SCHOOL OF ECONOMICS AND MANAGEMENT

Taking the Bitterness Out of Coffee: A Case Study of Value Chain Transformation in Ugandan Coffee Companies

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Abstract

The international trade in coffee is widely acknowledged to perpetuate unequal structures between producing and consuming countries. While coffee is largely grown in and provides a large proportion of income for developing countries, most of the value-added activities are performed in developed countries. This paradox is exemplified in the case of Uganda where coffee is exported almost exclusively as green beans. However, two companies have been identified as deviating from this norm. Through a mixed methods approach, this thesis investigates these companies through a Global Value Chain framework. This framework provides an important point of departure to analyse how, where, and to whom value is added along a global network of production. To establish a baseline for the characteristics of these firms, this thesis first maps their range of activities along the value chain. Next, the analysis of these cases observes three ways in which they have transformed the traditional value chain of coffee. By performing three forms of upgrading in Uganda, the firms are able to vertically integrate within the value chain. The embeddedness of the firms in Uganda is also shown to shape the structure and approaches of these firms. Lastly, by analysing the governance structure the number of actors within these chains is recognised to have been reduced with value being agglomerated in three areas. This redistribution is also shown to bring more value back to Uganda when compared with traditional chains. The thesis concludes by reflecting on the possibilities for future investigation into the mechanisms of how these firms function from other disciplines.

Key Words: *Globalisation, Global Value Chains, Coffee Value Chains, Value Chain Inequality, Uganda.*

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List of Abbreviations

CIF (price)	Cost, Insurance, and Freight
CSR	Corporate Social Responsibility
D2C	Direct to Consumer
FOB (price)	Free on Board
GAC	Good African Coffee
GCC	Global Commodity Chains
GVC	Global Value Chains
MNC	Multinational Corporation
SACCO	Savings and Credit Cooperative
SME	Small and Medium-Sized Enterprises

1. Introduction

"The secret of the wealth of nations is clear: developed nations add value to everything they produce, while poor nations export raw materials. Africa must quit being at the bottom of the global value chains and move to rapidly industrialize, with value addition to everything that it produces"

– Akinwumi Adesina, President of the African Development Bank[1].

The quote above reflects a clear sentiment; that a dichotomy exists between producing and consuming countries. This paper explore this paradox as it relates to the global value distribution of coffee. The contemporary coffee market has gone through what some call a 'latte revolution' wherein an estimated 1.5 billion cups of coffee are consumed globally, every day (Luttinger & Dicum, 2006, p. ix; Ponte 2002a, p. 1). Yet production industries in developing countries are in disarray, market prices for coffee are low, and farmers are lucky if they can even fetch that price (Daviron & Ponte, 2005, p. xvi; Ponte, 2002a, p.1). This dynamic between producing and consuming countries is accentuated in that 90% of coffee is produced in developing countries while the value-added activities take place in developed countries (Ponte, 2002b, pp. 251, 254). In Uganda, this paradox holds true with 95% of its coffee being exported as raw, green beans (UCDA, 2018). Coffee in Uganda is predominantly produced by small-holder farms and is considered the main source of income for approximately 500,000 households (Baffes, 2006, p. 413). Against this backdrop, the scholarship on inequality in the value chain of the coffee industry is comprehensive (Daviron & Ponte, 2005; Fitter & Kaplinsky, 2001; Kaplinsky, 2004a; Ponte, 2002a; Ponte 2002b; Talbot, 1997).

Hence, the dynamics of how national economies are interconnected on a global scale – through the products they exchange – identifies globalisation as a key component of this study. From the early onset of the globalisation phenomenon, critics have recognised a geographic and economic division, however, others argue that improvements to the methods of integration

[1] AfDB, 2013

provide a fruitful approach to development (Prebisch 1950; Bhagwati, 2004). Acknowledging the paradox of value distribution within the coffee industry forms the backbone of this thesis, however, exploring possibilities of change and transformation will be the focus.

The recognition of the private sector as a development actor presents an opportunity to navigate the characteristics of global integration. While the debate persists regarding the efficacy of neoliberal shifts in development thinking, the potential for businesses to be sustainable, pro-poor, actors is also recognised (Blowfield & Dolan, 2014; Roepstorff & Wiggins, 2011). The private sector also provides cases wherein global production norms are being challenged. More specifically, this study identifies two companies for their ambition to change the way the coffee value chain is structured. In seeking to conduct high value-adding activities – such as roasting and packaging – in Uganda, these firms strive to reorder the prevailing economic and geographic distribution of value. Furthermore, analysing the cases through a Global Value Chains (GVCs) approach will provide an essential framework to develop the understanding of the ways in which these firms are engaged with production in terms of value, locality, and governance.

1.1. Aim and Research Question

In recognising the imbalances in the conventional construction of coffee value chains, this thesis seeks to examine the new formulations presented in the cases of Good African Coffee and World Wild Limited. To develop a foundational understanding of these business models, the aim of this thesis is twofold. Firstly, the thesis will ask:

> Research Question 1: What are the characteristics of these companies performing value addition in the coffee industry, in Uganda?

In posing this descriptive question, this thesis attempts to establish the range of activities performed by the firms so as to illustrate the differentiating factors of these value chain constructions. Furthermore, to contextualise these characteristics within the GVC debate and to analyse the new value chain linkages being developed by these firms, this thesis will also ask:

Research Question 2: In what ways do these companies contribute to influencing the structure of value chains in the coffee sector, in Uganda?

A key assumption of this second question is that a transformation is occurring at all. However, based on the purposeful sampling of the cases, the very characteristic that coffee is being roasted in Uganda before export suggests a deviation from the norm, from the offset. While roasting coffee in Uganda is not a unique phenomenon in and of itself, the key differentiating marker in terms of global value chains is the exportation of this finished product as opposed to the conventional raw, green bean.

1.2. Relevance

While the literature on Small and Medium-Sized Enterprises (SMEs) and Global Value Chains (GVCs) is broad and diverse, this study finds its relevance to be twofold, firstly due to its case study methodology and secondly its focus on Uganda. In regard to methodological contributions, the prevailing scholarship largely utilises a sector-wide approach for analysing the coffee industry in Uganda to explore its broader governance challenges (Baffes, 2006; Bolwig & You, 2007; Ponte, 2002b). This expansive approach is more typical within GVC discourse (Fitter & Kaplinsky 2001; Kaplinsky, 2004a; Ponte 2002a; Raikes & Gibbon, 2000; Talbot, 1997). However, the case studies of firms performing value addition in Sub-Saharan Africa have largely focussed on the garment industry (Morris et al., 2011; Morris & Staritz, 2014). While studies of similar companies exist within the context of business management studies these do not engage with GVC themes to the same extent (Misati et al., 2017). Thus, this research is relevant in that it seeks to bridge these pillars of research by performing a case study on firms engaged with the value addition of coffee. Secondly, this thesis is relevant due to the potential gains for the Ugandan economy, as a National Union of Coffee Agribusiness and Farm Enterprises (NUCAFE) policy brief estimates: “if Uganda were to roast and package all coffee beans exported as raw green beans worth US $ 400 million, the export earnings could more than quadruple to US $ 2 billion” (Mbowa et al., 2017). Hence, the implications for value addition at source may have enormous potential for emerging economies and, thus, evaluating what form this may take can contribute to a better understanding of factors influencing economic growth both in Uganda as well as other economies reliant on coffee.

1.3. Delimitation

The limitations of this study can be seen as follows. Firstly, the scope of this thesis is paradoxically narrow yet broad. The focus on two cases – through a GVC framework – narrows the breadth of this study as the contextually sensitive nature of case studies establishes parameters on the external validity of the study, due to temporally and geographically specific conditions that place the cases within a unique institutional landscape (Bryman, 2012, p. 69). However, in terms of breadth, the GVC scholarship includes an extensive number of focus areas and disciplines. Hence, this thesis focusses on the components relating to inputs, territoriality and governance as described by Gereffi (1994, pp. 96-97). Additionally, the aims of this thesis reflect an ambition not to present an exhaustive account of the cases at hand but instead provide a foundation for further studies. The cross-sectional design of this study can also be viewed as a limitation as it reduces the extent to which long term implications can be analysed. Hence, while the component of impact is recognised, its measurement and implications have not been fully explored. This too serves as an opportunity for further exploration into private sector engagements in development through a long-term perspective.

1.4. Outline of the Thesis

The structure of the thesis will be as follows. The subsequent section provides a background on both the coffee industry, broadly, as well as the dynamics it holds within Uganda, specifically. From there the prevailing literature on globalisation, business for development, and global value chains is explored. Against this backdrop the theoretical framework, as it pertains to GCC and GVC methodologies, is explored and motivated. This section is followed by the methodological tools and considerations used for the research design. Following this, the findings of the research are presented to answer RQ1 through the analytical results, and then to answer RQ2 in a discussion section. Lastly, the conclusion remarks on the findings of the thesis and highlights possibilities for further exploration.

2. Background

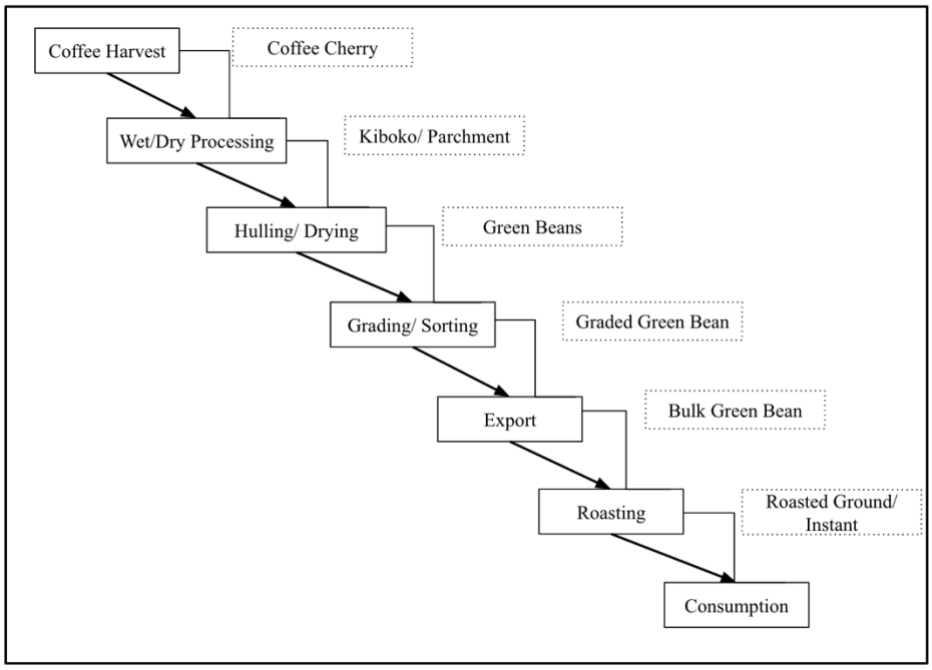
The following section first provides a background for the coffee industry broadly. This provides a foundation for the structure of the value chains and the coffee terminology used throughout the

thesis. Following this, the dynamics between the coffee industry and Uganda will be described contextualising the thesis in the country of study.

2.1. Coffee

Coffee is a commodity that holds notable cultural and economic value, across much of the world. The scale of the coffee trade is considerable in that "for most of the post-World War II period coffee has been the second most valuable traded commodity after oil" (Ponte, 2002a, p. 6). In this capacity coffee is the key export, in terms of earnings, for several low-income countries (Daviron & Ponte, 2005, p. 50). It follows that an estimated 90% of global coffee is produced in developing countries, while its consumption is more common in developed countries (Ponte, 2002, p. 6). This coffee comes in two varieties, Arabica (*Coffea arabica*) and Robusta (*Coffea canephora)*, which go through several transformations and transportation processes before it is ready to be consumed as either roasted ground (coffee beans), or instant coffee.

