/13; US\$ 392 million in 2011/2012 and US\$ 392 million in 2011/12, from 3.45 million 60-kilo bags, 3.5 million, 3.58 million bags, 2.73 million 60kg bags and 448 million 60kg bags respectively, a declining trend on account of internal weaknesses related to climate change causing prolonged dry spells, inappropriate practices e.g. no stumping, lack of fertilizer application, lack of irrigation during dry spells, etc.

8.2 MARKET SIZE, ANALYSIS AND FORECAST

Ten major coffee exporters control 80% of the coffee exports and 5 major buyers control 50% of Uganda coffee. Uganda exports 85% of the coffee to EU and Sudan. At the post-harvest level, 400 primary processors (about 80% have one-huller factories, 20% have 2 or 3 hullers) and twenty (20) wet-processing factories. The actual processing capacity is small which calls for intervention; hence NUCAFE established a centre that will not only provide coffee processing services but also others like irrigation equipment, biofertilizer, solar pumps and indeed training related to application of inputs and entrepreneurial skills to farmers and their farmer associations and cooperatives. The coffee sub-sector currently has more than 30 exporters with less than 30 export grading factories and less than 10 local roasters with relatively aging machinery.

²² International Coffee Organization (www.ico.org) and Uganda Coffee Development Authority (www.ugandacoffee.org).

NUCAFE presents a brand new state of the art coffee roasting equipment. Domestic market/demand is increasing at 5% per annum as evidenced by increasing number of cafes/ coffee shops (over 100 in Kampala city alone). A number of coffee product brands (Good African Coffee, Star Café (Roast & ground/Soluble), Masaba/Savannah Coffee, Elgon Pride, One Café, Salati Coffee, Zigoti Coffee, Nguvu) are on supermarket shelves in various packaging units but they have challenges to do with consistency in quality.

8.3 NUCAFE POSITION IN THE MARKET

NUCAFE is in its seventh year of active operation. It has had sales of green coffee to different customers within and outside Uganda. Future customers include: Fair Average Quality (FAQ) buyers, Green coffee buyers, Roasted coffee customers, Ground coffee customers and Coffee shop customers.

For seven years, NUCAFE has facilitated marketing its exceptionally high quality coffee with sales revenues of Ushs 1.1bn in 2010, Ushs1.2bn in 2011, Ushs.0.58bn in 2012, Ushs.0.79bn in 2013, Ushs.0.9 in 2014, Ushs.1.1bn in 2015, Ushs.3.1bn in 2016. These sales were made to local and international coffee exporting companies and some directly and indirectly to both local and outside roasters in Europe and North America. For example, NUCAFE will also continue to extend its business relationship with Caffé River, an Italian coffee roasting company founded in 1958 and with operations in Italy, Romania and Denmark. Caffé River focuses on the high quality HoReCa segment of the market. An agreement was signed in 2009 between NUCAFE and Caffé River and since then NUCAFE has been selling coffee to Caffé River at very competitive prices.

NUCAFE has also carried out pilot of selling Roast and Ground (R&G) coffee to offices and individuals and during conferences and the results have been so amazing that it has not been able to meet the demand from those who have tasted its R&G coffee. The reason is that NUCAFE has had no its own processing equipment. Instead it has been outsourcing the service and it has reached a point that its service demand can no longer be met by simply outsourcing. NUCAFE has also had discussions with supermarkets and have expressed interest in putting NUCAFE brands on its shelves. It is also interesting to note that farmers themselves are in need of consuming their coffee and have always demanded for their own coffee for their home consumption. NUCAFE has repeatedly participated in national coffee quality competitions codenamed, “National Taste of Harvest Competition” and has always won the competition because of its high quality coffee. To ensure that competition from other competitors is minimized, the brand, model and innovations are already patented and copyrighted and NUCAFE will continue to position itself as a niche player rather than a bulky player.

9.0 SOME MEMBERS OF THE GOVERNANCE AND MANAGEMENT TEAMS

9.1 Governance leadership

(a) Gerald Ssendaula,

This is the Chairman of the Board of NUCAFE. He is formerly Uganda's representative Minister to the International Coffee Organization (ICO) in London in 1990s. He also served as Government of Uganda Minister of Finance for ten years before retiring voluntarily in 2005. Mr. Ssendaula is an experienced coffee farmer and a Banker.

9.2 Key Management staff

(b) Joseph Nkandu

Joseph Nkandu is the Executive Director of NUCAFE. He founded NUCAFE in 2003 as a successor of Uganda Coffee Farmers Associations (UCFA) which was founded in 1995. Joseph has since 2003 to date been the Executive Director for NUCAFE. Joseph holds an MBA in Social Entrepreneurship and Management from the Catholic University of Sacred Heart in Italy. Joseph Nkandu is a professional agricultural Scientist with a Bachelor of Science Degree in agriculture from Makerere University, Uganda.

Joseph has also participated in training of managing coffee value addition business from the Germany-based Probat and also the Turkish-based toper. These two companies are the world's leaders in coffee roasting and associated coffee entrepreneurial skills development.

Along with the Executive Director, Joseph Nkandu has managed many projects of natural and international funding. Joseph has trained operations management at Santa Clara University Miller Center for Social Entrepreneurship at GSBI, Silicon Valley California. He trained in enhancing agrobiodiversity use: markets and value chains and participatory approaches in genetic resources management from Wageningen University of the Netherlands. Further training has been done in Agribusiness SME Development from Danida fellowship centre in Denmark. Also further training in citizen engagement and influencing policy change from Coady International Institute of St. Francis Xavier University in Nova Scotia, Canada.

Joseph innovated a model called the Farmer ownership model for Commodity Value chain development with the aim of creating shared value between farmers, customers and society.

Joseph has written a number of farmer training manuals such as the Farmer Ownership Model Development Manual, Sustainable coffee production Manual, Governance and Management of Farmer Organizations manual. He has also developed training materials for the United Nations Food and Agriculture Organization for farmer training in Good Agricultural Practices, Good Hygiene Practices and Good postharvest handling practices. Joseph Nkandu is a practicing coffee farmer. Joseph has facilitated empowerment of farmers in the market through market linkages between farmer organizations and buyers. He has also facilitated the establishment of an agribusiness incubator at Makerere University Kabanyolo. Joseph dedicates 100% of his time to the project as the leading social entrepreneur.

(c) David Muwonge

David is the Deputy Executive Director of NUCAFE. He is an Agricultural Economist with BSc in Agriculture specializing in Economics after successful researching on the “Determinants of loan repayments for coffee marketing and production with Centenary Bank. David manages NUCAFE’s lines of credit with Centenary Bank and Oikocredit. Given his passion for coffee as a key coffee expert, Mr. Muwonge is one of the few Ugandans holding specialized International Coffee Diploma which he earned from on-the-job training with a German-based Neumann Kaffee Gruppe of Companies with subsidiaries in Kenya, Uganda, Tanzania, Mexico, Texas and New York states U.S.A.

He continues to build his coffee skills and knowledge capacity through a number of trainings and as such he has successfully participated in a number of 4Cs training of Trainers trainings organized by EAFCA, Q graders’ and Star Cuppers’ training to mention but a few. Given these trainings he is a licensed Q-grader, a star Cupper and one of the two selected Ugandan 4C champion. He is a qualified Value Chain expert and successfully completed a DANIDA fellowship course in Entrepreneurship and Innovation in the Agricultural Industry in Denmark.

Mr. Muwonge has worked in the coffee Industry from the time of his graduation to date. He started working as an Agricultural Economist with the then Uganda Coffee Farmers Association (UCFA) and was part of the team that led to its transformation to NUCAFE. He was later promoted from Agricultural Economist (July 2002 to 2003), to marketing specialist (Nov. 2003 to April 2004), then to Market Development Manager (October 2005 to Dec 2007), Production and marketing Manager for NUCAFE (January 2008 to January 2011) and is currently the Deputy Executive Director of NUCAFE. He has been and still is key in developing the market linkage service aspects of the new Innovative model known as the Farmer Ownership Model. As the NUCAFE staff overseeing the Utz certified Compliance process he guided the process that led the association being certified as the 1st smallholder farmer organization to own a Utz certified certificate in its name. David dedicates 100% of his time to the business.

