

A Public-Private Partnership for former opium farmers

by Markus Buerli, Deputy Head of Cooperation, SDC, Myanmar

This article presents a Public-Private Partnership linking former opium farmers who nowadays produce coffee in remote northern Myanmar to the high-quality coffee market in Europe. It shows the challenges and risks involved in the early stages of such market linkages and the importance to also consider non-monetary benefits in such endeavours – in this case most importantly on reducing opium production and trust-building among different ethnic groups.

According to the United Nations Office on Drugs and Crime (UNODC) Myanmar is the second most important producer of opium in the world, after Afghanistan. The surface on which opium is grown in Myanmar has decreased from close to 60'000 hectares in 2014 to an estimated 37,300 hectares in 2018. Reasons for the decrease include governmental poppy eradication programmes but probably more importantly the farm-gate price that has decreased by around 40% over the past three years. Also, in terms of drug consumption, Amphetamines produced in the same regions have gained importance compared to opium and heroin. Amphetamines are produced in relatively small labs using imported precursor chemicals. There is thus no reliance on large surfaces and varying weather conditions. It however leaves the poppy growers even more vulnerable and increases the importance to develop alternative income sources for them.

88% of Myanmar's opium is grown in Shan State, including the famous golden triangle. Shan is characterized by the highest number of Ethnic Armed Organisations and considerable areas that are off limit for the central government. It is also the region with the highest number of stunted children - 36.5% of all children under 5 years of age -, low infrastructure development and limited access to basic services such as education and health for a big part of the population. Developing alternative income sources for the estimated 300,000 poppy farmers living in remote villages is therefore a big challenge and out-migration is high.

In this context UNODC initiated - with funding from the Germany and Finland - an alternative development project in 2014. Coffee compared to tea, avocado and other crops proved to have the highest potential for sustainable incomes for farmers wanting to move out of poppy cultivation. The UNODC induced coffee producers cooperative Green Gold groups something over 900 farmers with a total of around 1000 hectares of coffee plantations. In a scoping mission in 2017, the French coffee company Malongo found that the coffee produced by the Green Gold farmers is of great quality. Starting with the coffee harvesting season 2017/18, Malongo engaged with the cooperative in a 5-years contract under the condition that the cooperative would get fair trade and step-wise also organic certification. To support Green Gold in meeting these conditions, Malongo in cooperation with the Swiss logistics company Walter Matter SA committed to provide capacity development support, particularly in relation to coffee processing and agreed to buy the coffee to fair trade and organic conditions even if the certification is pending.

Having this commitment for support from the private sector, the Swiss Embassy in Myanmar was contacted by UNODC and the Green Gold Cooperative for additional support. Based on a proposal submitted to the "Engagement with the Private Sector – EPS" Impulse Pool, the Embassy was able to support the investment of Malongo and Walter Matter SA with a one-to-one matching fund of CHF 86'000.- for the year 2018. Discussions with the Cooperative soon revealed that more substantial start-up investments are needed to really bring the Cooperative up to speed. While capacity building activities for organic production, certification for fair trade and the management of a cooperative can be matched between private sector and SDC's engagement, the necessary investment in infrastructure, particularly in a dry mill that removes the last layers of dry skin, sorts and prepares the beans for shipment and is sufficiently big to process all the coffee produced by the cooperative, is out of reach.

With support from the German Cooperative and Raiffeisen Confederation (DGRV) and the UNODC, the Board of the Green Gold Cooperative put together a 5 years business plan. Malongo and Walter Matter SA have committed to contribute around USD 37,000 per year, mostly in kind

e.g. for trainings for coffee processing and quality assurance. Income from the coffee sales will increase from an estimated USD 48,000 in 2019 to USD 435,000 in 2023 due to the increasing number of coffee plants coming into production during that period. Infrastructure investments and capacity building of farmers as well as of the management of the cooperative are needed now. Therefore, the Swiss Embassy in Myanmar is currently considering to continue its support to Green Gold with a decreasing amount over the coming four years when the cooperative is about to break even.

There are certainly many risks associated with this endeavour therefore continued risk assessments and risk sharing arrangement between the private sector, the farmers and their cooperative is needed. Only if Green Gold is able to produce the quality coffee agreed with Malongo, the contract with Malongo is shielding the coffee producers from a potentially falling world market price with a minimum price. It is however important to take into account the non-monetary benefits of this project. The most obvious one is to provide a viable alternative income source for former opium producers.

Furthermore, this project plays an interesting role in Myanmar's complex ethnic landscape.

The Green Gold Cooperative has members from several ethnic groups, most of them Shan and Pa'O. In recent months tensions have risen between the Shan ethnic-based Restoration Council of Shan State and linked Shan State Army-South (RCSS/SSA) and the Pa'O ethnic-based Pa'O National Liberation Organisation and Army (PNLO/A). Having these coffee farmers working together for their livelihood has an important trust building component at community level. The overall goal of the Swiss Cooperation Strategy Myanmar (SCSM) 2019-2023 is to *contribute to political, social and economic transition in Myanmar that aims at a peaceful, inclusive and equitable society as well as democratically legitimised institutions*. Such a small project can make its contribution to that goal while enhancing SDC's work on the nexus between Development and Peace support activities.

Reference:

[Myanmar Opium Survey 2018](#), UNODC