Figure 1. Summary of Coffee Processing Stages and Outputs.[2]



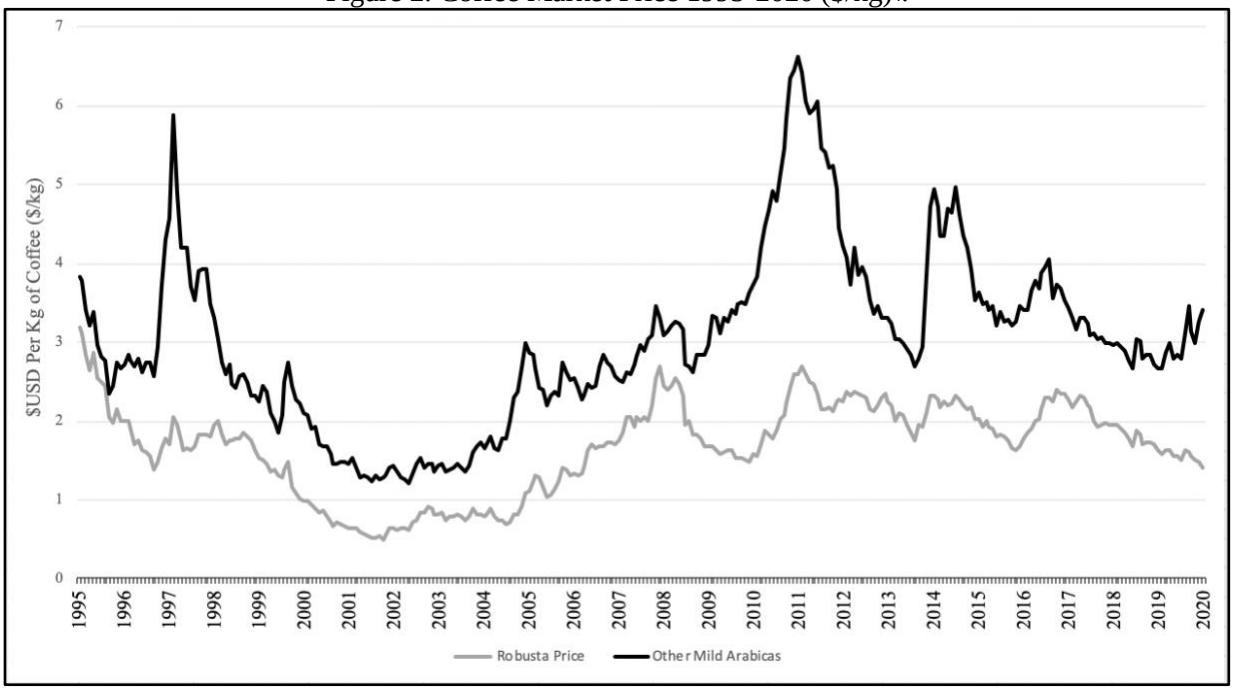
Source: Daviron & Ponte, 2005, pp. 51-55[3]

[2] This figure is only a brief summary of the coffee processing sequence, for a more detailed map of processing inputs, outputs and actors see Daviron and Ponte (2005, pp. 54-55).

[3] The dry processing of Robusta coffee results in what is referred to as Kiboko on Ugandan coffee markets.

These coffee varietals are grown in different environments and fetch different prices (Figure 2), with Arabica requiring higher altitudes and receiving higher prices as compared to Robusta which is typically used as a filler to reduce the cost of a coffee blend (Daviron & Ponte, 2005, p. 53). In brief, the processing steps from farm to cup are displayed in Figure 1.

Figure 2. Coffee Market Price 1995-2020 ($/kg)[4].



Source: Data from IndexMundi (2020)

At the export stage of consumption there are two key methods of purchasing coffee. On international markets, green coffee beans are sold in 60 kg sacks either "directly from its origin or via the spot markets in the US and Europe" (Ponte, 2002a, p. 7). While addressing the broader pricing methods for coffee is beyond the scope of this thesis, the pricing models can be broken down into two key components, physical markets and futures markets. Mainstream international prices are therefore set mostly through differentials on two global exchanges, the New York Coffee, Sugar, and Cocoa Exchange (CSCE) for Arabica, and the London International Futures and Options Exchange (LIFFE) for Robusta (Daviron & Ponte, 2005, pp. 140-141; Ponte, 2002a, p. 7). Here, futures markets represent "not just current physical market prices but also the

4 Depending on the location of the market of sale, coffee prices can also be measured in dollar-cents per pound.

expectation of future events" (Lewin et al., 2004, p. 22). In combination with the climate dependent nature of coffee (growing optimally in tropical geographies) and speculative trading on futures markets, as with many traded commodities, the coffee market suffers from price volatility on international markets (Daviron & Ponte, 2005, pp. 89-90). The long-term trend of international prices is shown in Figure 2, above.

2.2. Uganda and Coffee

While the section above provides a background for the coffee industry as a whole, this section describes its role within the context of Uganda, a landlocked country in East Africa where coffee is a significant export (Figure 3).

Figure 3. Map of Uganda and surrounding countries.

Source: Encyclopædia Britannica (2020)

According to the Uganda Coffee Development Agency (UCDA) 2018/19 financial year report, Uganda exported 4.45 million 60kg bags of coffee worth $492 million (UCDA, 2018 & 2020). Thus, coffee constitutes Uganda's second largest export by value (WITS 2018). The production of this coffee is largely performed by smallholder farmers with 1.5 million households growing coffee in 112 districts and is considered the main source of income for approximately 500,000 of those households (UCDA, 2020; Baffes, 2006, p. 413). This production is largely engaged with Robusta beans, of which Uganda is highly regarded due to its neutral flavour[5] (Daviron & Ponte, 2005, p. 99). Uganda also produces Arabica beans, however, not to the same extent (UCDA 2020).

In a global context Uganda is the 8th largest exporter of coffee (UCDA 2020). While coffee is an important crop to the economy of Uganda it also faces a number of challenges. Despite the large-scale production of coffee, the vast majority of beans are exported in raw, green bean form with only 51 (60kg) bags of roasted coffee being certified for export in 2018 (UCDA, 2018). Furthermore, domestic consumption of coffee represents about 5% (244,800, 60kg bags) of the total production and remains an area of focus for value potential for the UCDA (2020). Other than the relatively low local value addition, other challenges have included wilt disease, price instability (Baffes, 2006), supply responsiveness to global demand shifts (Bolwig & You, 2007), and environmental concerns such as global warming and droughts (Mbowa et al., 2017). Hence, Uganda with its strong international standing – in terms of supply – can be considered a prime case of the coffee paradox where notable financial worth is being exported due to low levels of domestic value-addition.

3. Literature Review

This section is categorised into three themes: globalisation, business for development, and Global Value Chains (GVCs). An overview of the globalisation discourse, both historical and contemporary provides an essential background to understanding dynamics of global trade regimes and the asymmetry identified within these systems. Next, the scholarship on business for development will explore the ways in which the private sector is constructed as a business actor with links to the cases at hand. Lastly, key issues and defining principles of GVCs are explored.

[5]Neutrality is valued as it makes it easier to add to coffee blends.

3.1. Globalisation and Global Economic Integration

Globalisation as a conception of economic integration is widely addressed across numerous disciplines, however, in the context of economic history and development this discussion will primarily engage with processes of integration into the world system and the variances in integration across contexts. Situated within the World-systems Theory, Singer (1950) and Prebisch (1950) are widely considered to be seminal thinkers on global economic networks. The discourses presented in their works largely engage with global dynamics regarding the distribution of production. Within this paradigm, countries are divided between an industrialised 'core' and a 'periphery', encumbered with producing food and raw materials (Prebisch, 1950, p. 1). This notion of a global division of production – between high and low value addition – highlights one of the ways in which economic integration challenges industrialisation and development in the 'periphery'. Under this system Singer (1950, p. 477) notes that economies specialised in the export of food and raw materials suffer for two key reasons:

> (a) because [investment from industrialised countries] removed most of the secondary and cumulative effects of investment from the country in which the investment took place to the investing country; and (b) because it diverted the underdeveloped countries into types of activity offering less scope for technical progress. (Singer, 1950, p. 477)

The inequalities in the global integration of both capital and production are noted in their accumulation *away* from the producing countries in this system. While the policy environment has shifted since these hypotheses were proposed, the underlying imbalances set forth by Singer (1950) and Prebisch (1950) continue to underpin studies of inequalities in the coffee value chains specifically, and the commodity trade more broadly (Daviron & Ponte, 2005; Fitter & Kaplinsky, 2001; Gibbon & Ponte, 2005; Kaplinsky, 2004a; Morris et al., 2012). The perpetuation of these structures is also exemplified in the case of Uganda, where the scale of raw, green coffee exportation far exceeds that of roasted coffee demonstrating a persistence of these core-periphery dynamics in the contemporary coffee trade.

However, this criticism of globalisation is not universal, and while these works offer insight into the early thinking on globalisation dynamics, the scholarship has evolved in several ways since this period. The 1980s signified an important shift in globalisation thinking and its policy ramifications, with notable influence from neoliberal economics. The scholarship on this matter was characterised by a focus on: opening markets, reducing the role of the state in the provision of goods and services, liberalising flows of goods and capital, and embracing comparative resource advantages in the name of international competition (Bhagwati, 2004; Daviron & Ponte, 2005; Gibbon & Ponte, 2005; McMichael, 2017; Perrons, 2004). Practically, this liberalisation was associated with the dissolution of the coffee management board in Uganda and the restructuring of coffee management schemes generally with widely debated, largely negative, implications (Daviron & Ponte, 2005, p. 101; Ponte, 2002b, p.252; Raikes and Gibbon, 2000, p. 72).

As a notable supporter of liberalisation, Kinichi Ohmae (1996) suggests that economic integration should be pursued to the greatest extent, suggesting that states should dissolve all internal and external barriers of trade. In doing so, the notions of state and geography will be dissolved from the global economy in what is deemed to be a 'borderless world' (Ohmae, 1996, p 140). While it has evolved, this thinking is not confined to just the 1980s and 1990s. Jagdish Bhagwati (2004) mirrors this sentiment in suggesting that globalisation can be assigned with reducing poverty, gender inequality, and child labour while also enhancing economic growth. This perspective is, nonetheless, acknowledged within the context of economies that are able to integrate themselves into this system with institutional support to industries that may experience hardship due to international competition (Bhagwati, 2002, p. 223). Whether implemented adequately or not, these ideologies have been realised through what McMichael (2017, p. 22) has entitled 'The Globalization Project', which ultimately resulted in the loss of price stabilisation mechanisms in the coffee industry[6] (Ponte, 2002a) and "subordinated states social protections to liberalization" (McMichael 2017, p. 145). Hence, it follows that discourses have developed that seek to explore this asymmetry to a greater extent.

[6] For further explorations into the debates of the International Coffee Agreement (ICA) regime and its impacts on the coffee industry, see Kaplinsky 2004a; Ponte, 2002a; Talbot 1997.

Within the context of global commodity trades and value chains, the discourse of globalisation in the form of 'unfair trade' will contextualise the above-mentioned debates and situate them in the topic of this thesis. As described by Daviron and Ponte (2005, p. 13), the 'unfair trade' paradigm emerged in parallel with and, to some extent, in response to, the liberalisation movement. The perception of 'unfairness' has several iterations. Kaplinsky (2004a, 2004b) perceives this unfairness as inequality, suggesting that "globalization has bypassed much of the world's population, particularly those in poor countries" (Kaplinsky, 2004b, p. 78). This inequality is exemplified in the oligopolistic concentration of power and wealth to both coffee traders (in 1998 the top six traders controlled an estimated 50% market share with a trend towards further concentration) and coffee roasters (where five groups control an estimated 69% of the market share) (Daviron & Ponte, 2005, pp. 91-93; Kaplinsky, 2004a).