(d) Samuel Maganda

Sam is the Finance and Administration Manager for NUCAFE with more than eight years experience in financial management and auditing. Sam has a Bachelor's degree of Science in accounting and finance and is already upgrading for the ACCA - Association of Chattered Certified Accountants of United Kingdom. Sam is a coffee farmer and passionate to assist fellow farmers to realize more money from their coffee using the farmer ownership model. He has also undergone other short-term training courses in Denmark and Tanzania.

Relevant Work Experience:

April 2005 to date: Nucafe Ltd Kampala, Uganda

Primary responsibility for all aspects of the organization's financial and administrative issues, accountable for the overall financial performance and the smooth functioning of the administrative support activities.

(e) Deus Nuwagaba

Deus Nuwagaba is currently the Entrepreneurship Services Manager with NUCAFE. He is also currently heading the implementation of the CAFÉ project. He has managed the annual Danida Fellowship Centre International Agribusiness Course on General Tools and SME Development with the Makerere University and CURAD. He previously worked as a Research Assistant with Makerere University and as an intern with NUCAFE. He holds a Bachelor of Science Degree in Agriculture (First class) from Makerere University with specialization in Agricultural Economics. Deus has continuously facilitated exports of coffee for NUCAFE's farmer associations and cooperatives. He is also the leader of entrepreneurship and value chain training programme for NUCAFE. Already he dedicates 100% of his time to the business.

(f) Moses Abuce

He is the Accountant and will dedicate 100% of his time to the business. Moses holds a BSc in Accounting and Finance (First Class) and currently pursuing his CPA. He has experience at least four years. He is very good at using accounting software pastel, quickbooks and Tally.

(g) Charles Kironde

Charles Kironde is the Marketing Officer of NUCAFE a position he has held for two years. He is the frontline staff responsible for NUCAFE's coffee exports. He holds a Bachelor of Agribusiness from Makerere University. He is dedicated to the business 100%. Charles has skills in marketing, cashflow management and quality control.

(h) Musa Mutyaba

Musa Mutyaba is the Production Officer of NUCAFE, the position he has held for two years. He is responsible for procurement of coffee from the member associations and cooperatives. He ensures compliance to quality. He is the lead person in facilitating environmental development through certification and verification schemes such as fair-trade, organic and 4C (common code for coffee community). He holds a Bachelor of Agribusiness from Makerere University.

(i) Rose Nakafu

Rose Nakafu is the Membership and Advocacy Officer of NUCAFE, the position she has held for over two years. As a frontline staff, Rose is responsible for farmer mobilization into groups, associations and cooperatives. She facilitates good governance services to NUCAFE's associations and cooperatives. She solicits for policy issues for dialogue with government. Rose holds a BSc in Population studies from Makerere University.

(j) Carol Nabukonde

Carol Nabukonde is the Gender Equity Manager of NUCAFE, a position she has held for over two years. She has successfully headed the DANIDA funded NUCAFE gender equity project which has led to increased gender relations, joint decision making at the household, increased productivity and profitability of coffee. She holds a Bachelor of Arts in Development Studies. She has excellent interpersonal skills.

(k) Esther Ajambo

Esther is an Accounts Assistant, a position she has held for two years. She holds a BSc in Accounting and Finance from Kyambogo University.

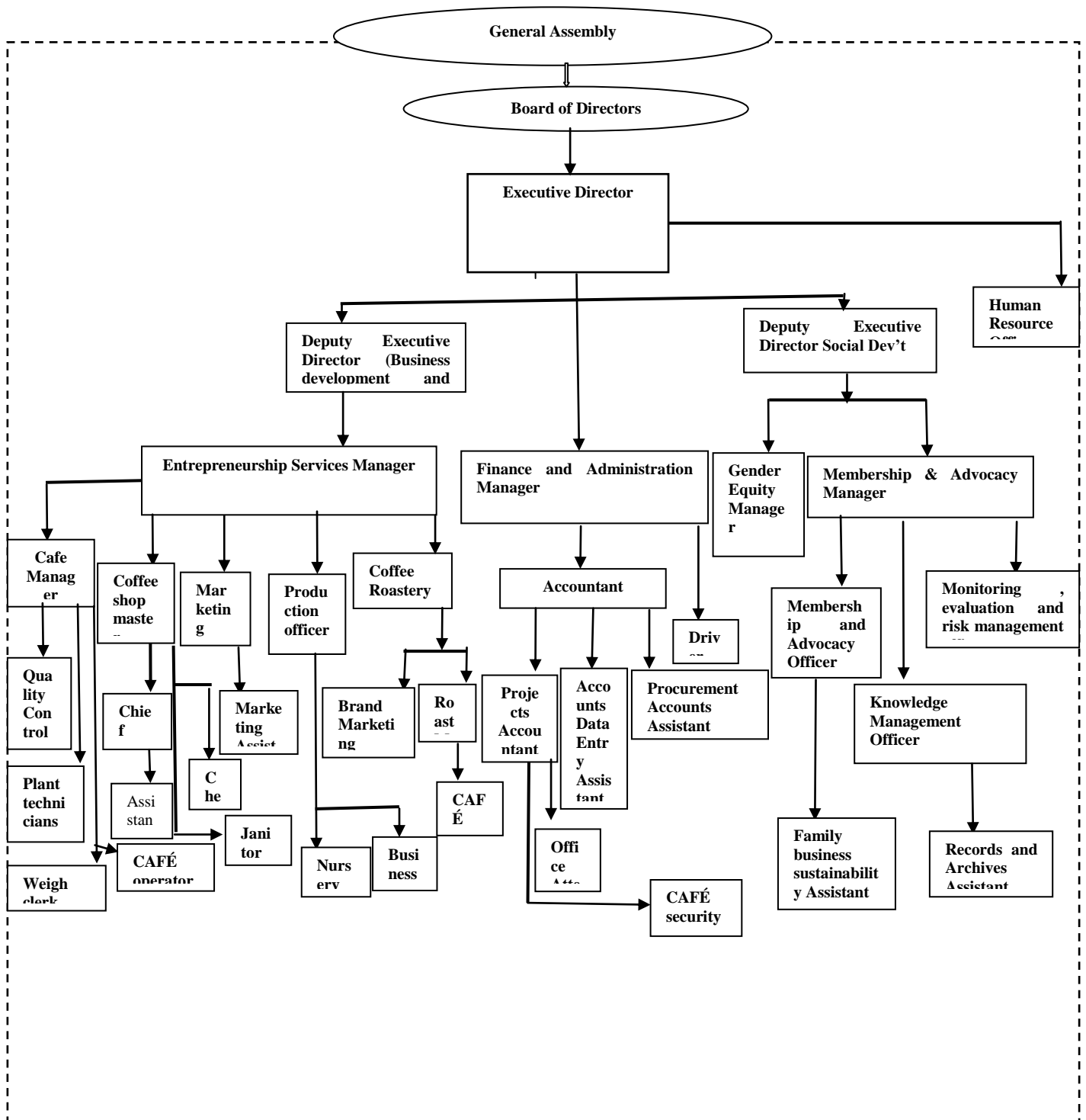
(l) Carol Nakamya

Carol Nakamya is an Accounts Assistant. She has over four years of experience in managing bank reconciliations, petty cash control, inputting data. She is also good at Pastel and quickbooks. She holds a Diploma in Accountancy.

(m) Additional staff

Additional staff, especially the engineering team, is already employed. The positions are: Two technicians, one other Accountant, one driver. All the staff are full time staff and they have skills that complement each other for the business to prosper.

NUCAFE Organ gram



10.0 Financial Analysis

10.1 SUMMARY

The business requires a capital investment of US\$556,013, Cost of goods (actually cost of services) on procurement of materials of US\$18,087, operating costs of US\$604,257, interest and other loan fees of US\$ 153,461.

