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**“Strengthening the commercial, financial,  
management and business capacity of small  
coffee producers/exporters in Mexico and  
Nicaragua”**

**Project progress report as at March 2005**

## **Background**

The attached document contains extracts from the latest progress report for the project “Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua”, and covers the period from January to March 2005. A copy of the full progress report is available to Members on request.

## **Action**

The Council is requested to note this report.

# PROJECT PROGRESS REPORT

## “Strengthening the Commercial, Financial, Management and Business Capacity of Small Coffee Producers / Exporters”

Project Report No. 12. Project Code ICO/CFC/16

### ICO/CFC/TWIN

#### I. Project Summary

1. **Title:** “Strengthening the Commercial, Financial, Management and Business Capacity of Small Coffee Producers / Exporters”

2. **Number:** ICO/CFC/16

3. **Project Executing Agency (PEA):** Twin / Twin Trading

4. **Location:** Mexico & Nicaragua

5. **Starting date:** 01/01/02

6. **Completion date:** 31/12/04 **extended:** 30/06/05

7. **Financing:**

- <b>Total Project Cost:</b>	USD 5,330,280
of which:	
- <b>CFC Financing (Grant):</b>	USD 910,193
- <b>Co-financing:</b>	USD 3,275,000
- <b>Twin:</b>	USD 193,450
- <b>Co-financing (via Twin):</b>	USD 170,100
- <b>Counterpart Contribution:</b>	USD 781,537

#### II. Period Covered by this Report

**From:** 01/01/05 **To:** 31/03/05

**Periods Covered by Previous Reports:** 01/01/02-31/12/04

**Report No.** 12

## **1. Assessment of Technical Progress:**

This quarter (January – March 2005) the market went up from 75-100 last quarter to the 100-140 range. This brings us back to the scenario of volatility of 94 - 98, when producer organisations requested Twin for additional support to help them manage the market, which gave birth to this project.

The first years of the project were characterised by a price crisis and we were obliged to adapt the project activities accordingly, with emphasis on helping the participating producer organisations access premium markets, a more mid and long term perspective. These premium markets, however, are slower in reacting and often dealing at fixed prices, which can hinder competitiveness under the current circumstances, especially as part of the contracts had already been negotiated at fixed prices before the price increase.

As reported before, the harvest was low in both Nicaragua and Mexico and many exporters were extremely short; the coops report that the local prices have been above the world market almost permanently during this period. The delayed effect of years of low prices is still felt, e.g. in the lack of pickers; workers are hard to get and wages have risen, affecting production, quality and yields.

This situation is very difficult to manage, for which the short term corrective measures, that were agreed and initiated in November - December, were continued. The Twin 2 weekly bulletin was complemented with a daily bulletin, which in Nicaragua is also broadcast with the help of the government. In both Mexico and Nicaragua a series of workshops was organised to analyse the market and review the different strategies and tools to manage the risk. A special workshop on risk management is under development (a short trial at SCAA in April, and a week long workshop in June in Mexico, combined with an exchange visit). The project team and Twin HQ specialist organised a help desk to answer queries on how to manage the market and monitor the performance of the producer coops.

Although the harvest has not concluded yet, the measures that have been taken seem to have produced good results; all core groups are close to their targets and have been able to avoid major defaults. The improved access to credit has also been positive, although the coops are extremely tight on liquidity, due to the price increase.

The survey of the West European market that was requested by the core groups from Nicaragua was concluded and a summary presented in a workshop on marketing strategy. The planned larger review of the individual mid and long term marketing strategy, however, was postponed as the emphasis was switched to short term market analysis and risk management.

In Mexico the gourmet project that was initiated in the previous 2 harvests was further developed and the quality control systems of the participating coops were reviewed, to improve and harmonise them. The cup profile of the participating communities was reviewed again and the communities identified to expand the gourmet pilot. The zoning and traceability pilot project was boosted through the agreement with a specialised agency and the local government, giving access to maps that have already been plotted out digitally and the link with the official statistical and geographical databases. This reduces the work that needs to be done enormously and enriches the available information. In exchange the coops will make available the information they collect in the communities that haven't been covered yet.