In addition to this perception of unfairness, the role of regulatory bodies and policies are also considered in creating unfair conditions for participation in the global economy. The Oxfam "Double Standards Index" illustrates the ways in which developed countries maintain strong barriers to market entry while promoting trade liberalisation in developing countries (Watkins & Fowler, 2002, 98). This dichotomous concept is also colloquially constructed and explored as the West "kicking away the ladder" of development, by Chang (2002). The barriers can be identified as twofold, with tariffs and dumping on one side (Watkins & Fowler, 2002, p. 102; McMichael, 2017, p. 206; Moyo, 2009, p. 294) and non-tariff barriers such as food standards on the other (Otsuki et al., 2001; Henson et al., 2000). These barriers are argued to disproportionately hinder the attempts of emerging markets such as Uganda to enter into the globalisation regime. Thus, while unequal trade can be defined from multiple perspectives, current debates acknowledge an asymmetry between the participation of developed and developing countries in the system of globalisation.

3.2. Business for Development

The nuances and debates on business and development are not so distantly linked, in both temporal and ideological senses, from those of neoliberal globalisation. However, due to the debates on the efficacy of the dynamics between business and development, an overview of the prevailing discourse will be presented with a focus on its applicability to the understanding of the cases at

hand. As such, this section will break down this concept into three themes: the general discourse on the private in development, the internationalisation of SMEs, and lastly the role of agribusiness.

The debate regarding businesses as development actors has emerged as a contentious yet persistent theme in contemporary development discourse. Originating in the 1990s, the discourse surrounding businesses has emerged within the broader shift towards neoliberal thinking in the field of development (Blowfield & Dolan, 2014, pp. 23-24). Its importance within the development sector has grown significantly to the degree that "policy statements now routinely make reference to the importance of private sector involvement" (Humphrey et al., 2014, p. 7). At its core, this idea is built on the notion that the free market is an essential modality of development, and stems from the thinking of neoliberal economists such as Milton Friedman (1962). Hence, privatising development is justified, as when firms operate within a well-functioning market, it is considered to be the most efficient method of resource allocation. However, the debate has evolved beyond this purist perspective in two notable ways. Firstly, the dimensions of economic and political freedoms underpin the movement to reduce dependency on aid in developing countries, as written by Dambisa Moyo (2009). Secondly, with publicity from the UN Global Compact, Corporate Social Responsibility (CSR) has been promoted as a method of private sector, self-governance that seeks to improve the ethics, transparency, and rights for business practices (Cetindamar & Husoy, 2007; Doane, 2005; Lebaron & Ruhmkorf, 2017, Warhurst, 2005). Dismissed by Freidman (1962, p. 114) as a deduction to shareholders earnings, the perspective is lauded in the debates that seek to uncover the developmentally oriented dynamics that business holds within the globalised production system. While CSR was initially induced by self-governance initiatives it has created a useful inroad for business to be used as a 'tool' for development (Blowfield & Dolan, 2014; Humphrey et al., 2014). This background is useful in situating the voluntary nature of chain reorganisation, as in the context of GAC and Wild Coffee, within the broader debate of self-governance mechanisms.

Within this broader debate of business for development, the agribusiness sector has been specifically recognised for its multifaceted potential. This is evident in the African context wherein both public institutions (Derek et al., 2013; World Bank, 2015; FAO 2016; Lisk, 2011; Yumkella et al., 2011) as well as the private investment (World Bank, 2015) perceive the industry to be of

high potential. Agribusiness as a concept is widely acknowledged to include "input suppliers, agro-processors, traders, exporters and retailers" (Roepstorff & Wiggins, 2011, p. 28). This broad spectrum of sub-sectors illustrates the roles that agribusinesses play in:

a. Increasing Agricultural productivity
b. Agro-industrialisation
c. Manufacture (in terms of equipment production and consumption)
d. Provision of services (marketing, finance, distribution).
(Roepstorff & Wiggins, 2011, p. 28).

Therefore, agribusiness acts as an important link along the value chain of agricultural products, creating opportunities beyond the core inputs. Furthermore, the export element of agribusiness is also of great importance as it links these factors to global markets and therein bolsters the robustness of the industry (Abdullah & Zain, 2011). This possibility for internationalisation is recognised at both regional and global scales, for a variety of goods along the value chain (Williams, 2011, pp. 154-155; Schwedel, 2006, p. 28). Regarding the cases at hand, these components recognise the potential benefits of introducing additional manufacturing processes (such as roasting and packaging), or legal and accounting services to the Ugandan economy through value-added activities.

However, as is often the case with development, there is an ongoing debate as to the extent to which business is truly a panacea for poverty alleviation. This debate can largely be grounded in the paradoxical relationship between profit seeking and philanthropy, as highlighted by Friedman (1962, p. 114). Herein, the desire to maximise shareholder value is hindered by the redistribution of funds to activities other than production. However, firms are increasingly engaging in CSR measures as a method of differentiation and reputation management (Doane, 2005; Jenkins, 2005). This has resulted in the proliferation of *voluntary* codes of conduct (Jenkins, 2001) and lacklustre results in tackling the underlying issues of: community impact, transfer pricing, tax avoidance, power manipulation, and poverty alleviation (Blowfield, 2007; Doane, 2005, p. 218; Jenkins, 2005, p. 528). In recognising this voluntary and potentially superficial component of social change, these perspectives can be expanded to question the incentives of the cases at hand. The exploration of

the ways in which the cases establish linkages (both forwards and backwards) holds the potential to support future analysis of the degrees to which business practices are capable of capturing impact through deeper linkages, while also maintaining a strong position in highly competitive markets (Goldsmith, 1985; Stanton, 2000). To explore this component further the ways in which firms are linked with value redistribution can be further explored with recognition to value chains.

3.3. Value Chains

While value chains will be discussed in an operative sense in the analytical framework below, a brief overview of the broader literature will contextualise the debates and define the concepts utilised for this analysis. A broadly accepted definition of value chains, as presented by Kaplinsky and Morris (2000; p.4), is the:

> full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use (Bockel & Tallec, 2005, pp. 2-3; Faße et al., 2009, p. 6; Gibbon and Ponte, 2005, p. 77; Kaplinsky and Morris, 2000; p.4).[7]

This shift from a focussed view on production to the range of actors and activities that coordinate and manage these chains allows for a greater engagement regarding how and, to whom, gains from production are spread (Fitter & Kaplinsky, 2001, p. 71; Gereffi et al., 2001, p. 1; Kaplinsky et al., 2002, p. 1160; Raikes et al., 2011, p. 394).

However, within the classification of value chains, numerous labels exist to specify a series of interlinked subjects. Gereffi et al. (2001, p. 2) and Faße et al. (2009, p. 4), attempt to contextualise these different labels (i.e. supply chains, Global Commodity Chains, value chains, Global Value Chains, production networks, etc.) as sharing a common grounding in the analysis of the stages from production to consumption. This plethora of definitions, and thus the inherently scattered

[7] Herein value chains expands to the disposal of the product after usage as well, however, due to the scope of this thesis, this final segment has been excluded, complimenting the opportunity for further study.

nature of the consequent research, is highlighted as one of the key challenges of this concept (Gereffi et al., 2001, p. 3). In seeking to narrow these definitions for the scope of this thesis, the development-oriented elements of commodities, value, and global integration hold greater applicability for the study of the coffee trade. These definitions and functions hold links to two foundational concepts of chain analysis, the *filiere* approach and Global Commodity Chains (GCCs) (Faße et al., 2009, p. 3; Raikes et al., 2011, p. 404). Another important concept is the process of moving to higher value-added activities in the chains, through the process of industrial upgrading (Morris and Staritz, 2017, p. 304). This is conceptually relevant as it recognises the process of increasing the benefits from chain participation and characterises the potential gains from introducing greater value-addition activities for the Ugandan economy.

4. Analytical Framework

This section explores the analytical framework that will be utilised to investigate the data for this thesis. This section is split into two subsections which will firstly, explore the broader analytical model of Global Commodity Chains (GCCs) and its applications. Secondly, it will discuss the contribution of the Global Value Chains (GVCs) framework which will function to operationalise and focus the analysis. While somewhat different in character, these frameworks are foundationally linked and provide an important frame into which the cases can be placed and analysed.

4.1. Global Commodity Chains

Underpinning the internationalisation and globalisation of economies lie a number of factors that influence the development of economic activities between geographies. Accordingly, the Global Commodity Chain (GCC) framework provides a useful tool for this analysis of the two case-studies. The framework seeks to capture "both the spatial features of these transformations across the world-economy, and the relationships that link these processes together" (Gereffi et al., 1994, p. 1). More specifically, this framework targets the commodity chains that are defined as "a network of labour and production processes whose end result is a finished commodity" (Hopkins and Wallerstein, 1986, p. 159). These concepts are situated within the broader debate of the international divisions of labour, manufacture and supply. In navigating the connections between

these elements, the GCC framework provides a roadmap for dissecting the processes and structures that characterise different chains as well as the endogenous and exogenous forces that shift their arrangement.

In this study, the utility of the GCC theory is twofold, firstly in defining the properties of a commodity chain model, a generalisable understanding of the map of connections can be constructed and analysed. Hopkins and Wallerstein (1994, p. 17) establish the centres of productive activity as "boxes", which represent separable processes. Furthermore, these boxes are considered to be both socially constructed and flexible which allows for variations across geographical and firm contexts (Hopkins and Wallerstein, 1994, p. 17.). The second dimension of this theory establishes key focus areas that, when utilised in conjunction with the value chain model, provide an analytical basis for understanding the positioning of the cases. Pioneered by Gary Gereffi (1994), the three core components and dimensions for analysis in GCCs are outlined in Box 1, below.

Box 1. Core Components of GCC analysis.

(1) **An input and output structure** (i.e., a set of products and services linked together in a sequence of value-adding economic activities),
(2) **a territoriality** (i.e., spatial dispersion or concentration of production and distribution networks, comprised of enterprises of different sizes and types), and
(3) **a governance structure** (i.e., authority and power relationships that determine how financial material, and human resources are allocated and flow within a chain)"

Source: Gereffi 1994, pp. 96-97 (emphasis added)

The categories in Box 1 seek to organise company structures into "producer-driven" commodity chains and "buyer-driven" chains (Gereffi, 1994, p. 97). The former refers to a commodity chain organised around a central transnational corporation that coordinates and controls the systems of production through networks of subcontractors and subsidiaries, commonly observed in industries that are industrially and technologically intensive (e.g. automobile or aviation manufacture) (Gereffi, 1994, p. 97). The latter describes a system driven by retailers, brand names, and trading

companies, wherein the firm functions as a top-down coordinator that links overseas production networks to consumer market demands (Gereffi, 1994, p. 99). Utilising these three dimensions of GCCs will form the organising principle of the analysis. Accordingly, the GCC approach will build the foundational basis for analysis of the chains more broadly. The utilisation of the GVC approach will provide the theoretical tools to understand the cases at hand in a more specific context.

4.2. Global Value Chains

The Global Value Chain (GVC) framework is another important component of the analytical framework. GVC analysis is theoretically founded on the GCC approach, however, in expanding beyond purely industrial activities and including analysis of vertical and horizontal linkages, this framework serves as an additional component to enrich the analysis of the cases (Faße et al., 2009, p. 4). Furthermore, while a GCC approach is an important framework to acknowledge, and its foundations to build on, its evolution into the GVC approach brings additional applicability for the contemporary nature of this study (Daviron & Ponte, 2005, p. 29; Gibbon & Ponte, 2005, p. 77). This approach is defined by its ability to "highlight the particular value of those activities that are required to bring a product [or] service from conception, through the different phases of production" (Gereffi et al., 2001, p. 4). The key applicable elements of this framework are the focus on industrial upgrading, the interpretations of what constitutes value, and how to measure it. With a particular focus on emerging economies, the process of upgrading serves as a tool to understand transitional pathways for insertion into local and global value chains (Gereffi et al., 2001, pp. 5-6; Humphrey & Schmitz, 2002, p. 6). The latter concepts of value are also necessary as a "fundamental aspect of global value chain research is how 'value' itself is conceptualised and measured" (Gereffi et al., 2001, p. 7). This acknowledgement breaks down the practicalities of analysing the data, informing the methodology and validity of different data sources and types. In some cases, profits are considered as the primary indicators of global value distribution, however, within the scope of this thesis the 'value-added' approach will be utilised (Gereffi et al., 2001, p. 7). Hence, this distribution of value addition will be an important component in answering RQ1, and the broader set of tools it provides to dissect the phenomenon of change will contextualise this data within debates of value and transformation for a global system, informing RQ2.

