



International Coffee Council  
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**Executive Summaries of the final reports for the concluded projects**

**Background**

This document contains the Executive Summaries of the final reports for the following concluded projects submitted by the Project Executing Agencies (see Section V of document PJ-12/11). Copies of the full reports are available on request from the Secretariat.

- Annex I:** Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua (CFC/ICO/11), submitted by PROMECAFE
- Annex II:** Diversification of production in marginal areas in the State of Veracruz, Mexico (CFC/ICO/32), submitted by the Universidad Veracruzana A.C.
- Annex III:** Enhancing the potential of gourmet coffee production in Central American Countries (CFC/ICO/39), submitted by the Istituto Agronomico per l’Oltremare /Ministry of Foreign Affairs, Italy (IAO/MAE)
- Annex IV:** Enhancing competitiveness of African coffee through a value chain analysis (CFC/ICO/43 FT), submitted by the InterAfrican Coffee Organisation

**Action**

The Projects Committee and the International Coffee Council are requested to take note of this report.

**PILOT REHABILITATION OF THE COFFEE SECTORS  
IN HONDURAS AND NICARAGUA  
(CFC/ICO/11)**

**1. Implementation period: July 2007 – August 2011**

**Background**

In October 1998, both Honduras and Nicaragua were severely impacted by Hurricane Mitch which dealt a grave blow to its agricultural infrastructure.

IHCAFE estimated the economic losses to Honduras' coffee growing sector as including the destruction of 10.5 thousand hectares of coffee plantations, much of the 1998/99 harvest and in excess of 1,000 wet processing facilities. Nicaragua's economy already weakened by the civil war of the 1980s, was also heavily affected by the impact of Hurricane Mitch, which further destroyed the country's coffee processing infrastructure.

Between the time of design of the project (1999) and commencement of implementation (2007), building and machinery costs increased and part of the processing infrastructure destroyed by Hurricane Mitch had time to be partially rebuilt. These changes led to project adjustments to accommodate prevailing needs of farmers with the resources available for credit, as follows: Honduras registered a high demand for small CPFs models (I and II) by small producers (under 50 quintals of café oro per annum) and a few requests for Model V by medium sized producers, whilst Nicaragua targeted only farmers whose annual production do not exceed 500 quintales of green coffee and to whom access to credit was more difficult and often represented the main obstacle to investment in clean technology.

**Project results in Nicaragua**

The credits from the CFC loan (totalling US\$1.6 million) were granted to farmers for the construction of 353 new CPFs and renovation of another 35.

The rehabilitated park of CPFs in Nicaragua has the capacity to process 49,120 quintales of washed coffee, equivalent to 245,600 quintales of coffee cherry (11,164 metric tonnes), which represents 3.21% of the country's washed coffee production during the 2010/11 season.

The training provided to improve practices for processing and marketing has targeted both farmers as well as national institutions. Training was provided for 5,247 coffee growers (of whom 16% were women), 357 technicians (17 from FIs, 6 delegations from the MARENA, 16 from local government bodies and constructors of coffee processing facilities), exceeded the target.

The introduction of ecologically appropriate technologies brought better access to cleaner water and increased coffee productivity to farmers and their neighbouring communities.

The volume of water used in wet coffee processing was reduced to less than 10% of the traditional volume of water used in Nicaragua (200liters/quintal).

The management and utilization of coffee sub products have been improved and today mucilage is used as foliar fertilizer (one part of mucilage to 19 parts of water) in nurseries and plantations and coffee pulp as organic fertilizer.

Women played an active role in project implementation, accounting for 35.7% of the management in FIs with decision-making capacity, 16% of the total number of people trained and 9.3% of credit beneficiaries for new coffee processing units. Women also benefit from the new CPFs technology, as the less volume of water used for washing coffee enables them to carry out this work with less effort.

This is noteworthy, considering that in Nicaragua women are responsible for 5% of wet coffee processing activities and 90% of seed planting activities, 100% manage nurseries, 50% carry out pest and disease control, 30% share in harvesting, 100% participate in coffee selection and 50% in drying coffee beans.

### **Project results in Honduras**

The credits from the CFC loan (totalling US\$1.6million) were granted to small and medium farmers for the construction of 46 new CPFs and the renewal of another 280.

The credit granted under the project not only facilitated rehabilitation of almost 10% of the country's coffee infrastructure with environmental-friendly technology, but also helped local institutions involved to quantify the demand for technical and financial services required for construction work and modern wet processing equipment.