On the other hand, the total projected income streams include revenues from sales in cash amounting to 1,793,999. For every US dollar invested will bring on average at least a social return on investment of UGX8.12 annually. NUCAFE's revenues for 2015 and 2016 were US\$467,592 and US\$1,071,147 respectively.

Due to high capital investment, the first year of operation will require a line of credit of US\$1,149,105 divided into supplies of fixed investment and operating costs (appendix: VII).

The long-term debt is the debt financing of US\$ 556,013. So the total debt for the first year will be US\$1,705,118 (Working and CAPEX).

The business will start to have a positive cash balance by the third year onwards US\$497,689.

The fixed assets will be financed by equity of US\$ 1,869,707 and a long term loan of US\$ 556,013 (appendix: VII). Therefore, the total input monetary (investments and operating costs including line of credit) for the first year amounts to US\$ 1,705,118.

NUCAFE is looking for US\$ 556,013 as a portion of the long-term debt. The rest of the money has been secured and work is ongoing implementing phase II.

10.2 PROJECTED BUDGET, PRODUCTION FORECAST AND SERVICE FEE REVENUES

Budget

Appendix I is the budget of US\$ 1,891,235 for year 2017 with a capital investment amounting to US\$ 1,462,729. However, due to cash constraint as a result of capital investments, a line of credit and long term debt of US\$ 1,705,115 is required to smoothen the cashflow (appendix VII).

Production Plan

A fore cast of 10 years has been prepared (appendix II) based on the past years of performance. However, the analysis of the projections will focus on three years 2017/18, 2018/19 and 2019/20 but there are ten year projections for production and revenues in appendices II and IV respectively.

Year 1 (2017/18)

A total of 2,381,400kg of fair average quality (FAQ) will be delivered by the farmer associations to the CAFÉ for processing into graded, roasted and ground coffee and some for the coffee shop as follows; 3,016,440kg of graded coffee; 81,212kg of R&G will be marketed and 4,873kg will be used in the coffee shop in the first year (Appendix II). These will generate service fee revenue amounting to US\$1,793,999. (appendix IV).

Year 2 (2018/19)

In the second, a total of 1,944,816kg FAQ, 4,084,113kg of graded coffee, 125,665kg of R&G will be marketed and 8,797kg will be used in the coffee shop. All together will generate revenue amounting to US\$ 1,908,497 (appendix IV).

Year 3 (2019/20)

In year 3, about 1,750,325kg of FAQ, 6,067,792 kg of graded coffee, 210039kg of R&G will be marketed and 16,803kg will be used in the coffee shop. This will result into service fee revenues amounting to US\$3,040,906 (appendix IV).

A synthetic financial model with projections through from year 1 to year 10 is attached as an excel sheet including; the cash flow and budget analysis and balance sheet.

10.3 SOCIAL RETURN ON INVESTMENT (SROI) AND BREAK EVEN POINT ANALYSIS.

For every US dollar invested will create on average a return of at least US\$ 8.12 per year. The aggregated breakeven point for all four forms of coffee to pay back for inputs in the first year will be 3,303,021kg. When this is broken down, FAQ breakeven point is 1,434,340kg, Graded coffee breakeven point is 1,816,831kg, R&G coffee breakeven point is 48,915kg and Coffee shop sales breakeven point is 2,935kg (Appendix: X)

ASSUMPTIONS AND RISKS

1. The processing equipment will operate at 65% of the capacity for 8 months in the first and second year and progress to 70%, through to 100% in the later years.
2. Prices for 60% of graded green coffee for the 20MT tons (20ft container) will be at least US\$ 50,000 for Robusta coffee and US\$ 75,000 for Arabica coffee.
3. Prices for roast and ground will be at least US\$ 20,000 per metric ton for blended coffee.
4. Price of a cup of coffee will be US\$ 1.30.
5. Assuming no cash balances at the beginning of the first year.
6. The business secures the required funding on time
7. Uganda remains peaceful.
8. Failure to get concessional funding
9. High interest rate and high inflation
10. Depreciation or appreciation of the Uganda currency against the dollar (Fixed at US\$1 = UGX.3500)

OBJECTIVES

Objective 1 is to achieve annual average revenue of at least US\$ 3,448,207 in the first 5 years (Appendix: IV)

Objective 2 is to achieve average growth sales of at least 200% per year in five years (Appendix: IV)

Objective3 is to be the Centre of Excellence for creating shared value for farmer empowerment, customer satisfaction with the most reliable supply of high quality coffee in Uganda and community transformation.

CAPITAL REQUIREMENTS

In order to deliver the social, economic and environmental value proposition, NUCAFE has already made over 70% of the total required investment in terms of land, human resource and physical infrastructure. Already a factory for processing coffee has helped farmers to achieve 250% rise in income for graded coffee and 900% for roasted coffee. An irrigation equipment distribution outlet as part of the Centre for Agribusinesses for farmer and youth Entrepreneurship Enhancement (CAFÉ) is operational as part of the centre, the factory, bio-fertilizer, irrigation equipment, solar pumps, among other inputs.

11.0 SOCIAL/ENVIRONMENTAL QUANTITATIVE IMPACT ANALYSIS

Implementation of this business plan will build on past and current achievements of the farmer ownership model for deepening creation of shared value. The model follows a theory of change with principles applicable to small-scale farmers and their organizations as outlined below:

11.1 SOCIAL DEVELOPMENT:

For small-scale farmers, the farmer ownership model requires an organizational structure that enables the farmers to actually deliver high quality, traceable and value added coffee to the market. All members of NUCAFE participate in the democratic decision-making processes and as far as possible participate in the activities within the area of project jurisdiction. The estimated social impact is already envisioned to have a huge impact at the farming household level with over 50,000 farming families; community level with over 1000 jobs and CAFE level with over 20 jobs to be created. With the partnership between buyers e.g. Caffè River and NUCAFE, through the relationship coffee; “Omukwano coffee” over 50,000 families are looking forward to themselves to be taken as people who matter in the coffee value chain. It will increase the visibility of farmers via www.omukwano.com website. There is a social relationship which now encourages farmers to attend to their coffee and the household members find reasons why there should be equity in decision making for a better future. The power relations in the households will change for the better because the partnership calls for good relationships and social responsibility. The impact will even be higher as farmers get integrated in the final end of the coffee value chain. For every one Uganda shillings invested will bring on average at least a social return on investment of Uganda shillings 10.33 annually. It will contribute to reshaping the power relations and gender equity in the coffee value chain and farming households. All the above will contribute to bringing to light dignity and plight of coffee farmers in Uganda. All these will result into equitable shared value and a sustainable coffee value chain.

11.2 ENVIRONMENTAL DEVELOPMENT:

The business model includes requirements for environmentally sound agricultural practices for mitigation and adaptation to climate change. Promotion of agro-forestry by planting trees is a major activity within coffee nursery project. Other compliance measures will include; zero use or minimized and safe use of agrochemicals, proper and safe management of waste after processing, maintenance of soil fertility and water resources. Market-driven environmental conservation is being promoted to ensure sustainability of business through various certification and verification schemes such as fair-trade, Utz certified, 4C.

11.3 ECONOMIC DEVELOPMENT:

Using the farmer ownership model, the project will enable the farmers through their community based associations/cooperatives to add value and also negotiate with their customers for better terms of business beyond price. NUCAFE will work towards creating shared value through adding value to farmers’ coffee, building their entrepreneurial skills, inculcating social responsibility principles and fair-trade norms. Farmers will earn at least more than 30% per kg of the lowest NUCAFE recommended form of coffee (graded) to be sold by the farmer. For Fair-trade Standards require the buyers to pay a fair-trade Minimum Price and/or a fair-trade Premium²³ to the farmers. The fair-trade Minimum Price aims to help farmers cover the costs of sustainable production. The fair-trade Premium is money for the producers to invest in

²³ www.fairtrade.net

improving the quality of their lives. Premium money in this sense is meant to improve the situation of workers, farmers and local communities in health, education, environment, economy etc. The farmers decide the most important priorities and use for the premium.