5. Methodology

The following section will outline the methodological design for this thesis. In doing so the tools utilised for sampling and data collection will be addressed. Furthermore, links between the methods, theoretical framework and aims of the study will be investigated. Lastly, the methodological limitations will be highlighted.

5.1. Research Design

The research design is largely influenced by the aforementioned analytical and theoretical frameworks as well previous research and the research questions. Building off of similar research into both African SMEs (Misati et al., 2017) and value chains (Kaplinsky et al., 2002), this research utilises a case study methodology to evaluate value-chain-addition in the coffee industry. Case studies provide a vital tool to enrich the understanding of phenomena, as well as the various and complex contexts within which they occur (Bryman, 2012, p. 66; Eisenhardt & Graebner, 2007, p. 25; de Vaus, 2001, pp. 119 & 221). In defining what a 'case' is and why it was chosen two factors are identified by Bryman (2012, pp. 67 & 70), locality and classification. Firstly, the location for this study is Uganda, as the background section, above, motivated it as a key candidate due to the dynamics of its coffee sector. Secondly, the cases are selected due to their characteristics and representativeness of issues relevant to the study. This sampling methodology will be further described below. Herein, the case selection methodology and research design are unified in their importance to the research questions (Bryman, 2012, p. 70), as both firms are identified based on their participation in, and change of, coffee value chains. Additionally, this thesis lends some characteristics from a cross sectional design; specifically, the use of multiple cases and the simultaneous collection of data that portrays a single point in time (Bryman, 2012, p. 59).

While a case study is identified as the method to conduct data gathering, a mixed methods approach is used to collect the data. A mixed methods approach incorporates both qualitative and quantitative data in a complementary fashion, which has the potential to enrich the understanding of the case and add rigour to the study (Stewart-Withers et al., 2014, p. 66). As recognised by Bryman (2012, pp. 631-632), mixed methods approaches encompass a large variety of different methodologies. Thus, to further specify the methods for this study, the organising principle of the

methods should be established to create an internal hierarchy and serve as an important methodological acknowledgement (Bryman, 2012, pp. 631-632). Based on the data available for the cases, a sequential organisation will be utilised, wherein qualitative data will be collected first and then supplemented by quantitative data (Bryman, 2012, p. 632). Thus, the quantitative data will perform a triangulation function in this study so as to mutually corroborate the findings (Bryman, 2012, p. 633). These elements will be combined in the identification of characteristics as part of RQ1. With recognition towards RQ2, the collection of quantitative data is useful in the analysis of 'value-added' data where the distributional outcomes of chain reorganisation can be computed based on the construction of value-added as a percentage of retail value (Kaplinsky & Morris, 2005, p. 42). This method therefore allows for an important visualisation of change in the analysis.

5.2. Sampling and Sources

Sampling is an important methodological consideration for both the practical and representative feasibility of the study (Bryman, 2012, p. 11; Overton & Van Diermen, 2014, p. 44). As mentioned above, part of designing a case study includes the identification of cases which are to be analysed. These cases are thus defined in their characteristics as the epitome of a broader context of cases as well as their ability to answer the research questions (Bryman, 2012, p. 70). Thus, by establishing these guidelines the research design utilises purposeful/purposive sampling techniques, which are characterised by the establishment of prior criteria and assessment to identify the target samples (Bryman, 2012, p. 418; Overton & Van Diermen, 2014, p. 44). Utilising this sampling framework two key sources have been identified, World Wild Ltd. (Wild Coffee) and Good African Coffee (GAC). These coffee companies, both based in Uganda, have been selected based on their business models of conducting value addition at source and, thus introduce valuable cases for exploring the characteristics of this model within a value chain, and commodity chain framework.

A consideration in the sampling of these firms surrounds their operationality at present. As noted by local newspaper sources, the cafes and export operations of GAC were closed down in 2017 by the Uganda Revenue Authority due to unpaid tax arrears (Daily Monitor, 2017; The Independent, 2017). However, despite this GAC has been identified as an important source for the following reasons. Firstly, the rationale and structure of its business is recounted through in book written by

its CEO and founder Andrew Rugasira, and in place of an interview this provides a useful platform for data gathering. More specifically, as its scale was quantitatively larger (in terms of beans bought, farmers engaged with, etc.) than that of Wild Coffee, it presents a snapshot of how this model works under different conditions. Secondly, with consideration towards survivorship biases in research, exploring a firm that may have discontinued operations recognises the possibility of future research to explore the sustainability of this business model and what critical factors impacted the transformation to its current form. Lastly, through the cross-sectional design of the study, the firm is presented as it was in 2013 and allows for an analysis of its structure at this time. Hence, while it has been closed, Good African Coffee presents a useful case for analysis due to the ways it transformed the coffee value chain at the time when *A Good African Story* (Rugasira, 2013) was written.

5.3. Data Collection

The data for this study will come from two principal sources. Data will be collected from both primary and secondary sources. A questionnaire has been developed for the CEOs/ Founders of the companies to retrieve the necessary data to construct the value chains of both cases in a systematic manner (Appendix 2). The questionnaire was designed with the research questions in mind and was influenced by elements of Kaplinsky & Morris' (2000, p. 53) accounting identities for mapping a value chain. The questionnaire was focussed on value chain research specifically due to the aforementioned purposive sampling. With this questionnaire as the basis for the data collection, data was compiled through an online, semi-structured interview with the founder and CEO of Wild Coffee. A semi-structured interview was used due to the flexibility allowed for further probing, as well as allowing the interviewee greater flexibility in their response (Bryman, 2012, p. 477). A questionnaire was developed to structure the interview for two primary reasons. Firstly, introducing structure into the interview approach allows for greater standardisation and comparison of the data collected and hence improves internal validity (Bryman, 2012, p. 470). Secondly, due to the closure of the second firm, data from GAC was collected through a proxy 'interview' with the book written by the former CEO of the firm. This secondary source recounts the events and journey of the firm in its first eleven years of operation and thus provides a highly useful source of data.

To supplement this data, newspaper reports and web archives were utilised to answer questions where the book fell short. Sources such as data from the Uganda Coffee Development Agency (UCDA) were useful in providing additional, complementary data to the study as a whole. The utilisation of web archives will be useful for triangulating data from GAC as its current website is 'coming soon' (Good African, 2020). Furthermore, accounting documents were also utilised to develop the value chain, from a quantitative perspective, in the case of Wild Coffee. In developing the questionnaire, its applicability to both an interview and book were taken into consideration. These elements have implications when answering the research questions as outlined below.

5.4. Methodological limitations and biases

The key challenge in developing the questionnaire was to ensure that it could be applied to both the interview as well as the book. As noted by Stewart-Withers et al. (2014, p. 61), the intrinsic role of the researcher in qualitative data gathering, induces a degree of bias from the researcher. The potential for this bias is implicit in the use of qualitative techniques, however, utilising a book as a key source raises the potential of bias from myself and the writer in the data gathering process. In this regard, continuous reflexivity on the processes and methods being utilised is prescribed as a useful counterbalance to the implications of biases on the study (Bryman, 2012, p. 39; Stewart-Withers et al. (2014, p. 62). Hence the utilisation of the other sources, indicated above, were useful for triangulation. More generally, case studies have been criticised for their lack of external validity, however, de Vaus (2001, p. 247) argues that these studies are designed to be generalised to a theory rather than to a population. The potential for the sampling of the cases to exclude firms that do not have strong online presence also presents a sampling bias.

In constructing the baseline value chain from Fitter & Kaplinsky (2001), the data may not reflect contemporary pricing structures as global dynamics have shifted since this period (see: Figure 2). However, establishing a baseline is a highly useful tool for comparison and, as motivated in Section 7.1, below, this data is useful in this role. The implications of utilising the data from this model when constructing the GAC value chain translates these pricing biases onto the chain. Thus, in acknowledging the data as a visualisation of redistribution, the data used to construct the GAC value chain will be precise to the baseline model but not accurate of its pricing as per the book.

Despite this difficulty in quantitative data acquisition it persists that GAC is a useful case for the restructuring of the value chain due to its comparative scale.

6. The Case Study and Findings

The findings section will present an account of the data collected through the questionnaire. This will be structured on a case by case basis starting with Good African Coffee and then Wild Coffee. The structure of this section follows the structure of the questionnaire as found in Appendix 2.

6.1. Good African Coffee

6.1.1. General Information

Good African Coffee was founded in 2003 by entrepreneur Andrew Rugasira. The firm was closed by the Uganda Revenue Authority in April of 2017 due to tax arrears from both the domestic cafe and international export branches of the company (Daily Monitor, 2017). While in operation, the firm grew from exporting "7 tonnes in 2004, supplied by several hundred farmers, to 430 tonnes in 2011, supplied by over 7,000 farmers" (Rugasira, 2013, 175). From their headquarters in Kampala, GAC processed and exported both roasted ground and instant coffees to the United Kingdom through supermarket retailers Waitrose, Tesco and Sainsbury (Rugasira, 2013, pp. 139, 144). GAC was the first African-owned coffee brand to be sold in the UK (Rugasira, 2013, p. 81). GAC also retailed in the United States through an online shop (Internet Archive Wayback Machine, 2013).

6.1.2. Organisation of production

At the earliest stage of inputs, the farm, coffee was sourced through a method of regional exploration, first in Mbale, in Eastern Uganda, however, due to low capital availability at the firm, and high competition from large local buyers, this region was not selected for sourcing (Rugasira, 2013, p. 69). The district of Kasese was identified at the first location for coffee sourcing instead (Rugasira, 2013, p. 69). Through local community guides GAC established links with farmers and used focus groups to understand prevailing challenges in the areas they sampled, which ultimately influenced the decision of choosing locality (Rugasira, 2013, p. 70). The inputs for GAC largely

focussed on the purchase of wet-processed Arabica beans that were not yet husked or cleaned (Rugasira, 2013, pp. 63 & 80). When GAC first entered the market in 2004 they purchased these beans at a price of $1.25/kg, however, by 2011 they were purchased at a price of $4.25/kg (Rugasira, 2013, p. 175). The reason for this increase in bean cost was attributed to the increased knowledge transfers and dissemination of agronomy training provided by GAC (Rugasira, 2013, 175). Coffee was purchased and sourced through "buying stores" established by GAC in the regions where coffee was grown (Rugasira, 2013, p. 68). Farmers delivered their coffee to the stores where it was tested by GAC for quality and purchased for transport to the roastery and factory in Kampala for de-husking (Rugasira, 2013, pp. 79-80). In 2006, a partnership was established with a subsidiary of the global coffee trader Volcafe that was able to alleviate the difficulties in cash flow for coffee purchasing through a cash advancement scheme that utilised coffee as collateral (Rugasira, 2013, p. 129). Hereafter, the beans were processed to the stage where output was in the form of washed green beans (Rugasira, 2013, p. 188).