This information is being used as a tool for technical assistance by IHCAFE's Technical Extension and Processing Unit to discuss with farmers the characteristics of the CPFs and the type of credit required.

Rehabilitation in Honduras also included training for the conservation of natural resources, through demonstration plots in the 'agro-forestry with coffee' schemes. This activity was successfully achieved, thanks to the invaluable technical help of IHCAFE whom managed to have a drip feed effect in the countryside and surpassed targeted objectives with the establishment of two nurseries (in Comayagua and Corquin) for the production of over 3 million seedlings of timber shade tree species for distribution to coffee growers.

Farmers income has improved as a result of: i) improved coffee quality and productivity, which allowed farmers involved to meet set international standards and access better prices from speciality markets, ii) saving on inputs, by using coffee residues as fertilizer, and iii) saving on labour costs, by shortening the time required for processing washed coffee.

Studies carried out under the project, found that prior to the project the net rate of internal return on sub-credits ranged from 5-33% and, following it, the average rate of internal return was 16% and an increase of income was estimated at 5-6%.

### **Conclusions**

In **Nicaragua** around 65% of project beneficiaries consider the costs of CPFs to be reasonable, with low interest rates and a good repayment period. On the whole, the facilities they were offered by the PRODUZCAMOS Bank are appropriate to their repayment capacities and available resources.

Training in management of water resources has enabled producers to feel greater care for the preservation of natural resources.

With the proper use and management of new wet coffee processing models, project beneficiaries not only managed to improve the quality of coffee beans, but also learned about environmental rules and regulations for the protection of water resources and the environment.

These remarkable results have positively affected public policies in Nicaragua; the rehabilitated wet processing infrastructure in Nicaragua is being used by MARENA as an example of a “yes we can” attitude in complying with Nicaragua’s environmental legislation. Also compliance with national contamination indicators has been revised taking into consideration projects findings, and will in turn be considered in a new policy on the management of wastewater in coffee processing in Nicaragua.

The utilization of coffee subproducts (mucilage and pulp), has changed producer attitudes, leading them to think that this is in point of fact diversification of farm activities.

In **Honduras** the credits granted have positively impacted access to credit to upgrade processing infrastructure. This is noteworthy, since after the coffee price crisis of 1999-2005 almost all local bank lending was suspended to investment in coffee growing. Small producers could only renew their coffee processing infrastructure utilizing their own resources slowly and in piecemeal fashion, and they would not necessarily adopt environmentally friendly technology since access to credit was an obstacle.

Other benefits derived from rehabilitated CPFs include: i) a rise in operational efficiency; ii) quality of processed coffee; and iii) widespread of by-products management. The adoption of other good environmental practices has encouraged greater involvement by producers in fair or differentiated markets, where good prices have been paid for their coffee and improved physical quality of parchment coffee reached by individual farmers. It, was prior to the project only attainable by hiring external pulping services.

In Honduras, however, remains the problem that traditional internal marketing system fails to recognize the work performed by farmers to boost the quality of washed, dried and classified coffee, leading, in general, to coffee being sold in wet parchment state without further processing. Such a situation prevents small producers from retaining value added from their coffee.

The project has proved an effective catalyst, and has facilitated the subsequent renewal of coffee farms under, inter alia, the USAID-ROCAP-IHCAFE project (albeit on a smaller scale) and other recent ones for the conservation of water basins that have provided punctual assistance on this issue in other action areas.

In institutional terms, IHCAFE's coffee processing department, which, although very efficient was further strengthened and BANADESA and its new project clients have initiated operations to continue financial services with a 30 million lempira credit line for wet coffee processing through a IHCAFE-BANADESA agreement.

**DIVERSIFICATION OF PRODUCTION IN MARGINAL AREAS  
IN THE STATE OF VERACRUZ, MEXICO**  
(CFC/ICO/32)

**1. Implementation period: March 2006 – August 2010**

**Background**

During the coffee prices crisis, between 1999 and 2005, there was deterioration in the living conditions of small coffee farmers and a large increase in the poverty rate in Veracruz. There was large migration to urban areas and to the United States and most coffee plantations were abandoned. In the areas where coffee production remained, there was little attention given to plantations leading to deterioration of coffee. More than 40,000 hectares of coffee plantations at an altitude below 600 metres were declared unsuitable for coffee production in Veracruz. There was no governmental programme to tackle this problem.