Also, a socially responsible partnership helps in such a way that buyers give a financial advance on contracts, called pre-financing. This has been an experience between Caffè River²⁴ and NUCAFE. This helps farmers to have access to money so that they are able to hold onto their coffee and in the process value is added to coffee and so overcome what can be one of the biggest obstacles to their development. It is also interesting to note that Caffè River has already provided both skills transfer and guaranteed market for specialty coffee.

11.4 SOURCE OF REVENUE

Through earned income strategy and donations, NUCAFE has been able to run its venture successfully in the last seven years. Earned income is obtained from service fees of all sales made through connecting farmers to buyers and roasters within the country and outside. By doing so, more value is created in form of additional revenue. Additional revenue is calculated based on the price farmers earn with NUCAFE facilitation or through NUCAFE sales against the London Robusta coffee market and New York “C”²⁵ market price each time coffee is sold.

11.5 SOCIAL IMPACT ASSESSMENT OF THE MODEL

NUCAFE will continue to rate and measure social impact of its business using the most relevant indicators for calculating impact. These include:

- i. Number of farmers participating in the marketing of coffee
- ii. Number of farming families (households) participating
- iii. Number of NUCAFE member farmer associations/cooperatives participating
- iv. Growth in sales of coffee
- v. Number of farmers’ children going to school
- vi. Number of people accessing health care services where there is a health care programme
- vii. Social return on investment
- viii. Trend of earned income
- ix. Value created as benchmarked on the conventional market prices
- x. Surplus money made
- xi. Number of community development projects being implemented
- xii. Assets of farmers participating

11.6 SCALABILITY OF THE MODEL

²⁴ www.omukwano.com (Business Partnership enables NUCAFE to get pre-financing for farmers to add value).

²⁵ New York “C” market is the world’s futures trading platform for the Arabica coffee beans and it is based in New York in USA

The Farmer Ownership model is replicable. An organization's model is normally the most appropriate framework to use in an integrated manner with its principles and programmes to implement innovations (Dees, Battle and Wei-skillern 2004)²⁶. In this case, NUCAFE will use three strategies; training/dissemination of information, farmer mobilization and building to ensure strong affiliation of not only with farmers but also customers and society. This is done at two strategic levels; at centralized national hub level and localized community level. These two levels enable to play both forward and backward linkage services to enhance formation and strengthening farmer organizations in entrepreneurship and management in any given agricultural value chain and country. It will also facilitate agricultural extension and knowledge sharing, network building at the level of Africa and beyond. Furthermore, advocacy for policy change and facilitating marketing as an earned income service are the most critical roles in strengthening forward linkages to create social value. An earned income strategy is made an integral part of scaling to ensure sustainability. Based on the empirical data of the impact so far created, NUCAFE will continue to pursue implementation of the National Coffee Policy. Writing impact articles in newspapers, having radio and television talk shows, websites and also presenting fact sheets to government and other stakeholders will spread information for further upscaling. So far there are a number of requests from the Democratic Republic of Congo, Kenya, Rwanda, Tanzania and Ghana to replicate the model in those countries.

12.0 FUNDING REQUEST

The implementation of the business plan requires a total investment of US\$ 1,705,118. Of this a capital investment of US\$556,013 is required. The rest of financing which amounts to US\$1,149,105 is for working capital.

²⁶ Gregory Dees, Beth Battle Anderson and Jane Wei-skillern. 2004 Scaling Social impact; strategies for spreading social innovations – Stanford Social Innovations Review.

13.0 DETAILED FINANCIAL PLAN

Appendix I: Summary Budget	
Land, Machinery and Vehicle (Property, Plant and Equipment), CAPEX	1,469,752
Fixtures and Fittings	17,226
Coffee roaster and grinder installation/operational costs	50,802
Branding, Marketing and Financial Development & Community Road maintenance	90,814
Payroll costs	133,315
Family Business Management Training and advocacy costs	58,950
Administrative Costs	61,062
FOM(Royalties)	9,315
Grand total year 1	1,891,235

APPENDIX II: Production plan													
Production forecast	HISTORICALS				PROJECTIONS								
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Number of coffee farming families (membership) with NUCAFE	150,000	170,000	200,000	210,000	220,500	231,525	243,101	255,256	268,019	281,420	295,491	310,266	325,779
Average number of acres per coffee farming family	1	1	1	1	1	1	1	1	1	1	1	1	1
Total acreage under coffee by farming families	150,000	170,000	200,000	210,000	220,500	231,525	243,101	255,256	268,019	281,420	295,491	310,266	325,779
Coffee plants per acre	500	500	500	500	500	500	500	500	500	500	500	500	500
Average yield per plant per year (kgs of coffee beans)	0.24	0.24	0.24	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72
% of Coffee Beans by NUCAFE per year	10%	10%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
% of Coffee farming families marketing with NUCAFE	10%	10%	7%	8%	10%	12%	13%	15%	17%	18%	20%	22%	23%
Number of coffee farming families in marketing with NUCAFE	15,000	17,000	13,333.34	17,500	22,050	27,011	32,413	38,288	44,670	51,594	59,098	67,224	76,015
Projected procurement coffee beans by NUCAFE per year (kg)	1,800,000	2,040,000	1,600,001	6,299,975	7,938,000	9,724,078	11,668,831	13,783,841	16,081,180	18,573,692	21,275,358	24,200,757	27,365,391
Projected FAQ coffee beans per year (kg)	207,000	272,000	470,000	2,519,990	2,381,400	1,944,816	1,750,325	1,378,384	1,286,494	928,685	851,014	726,023	547,308
Projected FAQ coffee beans as % of total procurement coffee	12%	13%	60%	40%	30%	20%	15%	10%	8%	5%	4%	3%	2%
Projected amount of graded coffee to be (kg)	184,917	170,307	460,549	531,198	3,016,440	4,084,113	6,067,792	8,270,305	10,935,202	17,645,007	20,424,344	23,474,735	26,818,083
Projected % of graded coffee	10.3%	8%	29%	32%	38%	42%	52%	60%	68%	72%	78%	85%	92%
Projected roasted to ground coffee yield (2.6kg to 1 kg) marketed	435	584	8,857	12,667	81,212	125,665	210,039	318,089	420,585	678,654	785,552	902,874	1,031,465
Coffee shop sales in kg (80 cups per kg from 2% of ground coffee)	-	48	177	633.35	4,873	8,797	16,803	28,628	42,058	74,652	94,266	108,345	123,776
Capacity utilization of the grading plant	0%	0%	10%	37%	47%	58%	69%	82%	96%	111%	127%	144%	163%
capacity requirements of coffee roaster---kg/day	616	568	1,535	1,771	10,055	13,614	20,226	27,568	36,451	58,817	68,081	78,249	89,394
capacity requirements of coffee grinder---kg/day	616	568	1,535	1,771	10,055	13,614	20,226	27,568	36,451	58,817	68,081	78,249	89,394
Roast and ground Kgs per month	6,045	5,568	15,056	17,366	256,397	347,150	515,762	702,976	929,492	1,499,826	1,736,069	1,995,352	2,279,537
Roast and ground Kgs per Quarter	12,091	11,135	30,113	52,098	769,192	1,041,449	1,547,287	2,108,928	2,788,477	4,499,477	5,208,208	5,986,057	6,838,611
Direct price increase from graded green to ground/instant coffee	2,133,658	1,965,081	5,314,027	6,129,208	34,805,077	47,124,377	70,012,985	95,426,591	126,175,411	203,596,237	235,665,508	270,862,323	309,439,417
No. of Kg per day	-	0	1	2	16	29	56	95	140	249	314	361	413
No. of Cups of coffee per day	-	13	47	169	1,299	2,346	4,481	7,634	11,216	19,907	25,138	28,892	33,007
No. of Cups of coffee per year	-	3,840	14,171	50,668	389,817	703,724	1,344,249	2,290,238	3,364,678	5,972,156	7,541,296	8,667,594	9,902,061

