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Report

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

Project progress report

Background

The attached document contains a summary of relevant implementation achievements and constraints for the first quarter of 2005 for the project “Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua”, which concluded in June 2005.

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. 13. Project Code ICO/CFC/16**



ICO/CFC/TWIN



I. Project Summary

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: 30/06/05
7. Financing:
 - Total Project Cost: USD 5,330,280of which:
 - CFC Financing (Grant): USD 910,193
 - Co-financing: USD 3,275,000
 - Twin: USD 193,450
 - Co-financing (via Twin): USD 170,100
 - Counterpart Contribution: USD 781,537

II. Period Covered by this Report (1st quarter of 2005)

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

Report No. 13

III. Status of Project Implementation

1. Assessment of Technical Progress:

As reported previously, the harvest was low in both Nicaragua and Mexico. Many exporters found they were short of supplies, and the coops reported that local prices were above the world market almost permanently during this period. The delayed effect of years of low prices is still being 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, and the short term corrective measures, that were agreed and initiated in November - December, have continued. In both Mexico and Nicaragua a series of workshops were 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 a specialist have 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 yet finished, 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 increases.

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 initiated in the previous two harvests was further developed and the quality control systems of the participating coops were reviewed for improvement and harmonisation. 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 an agreement with a specialised agency and the local government, giving access to maps that have already been plotted out digitally and links to official statistical and geographical databases. This has reduced the work that needs to be done enormously and enriched available information. In exchange, the coops will make available the information they collect on the communities that have not yet been covered.

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 information. 320 samples were collected for detailed classification of the cup profile and a two-day workshop was held on GPS and mapping with 11 participants. A full training kit for young cuppers was designed and organisations without cuppers received support from other coops and the project. A total of 133 farmers from various coops participated in a workshop on quality control and cupping, called "from the farm to the cup". Preparations for the 2005 edition of the Cup of Excellence continued.

The capacity building workshop for board members and delegates, designed and implemented for the first time in November 2004, was held 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 clearer for outsiders and as material for holding the workshop.

Another successful development is the course for cooperative management that began in Nicaragua in January. A total of 35 people from 10 coops are participating and more people have requested the possibility to participate. Three out of 12 modules have been completed now. Two of the participating coops are planning to hold 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 had some initial problems. The pilot is meant to improve the management of credit schemes for individual farmers.

Progress has been made on the systematisation of the project activities, 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 on and 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 continues. The PEA and participating coops have confirmed additional funding for sales promotion (materials and SCAA).

3. Assessment of Project Co-ordination and Management:

A co-ordination 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 and February to coordinate the activities for the remaining period. 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 to follow up exchange with producer organisations with Peru was postponed, due to a change of priorities of the coops in the short term.

The Managing Director of the CFC Mr. Ali Mchumo visited Nicaragua and Mexico in March. In Nicaragua progress on the project activities was presented to him.

The PEA is reviewing with the ICO and the CFC the TOR to appoint an international consultant to assist in the preparation of a Producer Guide based on the project activities and results, for the future replication of the project.

4. Social and Environmental Effects of Project Implementation:

No new facts to be reported.

5. Forward Planning of Project Implementation:

For Twin the systematisation process of the material produced during the project implementation has been slower than foreseen. Several modules of the training sessions given to the coops still need revision in order to ensure effective use for the replication of the project. Also extra time needs to be invested in strengthening producer coops and in managing the commercial risks of a volatile market, before the completion of the project and in the face of the next harvest.

The Ecological Finance group together with the PEA have completed a funding request for the continuation of key activities after the completion of the project in June 2005.

IV. Conclusions and Recommendations

Extra time is needed to complete the project final report by September, as required by the project agreement. This has budgetary consequences that have not been entirely resolved within the Twin administration as yet.