In 2001 the State of Veracruz initiated three strategies to address the coffee crisis:

- i) Promotion of the (*"Cafe Veracruz", appellation*) Veracruz Coffee of High Quality to promote recognition.
- ii) A strong campaign to promote domestic consumption.
- iii) Foresee alternative options for plantations declared unsuitable for coffee production under 600 metres above sea level (40,000 hectares), in order to preserve the *"Cafe Veracruz" origin appellation*.

The aim of this Pilot Project was to improve the income and living conditions of the coffee farmers by offering alternatives for diversification to farms producing low quality coffee through technology transfer and capacity building.

**Project results**

Through diversification, 4,000 hectares of land in the municipalities of Zozocolco y Atzalan of the state of Veracruz were enriched with seven new lines of products, i.e. timber, aromas and species, ornamentals, tropical fruits, medicinal plants, fibers, *Jatropha curcas*.

As a result of the project, today this land is fully producing native timber-yielding, flowers, passion fruit, pepper, cinnamon, guava leaves (for pharmaceutical laboratories) to be sold in the local, national and international market via a newly created *Empresa Integradora* (DyCTROSA).

DyCTROSA embraces the 59 new micro-enterprises, which in turn were created under the project to group farmers interested to add-value to their new products by transforming them into semi-industrial goods.

With the CFC loan (US\$1.5million), DyCTROSA financed: the sales of the crops, three industrial plants for processing and transforming several lines of products, and trained involved farmers as new entrepreneurs.

## **Conclusions**

The process of diversifying low productive coffee farms into agro-business requires flexibility in assisting farmers to cope with changing market for new products. The project was a unique opportunity to introduce good practices and techniques in the region. Using technical consultancy from the local University provided the necessary expertise and flexibility in adapting project activities to the specific conditions of the natural agro-system.

To constitute an *Empresa Integradora* that allows farmers to form a legal organization to commercialize their products requires substantial support at grassroots level, so as to ensure that the farmers choose the type of enterprises that are most sustainable.

Additionally, the establishment of the *Empresa Integradora* to market the value-added products lead to employment within the community spreading and increasing farmers income throughout the year. From the 2010 official population and housing census it was shown that in those areas where the project was carried out their communities showed an improvement in their economic situation and competitiveness.

The project's methodology allowed assessing the requirements of the rural population with respect to their coffee farming activity. This provides a genuine tool for scaling-up the project coverage, leveraged by the fact that farmers directly involved in the project are now trained and committed to helping the rural population in the State of Veracruz.

The book emanated from the Project, 'Salir de pobres, DIPROCAFE' (Escaping Poverty), contains a strategy to generate employment and wealth in the farm community. Detailed project outcomes are available at: <http://www.uv.mx/vincula/diprouv/>.

Within the diversification process it was not felt that complete eradication of coffee plantations was a wise option. Therefore some coffee areas were retained and with the recovery in prices this has proved to be a sensible option.

It must be emphasized that the flexibility of the CFC and its promptness in disbursing the grant together with the very great assistance given by the ICO in aggregating and putting together reports and supervision of the project was very important in the effectiveness of the implementation of the project.

**ENHANCING THE POTENTIAL OF GOURMET COFFEE PRODUCTION  
IN CENTRAL AMERICAN COUNTRIES**  
(CFC/ICO/39)

**Implementation period: September 2007 – August 2011**

**Background**

Coffee production from smallholders remains a major source of rural income in Central America. This project recognized the vital role of the coffee value chain in supporting these rural economies. It offered training to selected highland coffee communities to efficiently produce high quality coffee and effectively place it in niche markets, so as to secure remunerative prices for producers and encourage coffee consumption based on quality.

**Project results**

A total of 12 small coffee producers' organizations benefited with this project, reaching a total of 1,159 members (24% women) in 3 Central American countries (Guatemala, Honduras and Nicaragua).

There is no doubt that the quality of coffee produced by smallholders can be dramatically improved by applying the appropriate techniques and building adequate facilities, but the biggest obstacle is financial as these groups have serious difficulty obtaining sufficient funding.

To have their incomes improved, these coffee farmers had to make sure that they had: i) achieved the highest quality coffee possible, ii) improved efficiency, productivity and processing techniques, iii) explored feasible ways of farm income diversification, iv) made sufficient efforts to raise demand for exports and domestic consumption of their type of coffee, v) adopted a sustainable plan to become/maintain their status of environmentally friendly, and vi) improved their marketing techniques.