Plant capacity is 7 Metric tons per hour			16,800,000	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000
Flexi pumps				1,578	7,680	5,120	3,840	3,840	3,840	3,840	3,840	3,840	3,840
Drip Kits				42	126	84	63	63	63	63	63	63	63
Solar Pumps				20	40	48	58	69	83	100	119	143	172

APPENDIX III: COST OF GOODS (SERVICES)

APPENDIX III: COST OF GOODS (SERVICES) –US\$														
COST OF GOODS (SERVICES)		Historical				Projections								
Costs put in the process	Unit cost (US\$)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fair Average Quality Coffee costs per kg output	0.04	8,280	10,880	18,800	100,800	95,256	77,793	70,013	55,135	51,460	37,147	34,041	29,041	21,892
Graded coffee costs per kg output	0.06	11,095	10,218	27,633	31,872	180,986	245,047	364,068	496,218	656,112	1,058,700	1,225,461	1,408,484	1,609,085
Work in progress (cost of roasted/ground coffee) per kg output	4	1,740	2,336	18,077	23,500	324,847	502,660	840,156	1,272,355	1,682,339	2,714,616	3,142,207	3,611,498	4,125,859
Coffee shop costs per kg output	0.65	-	31	115	412	3,167	5,718	10,922	18,608	27,338	48,524	61,273	70,424	80,454
Operating expenses (Fixed)														
Total Fixtures and Fittings		37,018	40,720	-	17,226	18,087	18,992	19,941	20,938	21,985	23,085	24,239	25,451	26,723
Total Installation Costs		35,494	37,268	39,132	50,802	-	-	-	-	-	-	-	-	-
Total Brand Development, Marketing, communication & Community Roadnetwork improvement costs		12,339	14,807	17,769	90,814	99,896	209,781	230,759	276,910	304,601	335,062	368,568	405,424	445,967
Total Direct staff salary costs		36,635	67,543	96,496	100,689	100,689	206,412	206,412	227,053	227,053	227,053	249,757.96	249,758	

														249,758
Total Family Business Training and advocacy Costs		49,357	200,229	77,523	58,950	150,322	248,031	260,433	299,498	314,473	330,196	346,706	364,042	382,244
Total Administrative costs		98,586	388,959	200,355	61,062	124,567	179,377	186,552	212,669	221,176	230,023	239,224	248,793	258,745
FOM(Royalties)		-	-	-	9,315	115,373	174,257	243,998	334,806	403,490	485,906	569,269	653,225	745,151

APPENDIX IV: Service Fee Revenue: Historical and Forecast Statement (US\$)														
		HISTORICALS				PROJECTIONS								
Business Drivers/Revenue streams	Service Fees	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Service fees on sale of FAQ Coffee (US\$0.05 per kg)	0.05	95,738	116,470	153,126	125,999	119,070	97,241	87,516	68,919	64,325	46,434	42,551	36,301	27,365
Service fees on sale of graded coffee(US\$ 0.08 per kg)	0.08	335,763	349,662	882,665	991,717	712,634	306,308	455,084	620,273	820,140	1,323,376	1,531,826	1,760,605	2,011,356
Service fees on processing (Roast and ground coffee (US\$ 10 per kg)	10.00	783.00	1,460	8,857	25,960	812,118	1,256,650	2,100,390	3,180,886	4,205,847	6,786,541	7,855,517	9,028,744	10,314,647
Service fees on sales of the coffee shop (US\$ 20 per kg in year)	20.00	-	-	26,499	35,094	97,454	175,931	336,062	572,560	841,169	1,493,039	1,885,324	2,166,899	2,475,515
Service fees on irrigation supplies (Flexi pumps)	8.00	-	-	-	4,536	21,857	41,632	31,224	31,224	31,224	31,224	31,224	31,224	31,224
Income generated from Solar (Umeme Savings)	-	-	-	-	-	30,304	30,061	29,821	29,582	29,346	29,111	28,878	28,647	28,418
Service fees from sales of solar pumps	14.04	-	-	-	-	562	674	809	971	1,165	1,398	1,678	2,013	2,416
Total Annual Gross Margin		432,284	467,592	1,071,147	1,183,306	1,793,999	1,908,497	3,040,906	4,504,415	5,993,216	9,711,123	11,376,997	13,054,433	14,890,942

APPENDIX V: STATEMENT OF FINANCIAL POSITION: HISTORICALS AND FORECAST 2014-2026

Projected Balance Sheet (US\$)	HISTORICALS				PROJECTIONS								
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ASSETS:-			Net at the end yr 1	Net at the end yr 2	Net at the end yr 3	Net at the end yr 4	Net at the end yr 5	Net at the end yr 6	Net at the end yr 7	Net at the end yr 8	Net at the end yr 9	Net at the end yr 10	Net at the end yr 11
Non Current assets													
Land	118,764	118,764	182,584	207,865	270,225	351,292	456,680	593,684	771,789	1,003,325	1,304,323	1,695,620	2,204,306
Property, Plant and Equipment	596,858.15	967,215.73	1,117,114.61	1,420,675.94	3,108,198	2,930,429	2,781,318	2,656,168	2,551,065	2,462,749	2,388,496	2,326,034	2,273,463
Goodwill	7,022	7,022	7,022	-									
Total Non Current Assets	722,645	1,093,002	1,306,721	1,628,541	3,378,423	3,281,721	3,237,998	3,249,851	3,322,854	3,466,074	3,692,819	4,021,654	4,477,769
Current assets													
Inventory	33,049	169,691	198,431	131,972	176,382	300,927	947,552	1,137,063	2,820,507	1,927,292	2,098,195	2,385,599	3,810,244
Accounts Receivables	253,089	78,111	217,338	408,482	531,343	573,375	486,734	844,111	1,119,542	720,843	755,862	1,518,607	1,812,532
Long Term lease receivables	34,088	39,351	39,351	39,351	39,351	39,351	39,351						
Cash and Cash Equivalents	18,522	3,745	1,816	43,424	-	1,151,263	1,053,702	2,255,520	2,706,634	4,553,862	4,740,488	9,440,717	15,318,344
Total Current Assets	338,748	290,898	456,937	623,230	747,076	2,064,916	2,527,339	4,236,694	6,646,683	7,201,996	7,594,545	13,344,923	20,941,120
TOTAL ASSETS	1,061,393	1,383,901	1,763,658	2,251,771	4,125,499	5,346,637	5,765,337	7,486,545	9,969,537	10,668,070	11,287,363	17,366,577	25,418,889

EQUITY AND LIABILITIES:-													
Equity													
Capital fund	594,096	657,916	657,916	657,916	657,916	657,916	657,916	657,916	657,916	657,916	657,916	657,916	657,916
Retained Earnings	154,154	391,499	519,118	656,247	1,211,790	1,594,192	2,337,123	3,229,624	4,573,070	6,554,360	10,000,595	16,222,089	23,935,303
Total Equity	748,250	1,049,415	1,177,034	1,314,163	1,869,707	2,252,108	2,995,040	3,887,540	5,230,986	7,212,276	10,658,511	16,880,006	24,593,219
Liabilities		-	-		-	-	-	-	-	-	-	-	-
Long term Liabilities	-	-	17,808	297,181	1,705,118	1,705,118	1,705,118	1,705,118	1,705,118	-	-	-	-
Total long term liabilities	-	-	17,808	297,181	1,705,118	1,705,118	1,705,118	1,705,118	1,705,118	-	-	-	-
Current liabilities	-	-	17,808	297,181	1,705,118	1,705,118	1,705,118	1,705,118	1,705,118	-	-	-	-
Accounts payable	313,143	334,485	568,816	640,426	550,675	1,389,411	1,065,179	1,893,888	3,033,433	3,455,794	628,852	486,572	825,670
Total Current Liabilities	313,143	334,485	568,816	640,426	550,675	1,389,411	1,065,179	1,893,888	3,033,433	3,455,794	628,852	486,572	825,670
Total liabilities + equity	1,061,393	1,383,901	1,763,658	2,251,771	4,125,500	5,346,637	5,765,337	7,486,545	9,969,537	10,668,070	11,287,363	17,366,577	25,418,889