In Nicaragua the gourmet project between the PEA and the two core organisations was initiated and looks promising. The design of the zoning and traceability pilot project was completed and the coops started collecting the information. A total of 320 samples was collected for detailed classification of the cup profile and a 2 day workshop held on GPS and mapping with 11 participants. A full training kit for young cuppers was designed and organisations who have no cupper yet receive support from other coops and the project. A total of 133 farmers of several coops participated in a workshop on quality control and cupping, called "from the farm to the cup". The preparations for the 2005 edition of the Cup of Excellence continued.

The capacity building workshop for board members and delegates, that was designed and implemented for the first time in November 2004, was replicated 3 times for the same number of coops in both Mexico and Nicaragua. More of these workshops are planned for the next quarter. These workshops are highly appreciated and considered an important tool for farmer leaders to better understand the business and improve their own performance and will be included in the systematisation as a separate module. A video of the first workshop was completed, to make the methodology better visible for outsiders and as material for replication of the workshop.

Another novelty that is having great success is the course for cooperative management that was initiated in Nicaragua in January. A total of 35 people from 10 coops is participating and more people have requested the possibility to participate. 3 out of 12 modules have been completed now. 2 of the participating coops are planning to replicate a simpler version of the course for farmer leaders. The course will finish in December. The costs are shared between the participating coops, the government and the project.

A pilot on micro-credit financing in Mexico was further developed, but has some initial problems. The pilot is meant to improve the management of credit schemes for individual farmers.

The systematisation of the project activities has made progress, although some modules need modification. A draft of the general script of the overall methodology and the modules or areas to be worked out was completed in January, along with a design of the Final Project Report. Both were presented to the ICO and CFC for comment. Meanwhile the different areas are being worked out and the information for the final report is being collected.

## **2. Assessment of Resource Utilisation:**

The search for additional funding for some of the planned activities between January and June 2005 as well for the editing of the manuals between July and September continues. The PEA and participating coops assured additional funding for sales promotion (materials and SCAA).

## **3. Assessment of Project Co-ordination and Management:**

A co-ordinating meeting of the PEA was held in January, to review the progress of the project and reporting. The PEA general project coordinator visited the team and producer organisations in Mexico in January-February to coordinate the activities for the period that remains. A meeting of the steering committee was requested, but could not be honoured, due to internal restructuring of the Mexican Coffee Council and Sagarpa. The intention to call for a meeting in Nicaragua in March, on the back of a workshop and review of the marketing strategies of the core groups and a follow up of the exchange with producer organisations with Peru was postponed, due to a change of priorities of the coops in the short term.

The MD of the CFC Mr. Ali Mchumo visited Nicaragua and Mexico in March. In Nicaragua the progress of the project activities were presented to him.

The PEA is reviewing with the ICO and the CFC the hiring of a consultant to support the preparation of the manuals based on the project activities, for the replication of the pilot in other coffee producing countries.

#### **4. Social and Environmental Effects of Project Implementation:**

No new facts to be reported.

#### **5. Forward Planning of Project Implementation:**

As has been stated in the previous progress report, the systematisation process is slower than foreseen. Several modules need revision so that their replication is more likely and easier. Also extra time needs to be invested in better preparing the producer coops in managing the commercial risks of a volatile market, before the completion of the project and in anticipation of the next harvest.

Ecologic Finance and the PEA completed a funding proposal for the continuation of key activities after the completion of the project in June.

## **VI. Conclusions and Recommendations**

Time is tight and the extra time to complete all reports and manuals by September, as had already been foreseen and in line with the project agreement, will be fully needed. This has budgetary consequences that have not been entirely resolved yet. The same applies to the consultant to assist with the completion of the manuals.