Promoting more stability in the coffee trade was only possible by bridging the gaps between demand and supply ends of the value chain and by channelling the gourmet coffee obtained from these small producers' organizations to niche markets where demand for gourmet coffee is less affected by cyclical fluctuations in the coffee market.



Quality coffee improvement under this project, from traditional production to gourmet results, required training support using trial plots equipped with the relevant machinery to demonstrate and discuss new techniques on coffee planting, picking, milling, depulping, fermentation, washing, selection and classification, drying, roasting, cupping, warehousing and shipping.

Also Cupping laboratories were provided to each producer organization, at a relatively low cost, which allowed farmers to cup their own coffee instead of hiring an external Cupper and to create a cup profile data base per coffee batch.

Other diversification activities proposed by the project included high protein oyster mushroom production, recycling of coffee processing residues and lombri-compost.

The prospects of introducing sustainable tourism, besides generating additional income to farmers had also sought to proactively address the potential social and environmental benefits from off-farm activities.

### **Conclusions**

Active participation of coffee roasters was crucial to the project's success, as they constitute the channel whereby producers were able to gain access to consumer's preference to gourmet coffee. Roasters also played a role in determining how much of the ultimate price producers received, and thereby the economic incentive they actually receive for their product to participate in the coffee gourmet market.

Existing initiatives, like Slow Food and UCODEP, supported the promotion and production of high quality coffee in the countries of origin and distribution into niche markets offering favorable purchasing conditions for producers.

Cupping by farmers has opened a new world of ideas and possibilities up right before their eyes, i.e. coffee qualities and defects were correlated to planting, fertilizing, picking, classifying, wet milling, drying, warehousing, roasting. Finding that a problem can be fixed and rectified before is too late. Before the project most of the coffee producers were knowledgeable about the initial steps of the chain of coffee (planting, growing and harvesting), but they were less aware of how one single incorrect practice can negatively outcome the final cup, which at the end of the day is what dictates the price of the coffee beans.

Dissemination visits and workshops held in each involved country, enabled among farmers the sharing of experiences and helped to efficiently adapt the set of technologies proposed. It also allowed coffee producers not directly involved to benefit from the effort, thus maximizing the investment within the three participating countries.

Equally notable was the cohesive element provided by the project website Caf yCaff  as a means for cooperatives and small coffee producer`s organizations to promote both the authenticity of their coffee and their methods of production, processing and marketing.

### **Recommendations**

The proceeds from the project could be used by the Cooperatives involved for (i) standard and policy setting, (ii) adaptation of standards to local environmental and cultural conditions as well as emerging initiatives such as climate protection, productivity and quality; (iii) crop and product traceability, and (iv) further development and implementation of a user-friendly chain of gourmet standard system.

The creation and implementation of alternate income-generating programme is a wise way to expand the horizon and agricultural product mix available among coffee producers, particularly considering the volatility of coffee prices in the market.

Local coffee authorities in each country should seriously consider the possibility of spreading information generated by the project on how to construct modules for diversification together with training to farmers using the remaining project trial facilities: Ecological Wet Mills, Solar Dryers, Mushroom Production Units and Vermicompost Modules. This could also be accompanied by marketing campaigns to sell mushrooms to the general public, restaurants, and supermarkets, as preliminary results are encouraging.

Coffee Tours in Central America seem to have potential, as coffee areas in the region are located in already touristic or ecologically qualified sites, which offers the benefit of potential synergy. Particular attention should be paid, though, to preservation of cultural heritage, environmental concerns and good agronomical practices when attracting visitors on-site.

**ENHANCING COMPETITIVENESS OF AFRICAN COFFEE  
THROUGH A VALUE CHAIN ANALYSIS  
(CFC/ICO/43FT)**

**Implementation period: April 2009 – September 2010**

**Background**

The output of the study is a five-year project proposal designed to address the identified constraints with a view to increasing income from coffee and improving life styles of resource poor smallholder coffee producers. A wide range of constraints were identified in the different countries, whose coffee sectors are also at different levels of development. Therefore the project will contribute to a sustainable improvement of livelihoods of the resource poor smallholder coffee producers in Africa. Enhancing coffee production, quality, trade and overall competitiveness of Africa will be achieved through sustainable methods. The project includes the following six components consisting of six sub-projects in each of the participating countries:

1. Sustainable increase of coffee productivity in Africa
2. Enhancing the quality of African coffees
3. Rehabilitation of the coffee farms in countries emerging from civil strife and political changes in Africa
4. Improving marketing systems for a competitive coffee sector in Africa
5. Enhancing diversification in smallholder coffee farming systems for increased and sustainable income in Africa
6. Adaptation and mitigation to climate change by coffee farmers in Africa

The varied nature of the constraints necessitated the development of several components, each addressing constraints in a group of countries experiencing similar problems. Therefore, the present components are unusually big and each one of them stands independently having their own budget and target countries.