APPENDIX VI: INCOME STATEMENT (US\$)													
	HISTORICAL DATA				PROJECTIONS								
DETAILS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue - from Service fees of all forms of coffee	432,284	467,592	1,071,147	1,183,306	1,793,999	1,908,497	3,040,906	4,504,415	5,993,216	9,711,123	11,376,997	13,054,433	14,890,942
Proceeds from Grants	254,928	684,576	366,028	258,536	437,932	319,943	360,297	321,214	-	-	-	-	-
Cost of Goods Sold (VC)	274,016	352,692	817,643	585,368	906,386	831,217	1,606,448	2,855,590	3,573,374	5,704,600	5,448,437	5,119,447	5,837,290
Gross Surplus (Margin)	413,196	799,476	619,532	856,474	1,325,546	1,397,223	1,794,755	1,970,038	2,419,843	4,006,523	5,928,560	7,934,986	9,053,651
Less operating expenses (FC)	37,083	532,395	431,273	574,974	594,342	843,600	884,155	1,016,130	1,067,303	2,017,959	1,989,881	1,268,017	1,336,713
Depreciation	12,085	12,507	13,247	75,438	22,200	17,760	14,208	11,366	9,093	7,274	5,820	4,656	3,725
Interest Expense and Other Loan Fees	9,067	30,097	43,321	68,880	153,461	153,461	153,461	50,041	-	-	-	-	-
Profit Before Tax (PBT)	354,961	224,476	131,692	137,182	555,543	382,402	742,931	892,500	1,343,446	1,981,290	3,932,859	6,662,313	7,713,214
Corporate Tax 30%	106,488	67,343	39,507	41,155	166,663	114,721	222,879	267,750	403,034	594,387	1,179,858	1,998,694	2,313,964
Net income	248,473	157,133	92,184	96,027	388,880	267,681	520,052	624,750	940,412	1,386,903	2,753,002	4,663,619	5,399,249

APPENDIX VII: Cash flow Historical and Forecast Statement (US\$)													
	HISTORICAL DATA				PROJECTIONS								
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Starting Cash	52,889	18,522	3,745	1,816	40,986	969,009	1,151,263	1,053,702	2,255,520	2,706,634	4,553,862	8,355,310	14,889,360
<u>Operating Cash Flows</u>	-	-											
Net Income	354,961	224,476	131,692	137,182	555,543	382,402	742,931	892,500	1,343,446	1,981,290	3,932,859	6,662,313	7,713,214
Add Depreciation	12,085	12,507	13,247	75,438	22,200	17,760	14,208	11,366	9,093	7,274	5,820	4,656	3,725
Net Adjustments	15,665	(9,765)	58,364.61	61,283	64,347	67,564	70,943	74,490	78,214	82,125	86,231	90,543	95,070
Cash from Operations	224,773	165,915	(223,462)	(249,305)	(274,236)	(274,236)	223,462	223,462	(223,462)	(223,462)	(223,462)	(223,462)	
Total Operating Cash Flow	607,483	393,134	(20,159)	24,598	367,854	193,490	1,051,544	1,201,818	1,207,292	1,847,227	3,801,448	6,534,050	7,812,008
<u>Investing Cash Flows</u>	-	-											
Capital Expenditure	(527,261)	(342,375)	(229,932)	(310,583)	(556,013)	-	-	-	-	-	-	-	-
Total Investing Cash Flow	(527,261)	(342,375)	(229,932)	(310,583)	(556,013)	-	-	-	-	-	-	-	-
<u>Financing Cash Flows</u>	-	-											
Proceeds from Loan (Investment and credit line)	182,858	113,420	361,582	569,051	1,705,118	-	-	-	-	-	-	-	-
Total Financing Cash Flow	182,858	113,420	361,582	569,051	1,705,118	-	-	-	-	-	-	-	-
Cash Flow Available to Repay Credit Line	315,970	182,702	115,237	284,882	1,557,945	1,162,499	2,202,807	2,255,520	3,462,812	4,553,862	8,355,310	14,889,360	22,701,368
Repayment of and Credit Line	(297,447)	(178,957)	(113,420)	(243,896)	(588,936)	(11,236)	(1,149,105)	-	(756,178)	-	-	-	-
Ending Cash Balance	18,522	3,745	1,816	40,986	969,009	1,151,263	1,053,702	2,255,520	2,706,634	4,553,862	8,355,310	14,889,360	22,701,368

APPENDIX VIII: REVENUE FOR COFFEE FARMING FAMILIES (US\$)

		Historical data				Projections								
Gross Revenue Forecast for the farmers	Price (US\$)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales Revenue for FAQ US\$ 0.96 per kg	0.96	-	-	448,876	2,406,732	2,274,371	1,857,408	1,671,658	1,316,434	1,228,674	886,946	812,767	693,392	522,710
Sales Revenue for Graded Coffee (US\$) 2.00 per kg	2	426,053	363,303	921,098	1,062,396	6,032,880	8,168,225	12,135,584	16,540,609	21,870,405	35,290,014	40,848,688	46,949,469	53,636,166
Sales Revenue for Roast & Ground Coffee (US\$) 20 per kg	20	-	1,119	177,134	253,341	1,624,237	2,513,300	4,200,779	6,361,773	8,411,694	13,573,082	15,711,034	18,057,488	20,629,294
Sales Revenue for the Coffee shop (US\$) 80 per kg (80 cups = 1 kg of R&G) each cup = US\$ 1.30	104	-	-	18,422	65,869	506,762	914,841	1,747,524	2,977,310	4,374,081	7,763,803	9,803,685	11,267,873	12,872,680
Total Earned Revenue		426,053	364,422	1,565,531	3,788,337	10,438,250	13,453,775	19,755,546	27,196,126	35,884,854	57,513,846	67,176,174	76,968,223	87,660,850
Percentage share of NUCAFE from appendix IV (FAQ)				34.11	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
Percentage share of NUCAFE from appendix IV (Graded)				95.83	93.35	11.81	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Percentage share of NUCAFE from appendix IV (R&G)				5.00	10.25	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Percentage share of NUCAFE from appendix IV (coffee shop sales)				143.85	53.28	19.23	19.23	19.23	19.23	19.23	19.23	19.23	19.23	19.23
Percentage share of Farmers per kg (FAQ)				65.89	94.76	94.76	94.76	94.76	94.76	94.76	94.76	94.76	94.76	94.76
Percentage share of Farmers per kg (Graded)				4.17	6.65	88.19	96.25	96.25	96.25	96.25	96.25	96.25	96.25	96.25
Percentage share of Farmers per kg (R&G)				95.00	89.75	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Percentage share of Farmers per kg (coffee shop sales)				(43.85)	46.72	80.77	80.77	80.77	80.77	80.77	80.77	80.77	80.77	80.77

					-									
Net Differential Income to the farmers (FAQ)				295,750	2,280,732	2,155,301	1,760,167	1,584,142	1,247,515	1,164,350	840,512	770,216	657,091	495,344
Net Differential Income to the farmers (graded)				38,433	70,679	5,320,246	7,861,917	11,680,500	15,920,336	21,050,264	33,966,639	39,316,862	45,188,864	51,624,809
Net Differential Income to the farmers (R&G or instant)				168,278	227,381	812,118	1,256,650	2,100,390	3,180,886	4,205,847	6,786,541	7,855,517	9,028,744	10,314,647
Net Differential Income to the farmers (coffee shop sales)				(8,077)	30,775	409,308	738,910	1,411,462	2,404,750	3,532,912	6,270,764	7,918,361	9,100,974	10,397,164
Net income to farmers				494,383	2,609,567	8,696,973	11,617,645	16,776,493	22,753,488	29,953,373	47,864,456	55,860,956	63,975,674	72,831,965
SROI				3.16	6.95	8.60	7.20	8.12	8.46	9.18	10.48	10.73	10.89	11.03