Through the establishment of their own roasting and packaging facility in Uganda, GAC was able to produce roasted and packaged coffee in roasted-ground, and instant forms ready for export (Rugasira, 2013, p. 39). The roasting equipment was sourced from Turkey and packaging equipment from China (Rugasira, 2013, pp. 132-133). The design for the packaging was outsourced to a firm in London (Rugasira, 2013, p. 168). Once packaged, the beans were transported, as freight, to GAC's destination markets, the United Kingdom and United States. Once in these markets the transport of beans was outsourced to local logistics companies (Rugasira, 2013, pp. 99 & 126). The distributors in the UK brought the coffee to supermarkets (Waitrose, Tesco, Sainsburys) who were the final retailers (Rugasira, 2013, pp. 139 & 144). While the distribution was outsourced, to a 'local' node, the establishment of links to the end retailer was managed by GAC. For the UK markets, extensive discourse was needed with the final retailers to establish GAC products on supermarket shelves, as evidenced by the 12 trips to the UK needed to create the first partnership with supermarket chain Waitrose (Rugasira, 2013, p. 142).

6.1.3. Impact Thinking

GAC sought to impact their farmers in cash and in-kind. The cash component was conducted through a farmer premium wherein beans were purchased at a 30% premium above the market

price (Rugasira, 2013, p. 188). The in-kind impact was organised through the establishment of a profit-sharing link between the end product and the farmer. As part of the core tenets of the GAC business model, 50% of the final profits were shared with the farmer (Rugasira, 2013, pp. 96, 168–169). This profit was distributed through the Good African Foundation which utilised the funds to develop two areas identified at the early stage of the data gathering, namely, agronomy training and financial literacy development (Rugasira, 2013, p. 180). Furthermore, the company simultaneously injected other inputs into the farms. These inputs included training on harvesting, washing, organic certification, and the development of Savings and Credit Cooperatives (SACCOs) (Rugasira, 2013, p. 126).

6.2. Wild Coffee

6.2.1. General information

World Wild Ltd. (Wild Coffee), was founded in 2017 by entrepreneur Endre Vestvik. Wild Coffee was developed based on the experiences of a sister organisation which runs a coffee farm named GladFarm (Endre Vestvik, 09–May–2020). It was this experience that highlighted the nature of the coffee value chain to the founder and motivated the development of their business model (Endre Vestvik, 09–May–2020). Wild Coffee employs between 25-30 people at their headquarters in Kampala, Uganda (Endre Vestvik, 09–May–2020). Through a focus on value addition in their business model, Wild Coffee exports roasted ground, specialty coffee to Norway through an online monthly, subscription service (Endre Vestvik, 09–May–2020; Wild Coffee, 2020). Wild Coffee sources from 12 farmers across 9 different locations mostly in Uganda however, Rwanda, Burundi and Congo were also used to source varying volumes of coffee (Endre Vestvik, 19–May–2020).

6.2.2. Organisation of Production

Wild Coffee sources their beans from three sources in several countries in East Africa. The first source is the aforementioned sister organisation, which produces Robusta beans, these beans are purchased in ‘natural’ form, or dry processed (Endre Vestvik, 09–May–2020). The other sources are differentiated between Ugandan and regional farmers in the neighbouring countries of Rwanda, Burundi, and Congo. From these sources, high quality, specialty coffee is purchased (Endre Vestvik, 09–May–2020). Wild coffee identifies high quality beans through local experts and

sample-roasts when candidates have been identified (Endre Vestvik, 09–May–2020). Wild chooses to eliminate the middleman and source directly from the farm "so we can pay the farmers better" and "also because we can control quality" (Endre Vestvik, 09–May–2020).

Between different localities and different sources, the degrees of processing are diverse. Coffee was purchased from co-ops in Burundi and Rwanda and in these cases the coffee is processed and graded by the farmer organisation (Endre Vestvik, 09–May–2020). However, when purchasing from small-holder farms the coffee is either in parchment or kiboko forms, which are stages of wet and dry processing respectively (Endre Vestvik, 09–May–2020). From this stage "the coffee is being hand sorted and cleaned… and then we have the coffee which is ready for roasting" (Endre Vestvik, 09–May–2020). If the beans are purchased in processed-form then Wild Coffee transports them to Kampala directly after purchase, however, if the beans are in other forms they are taken to a nearby coffee factory "where they mill it and they sort it and they clean it" (Endre Vestvik, 09–May–2020). Wild Coffee utilises a widely available network of coffee factories for this milling and processing, which are "all-over Uganda and all-over East Africa" (Endre Vestvik, 09–May–2020). The proximity of the factory to the farm is important so that "we don't have to transport the kiboko more than necessary" (Endre Vestvik, 09–May–2020). Thus, this processing is outsourced to factories and the resulting green beans are transported back to Kampala for the next stage of processing (Endre Vestvik, 09–May–2020).

In the next stage, the beans are taken to a facility owned by NUCAFE where they are roasted and packaged. Here, Wild, provides the inputs in terms of green beans and packaging, and outsources the roasting (Endre Vestvik, 09–May–2020). However, it is noted that one of the CEO's hopes is that "one day [Wild Coffee] can have our own roastery, that's one of the huge milestones and goals" (Endre Vestvik, 09–May–2020). Once the coffee is roasted and packaged it is labelled and boxed at Wild Coffee's headquarters for the end consumer (Endre Vestvik, 09–May–2020). For its high-end specialty line, the beans are then air-freighted to the consumer market in Norway, where it is distributed through the local post system (Endre Vestvik, 09–May–2020). This high-end coffee is delivered to the consumer around a week after it is roasted and packaged (Endre Vestvik, 09–May–2020). The other method of transport for the non-high-end product line is

through sea freight, however uncertainty in timing and the retention of freshness is noted as a concern with this modality (Endre Vestvik, 09–May–2020).

6.2.3. Impact Thinking

Wild Coffee pays a 100% premium on the market price for their exported specialty coffee (Endre Vestvik, 09–May–2020). They do so "because [the farmers] need it and deserve it, especially when you look at the current coffee prices and the level they have been on now for several years" (Endre Vestvik, 09–May–2020). This premium is motivated by

> "when you see how... much hard work goes into, to making just a few bags of high quality coffee and the very, very low price they receive for this, it, just does not make sense and coffee is a… product which has a good, you know, profit margin" (Endre Vestvik, 09–May–2020).

Wild Coffee motivates that by paying a premium for their coffee, it creates more sustainable livelihoods for farmers due to the amount of work that is required to produce high quality beans (Endre Vestvik, 09–May–2020). More broadly, Wild Coffee recognises its impacts as "job creation, creating value, bringing this value back to the source, so we can create jobs, pay taxes and help to develop Uganda as well as the neighboring countries" (Endre Vestvik, 09–May–2020). Wild Coffee is developing its farmer outreach through a measured approach being developed in conjunction with GladFarm (Endre Vestvik, 09–May–2020). So far, farmer yield has been identified as having "tremendous potential, if we can help the farmer to double their yield, they can double their income without us paying them anything more" (Endre Vestvik, 09–May–2020).

7. Analytical Result

In seeking to further develop the identification of the characteristics of the cases, and hence expand further on Research Question 1, the following section will first establish the tools of value chain mapping which are necessary for exhibiting the array of actions performed by the firms. This will be followed by the mapping of Good African Coffee and Wild Coffee value chains.

7.1. Mapping the Value Chain

Value chains are complex constructions that span geographies and actors. Thus, mapping the input-output relations is a necessary starting point for further analysis. Discerning the various characteristics of the functions performed throughout the value chain is essential for dissecting the global spread of activities and incomes (Kaplinsky & Morris, 2000, p. 41). Furthermore, value chain maps provide a useful platform for visualising the ways in which different firms and countries are linked within a single chain (Bockel & Tallec, 2005, p. 4; Kaplinsky & Morris, 2000, p. 41). As such:

> "[t]he value of this mapping exercise should not be underestimated, because no other form of analysis provides this synoptic overview of earnings (both international and intranational) in globally linked activities" (Kaplinsky & Morris, 2000, p. 41)

In constructing these chains, the characteristics of its elements are established within the GCC parameters as defined by Hopkins and Wallerstein (1994, p. 17). Building further on this foundation, the transformation of the boxes (see: nodes) includes subdivisions and consolidations that demonstrate the organisation of inputs, labor, transportation, distribution, and consumption (Gereffi et al., 1994, p. 2).

A conventional value chain map of the coffee industry has been modeled based on the data and structure of Fitter and Kaplinsky (2001, p. 73). This model (Appendix 1) was chosen as a baseline for several reasons. Firstly, it presents an overview of the coffee value chain as a whole by mapping the major relationships of the chain across countries (Fitter and Kaplinsky, 2001, p. 72). Next, the various actors being studied in this thesis are presented in this model in a way that communicates the complexities of the structure and value across actors and territories. Furthermore, the values presented in this map serve as a useful baseline for the industry standard in terms of where value is added along the chain, however the impartation by the authors that these values are time bound and subject to change should be noted (Fitter and Kaplinsky, 2001, p. 72). Thus, compared to other models that either present broad strokes of the chains[8] or richly detailed accounts of inputs, outputs,

[8] see Kaplinsky, 2004a, p. 9.

and processes[9], this map of the value chain is contextually suited for the scope and breadth of this thesis. That being said, it should be considered that while the Fitter and Kaplinsky (2001) model serves as a valuable benchmark, the scale of operations which it presents may skew the perception of the chain, as the industry as a whole represents a significant distribution of power and economies of scale as compared to that of an individual firm.

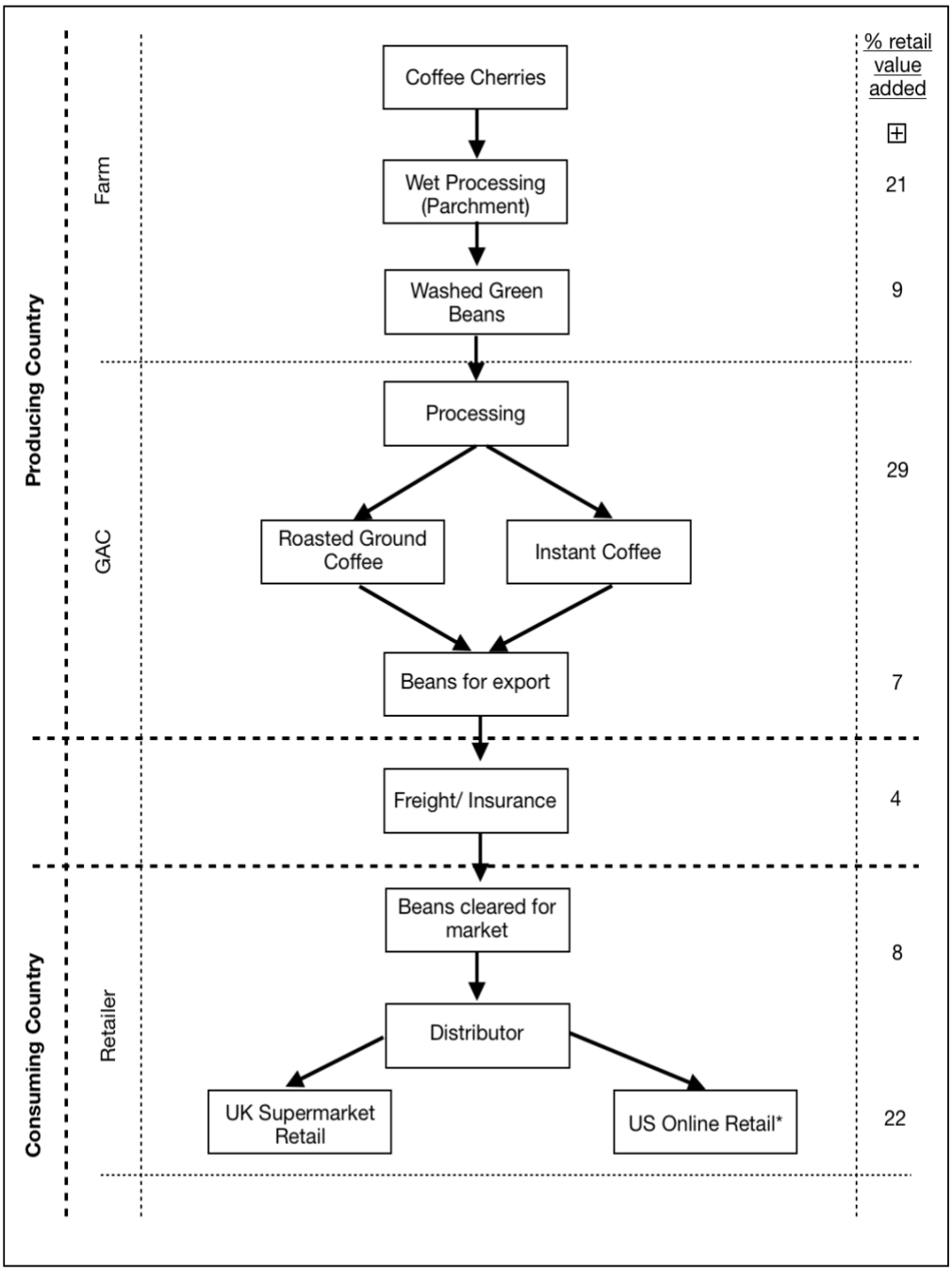
The chain constructed in Appendix 1 includes the GCC components of input-output, territoriality, and governance agents within which the nodes are contained[10]. These elements structure the coffee industry from cherry to cup. Furthermore, the horizontal, dotted lines can be identified as showing the transfers between actors along the chain with the darker lines representing international separations. These lines also represent prices set at each stage of the chain (e.g. farm-gate, factory-gate, free on board (FOB), Cost Insurance and Freight (CIF), wholesale prices, and retail prices (Fitter and Kaplinsky, 2001, p. 72)). However, the key data relevant for this study are the values in the far-right column of the figure (Appendix 1). These percentages establish where value along the chain is added based on its percentage of the retail price. While this does not take into account environmental outputs or other general, non-monetary costs it gives insight into the distribution of value in percentage-terms along the chain. Thus, reflecting on the first research question and the three components of the GCC approach, this study will proceed with constructing the chains for the cases at hand in order to visualise and contextualise the characteristics of GAC and Wild Coffee.