**Benefits and beneficiaries of these sub-projects**

Although all stakeholders (from producer to exporter) were included in the value chain analysis, most of the constraints mainly or exclusively involved the producer. The producers are also the most vulnerable and with the least resources to address the identified problems. The main and ultimate beneficiaries of the project are therefore bound to be over 5 million producers in the 25 coffee growing countries in Africa. Addressing the problems of the producers will enable farmers to produce greater volumes of higher quality coffee which

in turn will benefit the other stakeholders further down the value chain. Also to benefit will be the various private and public institutions which work directly with farmers or farmer organisations. The stakeholders include the following:

- Coffee growers in the different regions (small, medium and large scale)
- Coffee processors (primary and secondary processors)
- Farmers' groups (associations, cooperatives, unions)
- Input suppliers
- Financial institutions (banks, etc)
- National Agricultural Research and Extension systems (including researchers and extension staff)
- NGOs (many and with different portfolios)
- Regulatory bodies (e.g. coffee boards)
- Marketers (small traders and exporter associations )
- Policy making organs (usually government ministries and country intellectual property organisations)

Coffee producers will receive a higher price for their coffee, whether they sell it as cherry to the Coffee processing units (CPU), improved parchment to the local market, or as clean (green) coffee for export. Specific benefits will include the following;

**Meeting country visions for coffee sectors:** Each country which participated in the value chain study (see above) developed a vision for their respective coffee sectors. This involved mainly increasing production and productivity to a certain level in 10 or 15 years. Implementation of the suggested programme will contribute to the attainment of the said visions.

**Improved vertical value chain linkages between farmers, private and public sectors:** The private sector making a greater commitment to the provision of input and technical support to farmers; the farmers becoming better organized and empowered in their bargaining position vis à vis the private sector; and the public sector being better able to support farmers.

**Increased coffee productivity:** As indicated above, the ultimate beneficiaries will be the farmers who will have better access to credit, inputs and market enabling him/her to earn more from coffee. Sustainable coffee productivity will therefore be increased using integrated methods which conserve the environment. This is considered a critical factor in light of the growing competition for available land, water and labour resources for food crops as well as bio-fuels.

**Financial rate of return:** Reduction of input costs and improved quality and productivity through GAP environmentally benign processing methods are expected to lead to an increased rate of return. Farmers will also be able to access the lucrative coffee speciality market reserved for producers who meet set international certifications and standards.

**Institution strengthening:** National institutions will participate in the implementation of the project thus enabling them to strengthen their capacity to undertake research and development. Capacity building will be in the form of both training of staff as well as acquisition of equipment and facilities, including in emerging specialised areas as climate change mitigation and adaptation.

**Poverty alleviation:** The livelihoods of a significant proportion of small coffee farmers and their families are dependent upon the income from coffee. For a majority of them, on account of the poor infrastructure and agro-climatic conditions, coffee remains the only source of income without many alternatives and thus crucially important for survival. Helping the farmer produce what the market wants and linking him/her to the market will help increase income and improve livelihoods. Expensive plant protection practices have been negatively impacting this income and resistant new materials are expected to reduce the money to be spent on these inputs, thus saving the costs and improving the income. Thus, the project is expected to play an important role in poverty alleviation.

**Foreign exchange earnings:** Improved farmer earnings through reduced input costs and increased production are also expected to have a positive impact on the foreign exchange earnings of the target country.

## **LIST OF ACRONYMS USED IN THIS DOCUMENT**

BANADESA	National Bank of Agricultural Development (Honduras)
CFC	Common Fund for Commodities
CPFs	Coffee processing facilities
CPU	Coffee Processing Unit
GAP	Good Agricultural Practices
IAO	Istituto per l'Oltremare
IHCAFE	Honduras Coffee Institute
MARENA	Ministry of Environment and Natural Resources (Nicaragua)
MIFIC	Ministry of Development and Trade (Nicaragua)
PEA	Project Executing Agency
PROMECAFE	Regional Program for the Development and Modernization of the Coffee Industry in Central America, Panama, the Dominican Republic and Jamaica