Shared value of farmers in US\$ per kg at different forms

F.A.Q per kg 0.63
Graded coffee per kg 0.08345
Roast & Ground per kg 19
Coffee Shop earning per kg -45.6

Year	Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Revenue	Farmers Revenue	426,053	364,422	1,565,531	3,788,337	10,438,250	13,453,775	19,755,546	27,196,126	35,884,854	57,513,846	67,176,174	76,968,223	87,660,850

APPENDIX IX: DEPRECIATION															
			HISTORICAL COSTS					PROJECTIONS							
DEPRECIATION OF MACHINERY AND EQUIPMENT		Cost	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Centre for Agribusiness & Farmer Entrepreneurship Enhancement (Factory, Training centre and warehouses) and partitioning	15%	374,794	-	-	-	-	56,219	47,786	40,618	34,526	29,347	24,945	21,203	18,023	15,319
Coffee Huller	15%	51,264	-	-	-	-	7,690	6,536	5,556	4,722	4,014	3,412	2,900	2,465	2,095
Vehicles	20%	138,096	-	-	-	-	27,619	22,095	17,676	14,141	11,313	9,050	7,240	5,792	4,634
Additional warehousing	15%	205,681	-	-	-	-	30,852	26,224	22,291	18,947	16,105	13,689	11,636	9,890	8,407
Mobile Coffee Vending Van (Vehicle)	20%	111,000	-	-	-	-	22,200	17,760	14,208	11,366	9,093	7,274	5,820	4,656	3,725
Establishment of solar power system for NUCAFE Factory	15%	449,938					67,491	57,367	48,762	41,448	35,231	29,946	25,454	21,636	18,391
Total							212,071	177,769	149,111	125,150	105,102	88,317	74,253	62,462	52,570

APPENDIX: X: BREAK EVEN POINT													
	Historical data				Projections								
Contri. Margin of different Forms (products) of coffee	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
FAQ	87,458	105,590	134,326	25,200	23,814	19,448	17,503	13,784	12,865	9,287	8,510	7,260	5,473
Graded	357,831	340,077	261,882	471,014	347,946	95,189	91,017	124,055	164,028	264,675	306,365	352,121	402,271
R&G	(957)	(876)	(9,220)	2,460	487,271	753,990	874,773	776,241	862,652	619,402	1,609,925	3,214,226	3,651,679
Coffe shop	-	(31)	26,384	34,682	94,287	170,213	325,140	553,951	813,831	1,444,515	1,824,051	2,096,474	2,395,061
Irrigation kits	-	-	-	4,536	21,857	41,632	31,224	31,224	31,224	31,224	31,224	31,224	31,224
Solar pumps	-	-	-	-	562	674	809	971	1,165	1,398	1,678	2,013	2,416
Contribution margin	444,332	444,760	413,372	537,892	975,736	1,081,146	1,340,466	1,500,225	1,885,766	2,370,501	3,781,753	5,703,319	6,488,124
Less Fixed Costs (FC)	195,776	284,812	334,778	282,823	586,856	814,958	826,855	914,228	945,353	983,598	1,028,751	1,080,721	1,139,526
Net Income	248,555	159,948	78,594	255,069	388,880	266,188	513,611	585,998	940,413	1,386,903	2,753,002	4,622,598	5,348,599
Contr. Margin per kg	1.13	1.00	0.44	0.18	0.18	0.18	0.17	0.15	0.15	0.12	0.17	0.23	0.23
Break Even Point (kgs)	172,873	283,646	760,940	1,612,167	3,303,021	4,649,866	4,964,905	6,093,557	6,360,781	8,021,060	6,027,971	4,778,180	5,009,866
Proportion of Break Even Point of each form of coffee													
FAQ (kg)	91,206	174,181	380,639	1,325,717	1,434,340	1,467,233	1,080,204	840,312	645,135	385,421	231,544	137,596	96,139
Graded (kg)	81,476	109,060	372,985	279,453	1,816,831	3,081,190	3,744,707	5,041,874	5,483,646	7,323,003	5,557,047	4,448,938	4,710,800
R&G (kg)	192	374	7,173	6,664	48,915	94,806	129,624	193,918	210,909	281,654	213,733	171,113	181,185
Coffee shop (kg)	-	31	143	333	2,935	6,636	10,370	17,453	21,091	30,982	25,648	20,534	21,742

APPENDIX XI: CAPITAL INVESTMENTS		
		2017/18
Investment Schedule	Total Amount (UGX)	Total Amount (US\$)
Land, Machinery and Vehicle (Property, Plant and Equipment), CAPEX		
Centre for Agribusiness & Farmer Entrepreneurship Enhancement (Factory, Training centre and warehouses) and partitioning	1,334,266,640	374,794
Coffee Huller	182,500,000	51,264
Vehicles	491,623,200	138,096
Additional warehousing	732,224,360	205,681
Mobile Coffee Vending Van (Vehicle)	395,160,000	111,000
Establishment of solar power system for NUCAFE Factory	1,601,779,200	449,938
Resilient buffer Zones for improved drainage	427,762,000	120,158
Procurement of solar pumps for farmers	42,000,000	11,798
Total	5,207,315,400	1,462,729

APPENDIX XII: Long-term loan schedule													
Long-term loan schedule	HISTORICAL DATA				PROJECTIONS								
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Term Loan	165,426	-	72,300	-	556,013								
Opening Loan Balance	-	181,969	-	81,699	-	606,054	656,095	706,137	756,178	-	-	-	-
Interest on credit line	16,543	16,543	9,399	-	50,041	50,041	50,041	50,041				-	-
Loan Repayment	-	198,511	-	81,699	-	-	-	-	756,178	-	-	-	-
Closing Loan Balance	181,969	-	81,699	-	606,054	656,095	706,137	756,178	-	-	-	-	-

APPENDIX XIII: LINE OF CREDIT													
Credit Line	HISTORICALS				PROJECTIONS								
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Credit Line	140,449	-	286,117	-									
Opening Credit Line	-	156,601	-	286,117	1,149,105	1,149,105	1,149,105						
Additional Drawing on Credit Line	-	-			-							-	-
Interest on credit line	16,152	16,152	28,612	28,612	103,419	103,419	103,419					-	-
Credit Line Repayment	-	156,601	-	286,117	-	-	1,149,105						
Closing Credit Line	156,601	0	286,117	0	1,149,105	1,149,105.00	-					-	-