7.2. Good African Coffee Map

Through utilising the qualitative data uncovered through the analysis of A Good African Story (Rugasira, 2013), the map in Figure 4, below, has been constructed. As has been previously noted, the qualitative data that has been used to construct the spread of value addition activities while the quantitative data, is drawn from Fitter and Kaplinsky (2001). With this in mind, Figure 4, below, maps the characteristics of the value chain nodes for GAC.

[9] see Daviron & Ponte, 2005, p. 54-55.
[10] Defined in Box 1.

Figure 4. Good African Coffee classified by GVC.



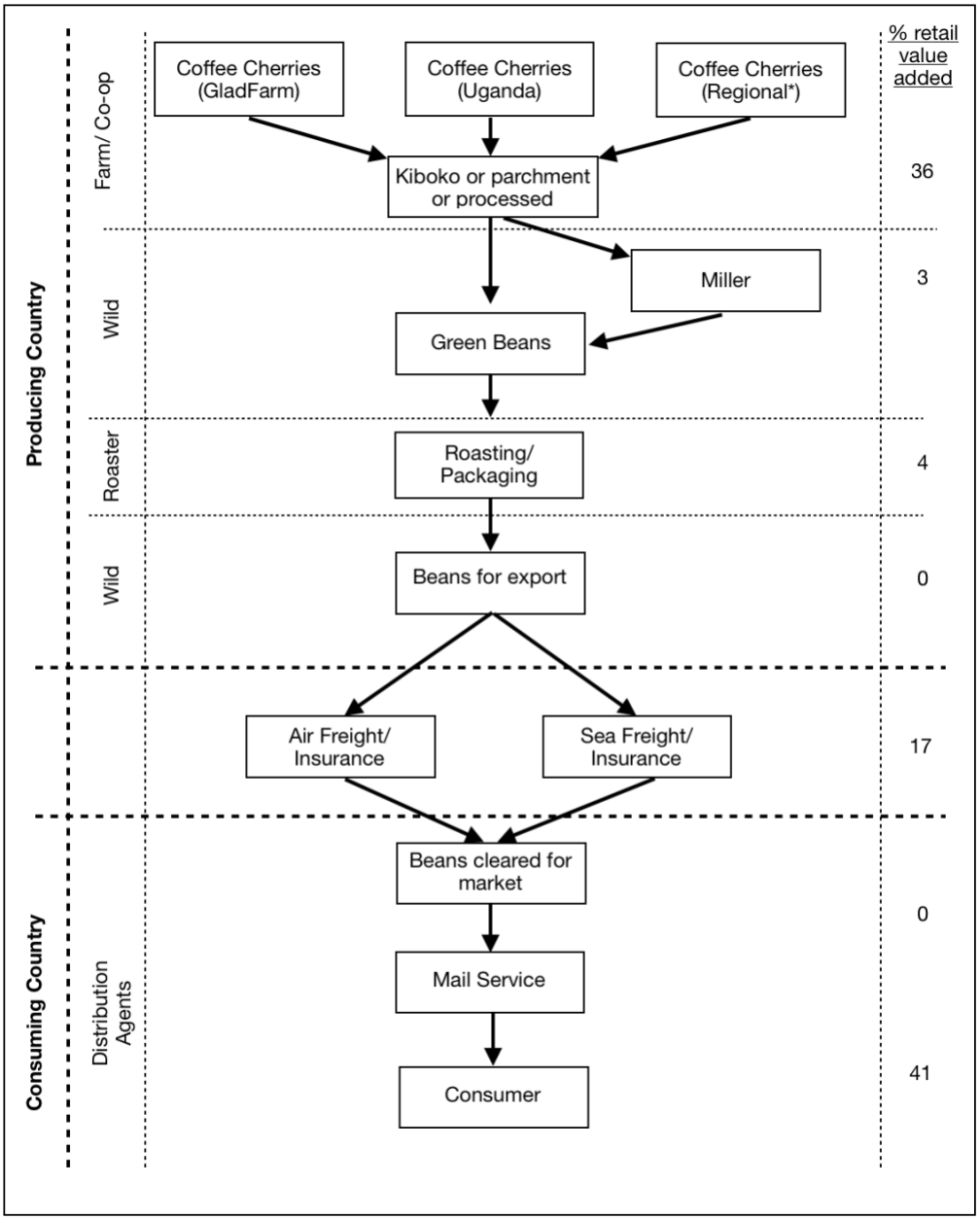
Source: Global Value Chain of Good African Coffee constructed by Author, using own data and values from Fitter and Kaplinsky (2001, p. 73).

* Retail in the US was conducted online, direct from GAC

7.3. Wild Coffee Map

In constructing the Wild Coffee map, accounting data was made available regarding the various costs that form the value chain. Thus, in conjunction with the qualitative data obtained through the interview the nodes are configured in Figure 5, below. The value-added figures have been calculated based on the high-end product line which utilises airfreight to transport the coffee to end markets.

Figure 5. Wild Coffee Classified by GVC.



Source: Data collected by author.
*Regional refers to the East African countries of Congo, Rwanda and Burundi.

8. Discussion

The analysis until this point has focussed on the characteristics of the firms and hence focusses on RQ1, as such it has been largely descriptive in mapping the characteristics of the value chains created by these firms. Hereafter, the thesis will discuss these structures in a more analytical light to develop the understanding of the implications of these changes, and thus address RQ2. Utilising the organising principle of the GCC approach, the discussion will utilise tools provided by the more contemporary GVC framework. The input-output structure of the chain will be analysed through the categories of value upgrading. Next, the territoriality dimension will be explored through the analysis of the embeddedness of the firms in Uganda. Cumulatively, the governance dimension will be analysed with reference the previous sections.

8.1. Value Upgrading

As visualised in the previous section, both firms are shown to have expanded their range of their operations, embarking on a process of industrial upgrading. Inherent in this process is the incentive to gain "access to higher value activities in global value chains" (Gereffi et al., 2001, p.5). Understanding value-addition as the process of upgrading is a pragmatic tool to dissect the ways in which the spread of economic activities is being transformed by these firms through their restructured value chains. While this paradigm as a whole can take numerous forms, based on different theoretical groundings,[11] the three forms present in these cases include: product upgrading, process upgrading and intra-chain/functional upgrading. These processes are defined by Humphrey & Schmitz (2002) in Box 2, below. Through the classification of upgrading undertaken by the firms, an understanding of the ways in which they transform the value chains can be constructed.

[11] For account on upgrading perspectives see Kaplinsky & Morris, 2000, pp. 77-78.

Box 2. Upgrading Categories and Definitions.

Process upgrading: transforming inputs into outputs more efficiently by re-organising the production system or introducing superior technology.

Product upgrading: moving into more sophisticated product lines (which can be defined in terms of increased unit values).

Functional upgrading: acquiring new functions (or abandoning existing functions) to increase the overall skill content of activities.

Source: adapted from Humphrey & Schmitz, 2002, p. 6 (Emphasis added)

In analysing the input structures identified in the analytical results section, above, it can be observed that in both cases, a re-organisation of the production system has taken place, with change occurring in three aspects, the elimination of middle-men, extension towards initial inputs and relationship to end consumers. Reflecting on the traditional chain in Appendix 1, a notable characteristic can be identified as the number of transactions that take place between actors from the farmer in the producing countries to the consumer. Where all elements have been internalised, as in GAC, the number of transitions has been reduced by 50% (Figure 4). Alternatively, in the case of Wild Coffee, where the roasting nodes are outsourced, the reduction in actors is less pronounced yet still observed (Figure 5). However, it is critical to note that while Wild Coffee does not hold ownership over the factory or roastery, they maintain ownership over the beans throughout the outsourcing process and thus retain the gains from upgrading provided therein. The implications of this reduction in middlemen is twofold. Firstly, as noted by the CEO of Wild Coffee, by not using middlemen they are able to reallocate the costs introduced by this intermediary and therefore pay their farmers a 100% premium (Endre Vestvik, 09–May–2020). To some extent the role of the middleman in these firms can also be viewed as a transformation rather than exclusion. As observed in both cases, the occasional utilisation of local ‘experts’ with sourcing knowledge and regional expertise can be viewed as a transition of middlemen into a more knowledge-based service in the chain as opposed to the traditional node. This step towards greater interaction with primary producers, the elimination of transactions, and the internalization of nodes can be classified as the one dimension of process upgrading conducted by these firms.

While the ability to pay a premium is a function of reducing the role of middlemen, the purpose as claimed by both Wild Coffee and GAC, is to fairly reward farmers for the production of high-quality coffee. The role of the middleman in these markets is traditionally linked with the suppression of farmgate prices and unfair compensation relative to quality (Endre Vestvik, 09–May–2020; Rugasira, 2013, p. 188). Thus, bean quality is not rewarded due to price suppression by the middlemen and low pricing is theorised to serve as disincentives to produce higher quality beans and at an extreme to continue farming coffee at all. Therefore, by paying the farmers a price proportional to the quality of the beans they produce, both companies are able to construct new and possibly more sustainable processes, which also contribute to value addition and redistribution of value along the chain. The internalisation of middlemen can be further recognised as function of co-ordinating the nodes within of the firm (hierarchical, or vertical integration), a more cost-effective organisation (Humphrey & Schmitz, 2002, p. 7). The verticality dimension indicates a relationship "between buyers and suppliers and the movement of a good or service from producer to consumer" (Bolwig et al., 2010, p. 175). Through the incorporation of nodes to include direct farmer sourcing these firms can be viewed as process upgrading through vertically integrating nodes of the chain traditionally occupied by profit seeking middlemen and sourcing agents.

While this sourcing activity is conducted in the producing country, regardless of business structure, two key processes are transformed beyond this stage. When utilising the lens of efficiency[12] another stage where the process is upgraded is at the end consumer node. While GAC split its retail between supermarkets in the UK and Direct to Consumer (D2C) in the US, Wild Coffee solely retails through an online, D2C, subscription platform to its customers in Norway (Wild Coffee 2020; Rugasira, 2013, p. 162). This form of vertical integration is an important step to including the 22% value addition that occurs at the retail stage of the chain (Appendix 1). Through leveraging e-commerce as a tool to reach the end consumer, these firms are able to compress the 'distance' between producing and consuming countries. Here, one of the paradoxes of the coffee market, highlighted by Daviron & Ponte (2005, 160), is confronted where due to the distance and lack of informational feedback, producers are less adaptive to end-market demands, thus stifling the upgrading opportunity. By operating in the retailer node GAC and Wild Coffee create the symbolic

[12] see process upgrading definition, Box 2.

service connection with the consumer while also having a strong partnership with the producer, linking these elements at the extremes of the value chains within a single firm.

The upgrading of *products* and *chains* conducted by these firms are also matters of consideration. In the cases of GAC and Wild Coffee these elements can be viewed as interconnect and will be addressed simultaneously. Identifying how the firms have upgraded into specific processes is often linked to the expansion of a single firm or group of firms into a greater breadth of value-added activities (Gereffi et al. 2001, p. 6). However, both of the cases studied were founded with the intention of integrating the greatest number of nodes, within the firm and within Uganda (Endre Vestvik, 09–May–2020; Rugasira, 2013). Thus, from the outset, these firms have established their ambition for upgrading through integration into international markets, with the objective of consolidating value-addition in Uganda. Keeping this principle in mind, it follows that a benchmark for these firms is to conduct the largest value-added node of roasting, in Uganda (Appendix 1.).

This activity challenges the conventional structuring of the chain, wherein roasters, situated in Western markets, command control over prices, and hence influence numerous nodes along the value chain (Daviron & Ponte, 2005, p. 23; Gibbon & Ponte, 2005, p. 83; Ponte, 2002b, p. 13; Ponte, 2002a, p. 254). While both firms conducted roasting in Uganda, the construction of a roasting facility internalised the process for GAC, while Wild Coffee outsourced the process to a local roastery. By roasting and packaging in the producing country the impact can be perceived as twofold. Not only were the firms able to internalise the governance structure of roasting but were also able to situatuate one of the highest value-added nodes (See Figure 4 & 5; Appendix 1) into the producing country. This vertical integration can thus be recognised as the development of symbolic value, an important value-addition quality recognised by Daviron & Ponte (2005, p. 219) as a vital step for generating greater gains for farmers and producing countries. Furthermore, in noting the cost of roasting within Uganda (around $0.66 (UCDA, 2020)) the symbolic value addition of roasting is transferred to the firm as a whole rather than contained within a single node. Thus, the transformation of roasting-at-source can be viewed in its duality of product and chain upgrading as it better leverages the value potential of coffee in the producing country and within the firms.

However, this restructuring encounters some practical limitations. The roasting of coffee in producing countries highlights the spatial component to the coffee chain, wherein, the shelf life of the roasted coffee must be taken into account. This is due to roasted coffee beans losing their freshness and storage capacity much faster than green beans (Talbot, 1997, p. 119). Thus, this vertical integration is not without costs, most notably what can be referred to as the 'freshness issue'. This concern is something noted by both companies as traditional sea-freight can take several months to transport the coffee from the producing/ roasting country to the consumer markets (Endre Vestvik, 09–May–2020; Rugasira, 2013, p. 146). The companies have sought to combat this issue in several ways. As Wild Coffee exports high-grade, specialty coffees (where freshness is especially significant) the coffee is air-freighted to the final market, reducing shipping time from months to around two weeks (Endre Vestvik, 09–May–2020). While this is feasible for the specialty coffees, Wild Coffee recognises the limitations of the sustainability of this transport medium in environmental as well as scalability terms (Endre Vestvik, 09–May–2020). GAC, on the other hand, diversified their product line to include a freeze-dried, instant coffee which has a longer shelf life. Herein, value chain dynamics run into the supply chain practicalities creating either an additional cost or an opportunity to embrace new product lines that can retain freshness for longer periods. While air freight allows for competition in freshness-marketing the scalability of this practice has limitations. Whether this is a critical failure factor or not is beyond the scope of this paper, however, in leveraging new technological inputs and packaging improvement this process of upgrading may be better equipped to handle the spatial dimension of international transport in the future.

To conclude, GAC and Wild Coffee have performed *process*, *product* and *chain* upgrading to varying degrees. While technological changes have not been introduced into the coffee chain in and of themselves, the firms have developed systems of vertical integration throughout the chain. At the producer level this means internalising the middlemen functions and developing stronger links with the farmers. Within the chain this can be viewed as the internalisation of roasting and movement of this node to Uganda. Lastly, at the consumer end of the node, the utilisation of e-commerce has reduced the reliance on external retailers. In doing so, the companies have created new value-added segments in new localities as compared to traditional structures. By roasting and

packaging in the producing country of Uganda (verses in consuming markets) the firms have also taken steps to integrate symbolic value into their activities and therefore differentiate themselves from Western, roaster-driven, value chains. Through the inclusion of a greater number, as well as new types, of value chain nodes, in Uganda, a notable chain transformation can be perceived in how and where upgrading is performed in coffee chain.

8.2. Location

In both GCC and GVC methodologies, territoriality is established as another area of exploration. The persistent paradigm in the value chain analysis of coffee is the dichotomy between producing countries (in what Prebisch (1950) would describe as the periphery) and the consuming countries (the industrialised core). The convention follows that producing countries continue to export raw commodities and therefore lose out on the potential gains the commodity reaps further along the value chain (Daviron & Ponte, 2005; Ponte, 2002a, 2002b). Understanding the dynamics of how the locality of a company's ownership shapes their ability to perform upgrading and insert themselves into GVCs is the study of 'embeddedness' (Gibbon et al., 2008, p. 326; Morris et al., 2011; Morris & Staritz, 2014). Embeddedness of a firm takes into account the ownership and governance of the firm as an indicator of the firm's incentives to invest locally (Morris & Staritz, 2014, p. 243). In studies of textile value chains in Lesotho and Swaziland (Morris et al., 2011) and Madagascar (Morris & Staritz, 2014) firms that were locally or regionally owned showed greater incentive to establish value-added, vertically integrated, upgrading functions. This embeddedness has two dimensions for the cases at hand, being embedded in consuming markets as well as in producing countries.

Embeddedness in a country can take multiple forms, however in the case of the GAC and Wild Coffee this can be perceived as the location of ownership. As both firms are incorporated and headquartered in Uganda, they may be better equipped to generate upgrading activities in the producing country. With GAC, this embeddedness also translates into a cultural dimension through a profit-sharing, welfare system that was developed to "entrench this commitment to the community as a fundamental element of our business model" (Rugasira, 2013, p. 167). Wild Coffee, on the other hand, was founded on a foundational understanding of farming and chain practices in Uganda, however, expanded to source from multiple countries throughout East Africa,

linking its embeddedness to a greater range of regional actors (Endre Vestvik, 09–May–2020). This bottom-up understanding of the value chain paradox was a key source of inspiration for the development of the Wild Coffee business model (Endre Vestvik, 09–May–2020). Herein, the locality of incorporation can be linked to the ways in which the companies are structured, both in terms of chain integration but the understanding of prevailing local systems and challenges.

However, over-establishment in producing country can struggle without strong linkages to end markets to ensure sustained demand (Morris & Staritz, 2014, p. 254). In the case of GAC, establishing these linkages required persistent relationship-building, characterised by the 12 trips to the UK and 11 trips to the US to establish a presence in these end markets (Rugasira, 2013, pp. 104 & 142). Wild Coffee leverages the opportunities of e-commerce, utilising a monthly subscription model that has the potential to retain customers in a continuous manner (Wild Coffee, 2020). While fully evaluating the extent to which and where these firms are embedded is beyond the scope of this thesis, establishing the potential role that embeddedness plays for upgrading and pursuing value addition at source displays the spatial dimension of the GVC transformation being performed in these cases. The territoriality linked with the embeddedness of the firms is manifested in both their structure and mission. Herein, the location of incorporations can be viewed as transformative to the value chain through local embeddedness.

8.3. Governance

One of the core applications of GVC analysis is the role it plays in uncovering, how, and to whom value is accrued. Within GVC discourses the governance structures can be defined in several ways and as such the following section will explore the governance of GAC and Wild Coffee from two perspectives; the coordinating structure and the distribution of value-added activities. In establishing the type of coordination that companies enact over a value chain, four forms of coordination have been utilized in the discourse; *arm's length market relations, network, quasi-hierarchy*, and *hierarchy* (Humphrey & Schmitz, 2000 & 2002; Gereffi et al., 2005). These concepts are linked to upgrading and value addition through market forces such as competition that encourages firms to innovate and upgrade value chains in order to adapt to competitive pressures (Humphrey and Schmitz, 2000, p. 3).

Built on the GCC approach of buyer and producer-driven chains, these classifications seek to establish a more broadly applicable set of definitions for how and why chains are organised (Gereffi et al., 2005, p. 82). These definitions range in terms of the depth of the relationships between the nodes of the chain where *arms-length* organization lacks strong links to buyers to *hierarchy* forms where firms vertically integrate and take ownership over segments of the chain (Humphrey & Schmitz, 2002, p. 9). While these definitions are a useful starting point, they do not accurately depict the circumstances of GAC or Wild Coffee, instead a mixture of motivations and incentives shape their governance structures. Herein, the firms have transformed their chains beyond what Daviron and Ponte (2005, p. 246) characterise as a *roaster-driven* (buyer-driven) to an agglomeration of power within a single firm more similar to the *hierarchy* model.

Table 1. Value added in different nodes (values represent % of retail value-added).

Node	Conventional (Fitter and Kaplinsky 2001)	Good African Coffee	Wild Coffee
Farmer	10/21	30	36
Factory	20/9	0	3*
Exporter	7	7	0
Freight	4	4	17**
Import agents	8	8	0
Roasting	29	29	4
Retail	22	22	41

Sources: Fitter & Kaplinsky 2001 and own data by the author
*Underlined values have been outsourced yet remain under the governance of the firms.
** Air freight.
Note: for a more detailed account of table values see figures in Section 7.

In regard to roasting specifically, this element of the chain has been internalised by these firms and therefore no longer gains the from the same symbolic, value addition as in traditional structures. This is exemplified in the case of Wild Coffee, where roasting as a percentage of the retail price represents only 4% as compared to the 29% in the traditional model (Table 1). This shift illustrates the redistribution of value addition but also, potentially, the chain power connected to this node.

Two nodes are shown to benefit from the 'internalisation' of roasting, the primary producers (farmers) and the end retail profits. As Wild Coffee outsources the action of roasting but coordinates both inputs and outputs (Figure 5) this action is placed within the broader coordination of chain activities under this single firm. Thus, under this level of explicit chain coordination, hierarchy-like power dynamics may emerge that can implicate a higher degree of power asymmetry between the two remaining actors in the chain, the buyers and suppliers (Gereffi et al., 2005, p. 88). However, this asymmetry may not be as explicit in these companies due to the buyer-farmer dynamics of the coffee industry in Uganda, where the smallholder farmers remain independent from the firm allowing them to seek the best price on the market.