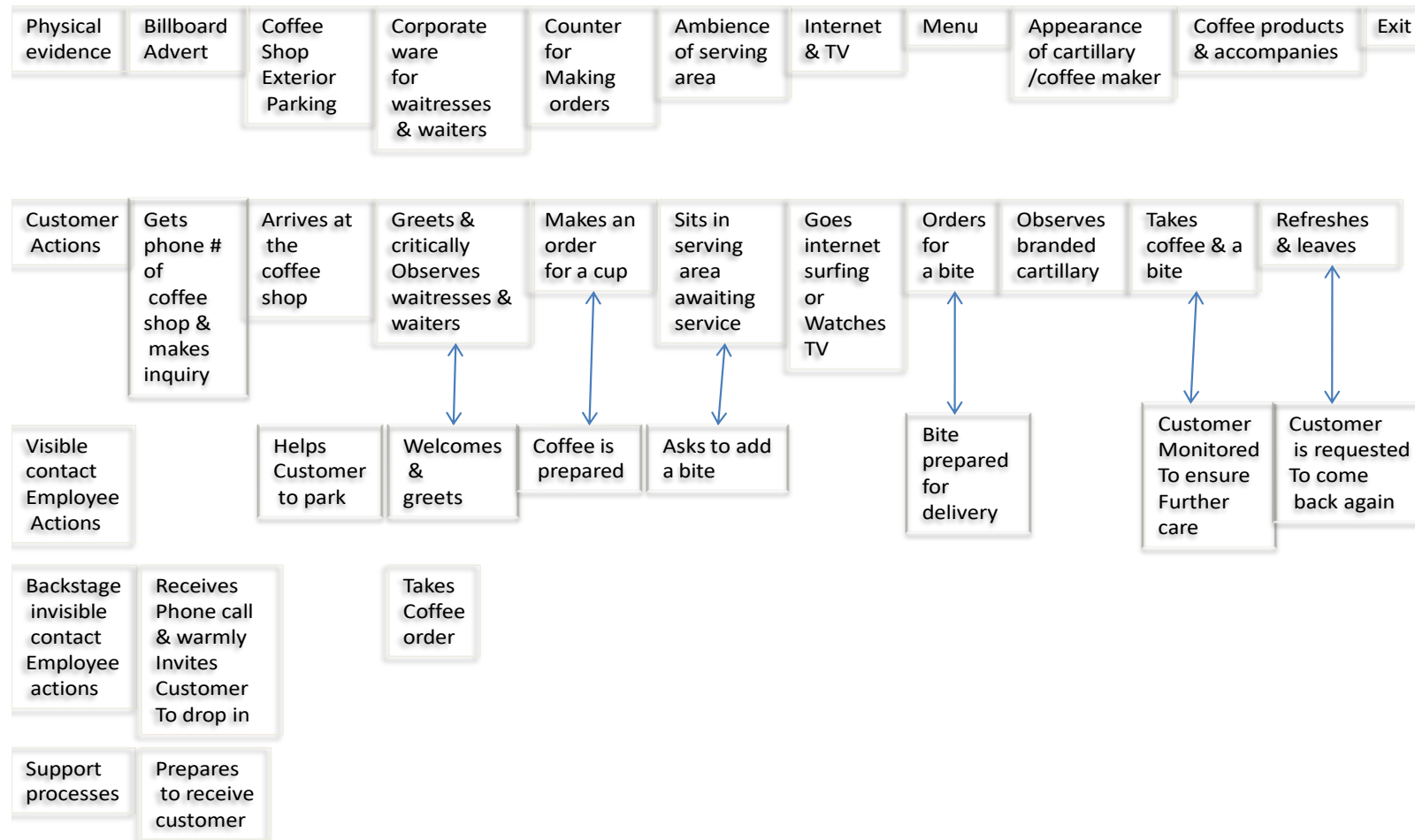
APPENDIX: XIV. DOMESTIC COFFEE CONSUMPTION AS A PERCENTAGE OF NATIONAL PRODUCTION OF SELECTED EXPORTING COUNTRIES

Crop year commencing	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	43.3	28.4	49.3	38.1	47.2	38.4	47.5	38.4	46.6	39.8
Vietnam	3.5	4.5	4.0	4.8	5.8	4.7	6.1	5.9	8.7	8.6
Colombia	11.7	11.9	12.5	12.1	11.1	11.2	11.2	16.2	17.3	15.2
Indonesia	29.3	26.4	28.6	26.5	27.3	37.9	42.9	34.7	29.3	37.6
Ethiopia	52.4	54.6	53.6	47.5	54.6	49.5	48.5	61.6	46.3	45.4
India	23.2	23.7	21.1	30.1	32.7	31.0	34.7	39.8	34.3	36.1
Peru	7.1	7.3	8.2	6.4	8.8	5.1	7.2	6.5	7.6	6.2
Mexico	33.8	34.5	35.7	38.8	40.8	47.6	53.0	47.3	52.4	58.9
Guatemala	8.2	7.4	8.3	8.1	8.2	7.6	7.3	8.9	8.3	8.6
Honduras	6.6	8.0	6.7	8.9	7.2	6.6	12.0	13.3	12.9	12.0
Uganda	4.5	4.8	5.0	4.6	6.3	5.2	4.3	4.4	5.0	5.0
Côte d'Ivoire	8.8	10.1	11.8	14.0	18.7	14.5	13.7	13.2	17.7	14.4

Source: ICO June Report 2011.

APPENDIX: XV. SERVICE-BLUE PRINT FOR NUCAFE COFFEE SHOP

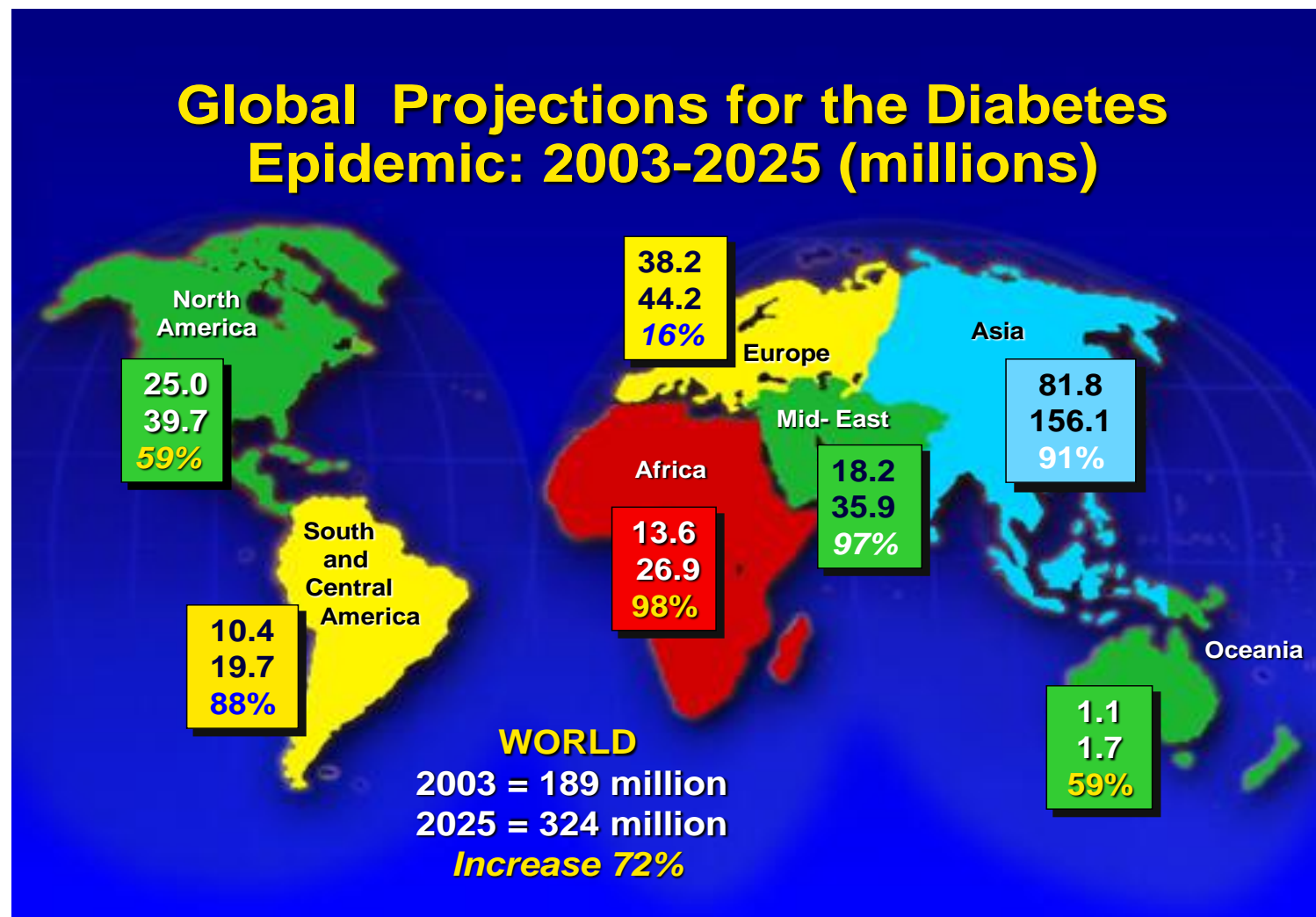
APPENDIX: XV SERVICE BLUE-PRINT FOR NUCAFE COFFEE SHOP



APPENDIX :XVI. SAMPLE OF MOU BETWEEN NUCAFE AND CAFFE RIVER



APPENDIX: XVII. GLOBAL PROJECTIONS FOR DIABETES EPIDEMIC 2003 – 2025 (MILLIONS)



Source: ASIC