At GAC a quality-price relationship was established wherein, "[GAC] told the farmers that we were paying the premium price for quality washed arabica coffees and we would not compensate them for low quality" (Rugasira, 2013, p. 188). Coupled with the inputs that resulted from the 50% profit share agreement, GAC had thicker flows of information and control over inputs yet not explicit control over primary production. On the other hand, due to the smaller scale of purchasing at Wild Coffee, and their regional sourcing, this degree of power is not prevalent to the same degree. While Wild Coffee also pays a premium based on higher quality, the quantities being traded are lower (Endre Vestvik, 19–May–2020). As such long-term linkages may not yet be established. Herein, the governance power dynamics can be viewed as stronger in the case of GAC where expectations and inputs link the suppliers to the buyers, as compared with Wild Coffee where the relationship is yet to be defined to the same extent. Thus, a duality is identified in these firms wherein, a hierarchical control over the value chain exists yet the primary suppliers remain independent and therein, depending on the size of the firm, experience differentiated power structures based on price mechanisms, beyond those ascribed in a traditional hierarchical organization.

Another dimension of the analysis of value chain governance is the analysis of who benefits in the chain and where value is agglomerated. In the section above, it is demonstrated that GAC and Wild Coffee have shifted the value-addition power away from roasters yet where does this value go? Centered in the business models of both firms is the commitment to pay farmers above prevailing market prices. For GAC this translated into a 30% premium for purchased coffee as well as a

profit-share agreement where 50% of final profits were returned to farmers in-kind (Rugasira, 2013, pp. 96, 188). Wild Coffee on the other hand paid a 100% premium for their export coffee, directly to the farmer and in cases where co-operatives were used this premium was calculated on a case by case basis as some cooperatives already pay a premium to the farmers they work with (Endre Vestvik, 09–May–2020 & 19–May–2020). This increase in farmer payment is reflected in the increased percent of value added in Table 1, above. This farmer premium is a key component to the redistribution of wealth along the chain. As Baffes (2006, p. 427) notes, without a premium, value-addition at source is unlikely to transform the lives of producers.

Practically, this translates into the agglomeration of wealth amongst 3 key stakeholders, for GAC this is the retail (in the US this is part of the firm), the firm and the farmer. For Wild Coffee the three key stakeholders are the farmer, air-freight transport and the firm. When reflecting on the territoriality of the firms, Wild Coffee is able to retain 84% of the value-added activity in Uganda and GAC is able to retain 66% when using supermarkets as retailers or as much as 88% when using their own online store for retail. In both cases this exceeds the 37% value-added in the benchmark chain. Herein, the coffee value-chain has transformed from another dimension. By agglomerating several nodes of the chain in Uganda, the value added by the various components is more pronounced at both extremes, the producer, and the final retailer. In aggregate this agglomeration also displays a structural shift through industrial upgrading in Uganda as the firms acquire more value from the chain but are located in the producing country.

9. Concluding Remarks

This thesis began by recognising the paradox of value distribution along the coffee value chain, and in recognising this, sought to explore private sector innovations to combat this inequality. In doing so, this thesis considers the potential for the private sector as a development actor capable of generating change. Through analysing two firms that attempt to oppose this prevailing paradox, this thesis sought to engage with new ways of structuring the coffee value chain in a way that return more value to the producing country. However, without previous studies of this nature and in this context, the thesis sought to both analyse and characterise the activities and functions of the firms in a foundational context as an observance of chain restructuring.

Thus, situated in a context of Global Value Chains, the aim of this thesis was twofold. Firstly, to contribute a better understanding of the general characteristics of these firms through mapping their range of activities. Secondly, to analyse these changes as they relate to broader themes of Global Commodity Chains in terms of inputs and outputs, territoriality, and governance as prescribed by Gereffi (1994). Through mapping the new order of nodes and the links that connect them, the characteristics and reorganisations of Good African Coffee and World Wild Limited were plotted on a value chain. To further the understanding of these changes and contextualise them within GVC contexts these characteristics were further analysed. New forms of upgrading in terms of *process*, *product* and *chains* were identified as key markers of the ways in which value addition was not only performed but transformed by these companies in Uganda. Additionally, through their embeddedness in both the culture and value chains of Uganda, the territoriality of the firms was also marked as transformative to how the companies construct their chains. The number of influences along the chain in the form of middlemen and agents was notably reduced as these firms internalised or transformed their functions. Thus, value in the chain was shown to accrue to a smaller number of actors including additional value for farmers. In aggregate, the closer connection of the firms to the producers and their embeddedness in Uganda results in value upgrading being conducted in the producing country. Hence, a frame of reference for these firms has been developed that seeks to contribute an understanding of new dynamics in global coffee value chains. These dynamics may be transformative for Uganda in shifting away from raw material exports to retaining additional income for various components in the economy such as the farmers but also improve Uganda's terms of trade with the global economy.

Several elements of this thesis create potential for further exploration. Notwithstanding the multidisciplinary nature of the GVC approach, the nature of how firms function in terms of scalability, marketing, logistics, and agricultural efficiency recognises a plethora of disciplines that could further the understanding of the dynamics within these firms. While significant in its capacity to purchase coffee, it should also not be taken lightly that Good African Coffee was ultimately closed due to unpaid taxes. This indicates the possibility for business management, innovation studies and political science to further contribute to understanding the sustainability of this model.

In conclusion, this study sought to explore and observe a possible solution to structural inequality in the coffee value chain. In doing so, this study has the potential to lay the foundation for future studies into these companies, their chain models, and their impact. However, this thesis does not claim that this is the only way of changing the coffee industry. In fact, the two firms performed this transformative function with relative differentiation. Thus, there is scope for expanding the typology of cases wherein the normative structures in the coffee industry, specifically, but the commodity trade, in general, are transformed in new and innovative ways.

10. Reference List

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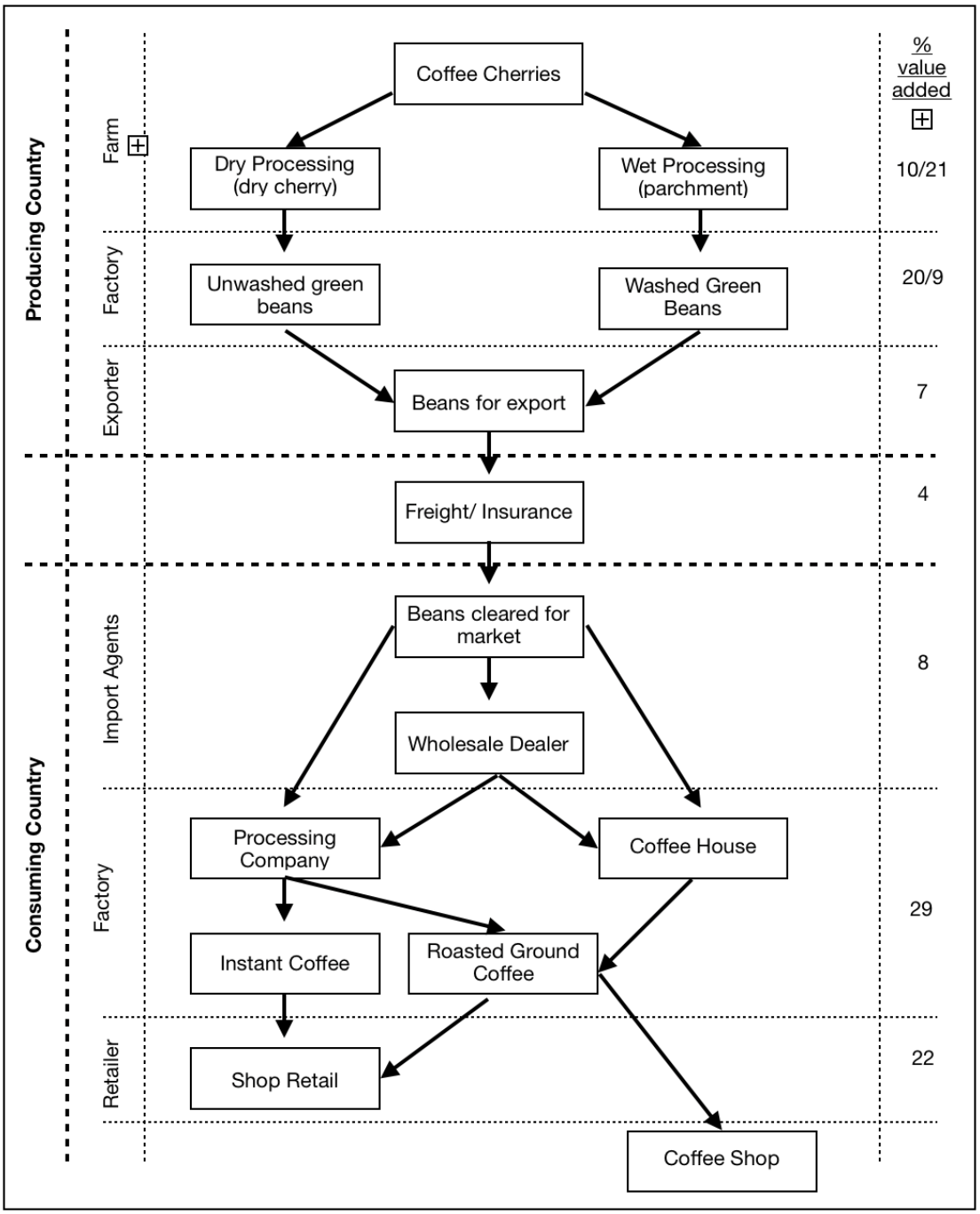
11. Appendix

11.1. Appendix 1. Coffee Value Chain



Source: Based on Fitter & Kaplinsky (2001)

11.2. Appendix 2: Questionnaire

Name of interviewer:

Name of interviewee:

Position in company: Founder and CEO

Date and time of interview:

Modality:

Questions	Answers
1. General information	
a) Name and address of the firm.	
b) Founding date of the firm.	
c) What, broadly, is your business model?	
d) What made you choose this business model?	
e) Number of employees	
f) Number of farmers you conduct business with (given that the farmers are not defined as employees)	
g) Location of incorporation?	Registered? Pay tax?
h) Product(s) List.	1. 2. 3.
2. Nature of production	
a) What areas of the production chain have you invested in? and why?	
b) Have you considered owning a greater stake in coffee farming? Why or why not?	

c) Are there any areas of production that have been outsourced?	
d) Are there any areas service activities that are outsourced?	
e) If so, then what are these areas and why have they been outsourced?	
3. Operations (practical)	
a) What was the total amount of coffee purchased in your first year of operation and at what price?	
b) What was the total amount of coffee purchased at the latest date available and at what price?	
c) How do you source your coffee?	
d) Where do you source your coffee?	Region of Uganda?
e) What form of contract do you have with farmers?	Fixed amount? Yearly? Etc.
f) What form do you buy your coffee in?	(e.g. Wet/ Dry Processed, Washed/ Unwashed, parchment, kiboko etc.)
g) How do you transport the coffee from the farm?	(e.g. ownership over trucks etc.)
h) How do you roast your coffee?	
i) How do you package your coffee?	

j) How does your company approach marketing?	
k) How is the packaged coffee exported?	
l) How does your coffee reach your end consumer?	
m) Do you have quality control measures do you have in place? If so, what form do these measures take?	
n) What determines the price you pay for coffee?	
o) On what market is your product sold?	
p) What percent of profits are retained in Uganda?	
q) Thoughts on the scalability of the firm and model for the future?	
4. Operations (Advantages and Constraints)	
a) Does value addition at source affect the way your company operates? And if so, how?	
b) What advantages do you perceive of being located in the producing country?	
c) What are the key challenges you currently face in being located in Uganda?	e.g. Capital, Transportation, Infrastructure, Technology, Communication, Etc.

d) Are there any difficulties in regard to the marketing and retail of your product?	
e) What are the key challenges you foresee for sourcing coffee in the future?	
5. Impact	
a) What kind of impact do you perceive your business creates?	
b) Why have you chosen to include a farmer premium in your business model?	
c) How are you able to pay the farmer a premium price?	
d) What areas do you believe your business has the greatest impact in? (eg, farmer/ rural, urban, service)	
e) What, activities do you perform in regard to farming practices?	
f) What, impact activities do you hope to perform in the future?	
g) What are your thoughts on international standards such as Fairtrade & organic?	

Additional comments and observations: