



INTERNATIONAL COFFEE ORGANIZATION  
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ  
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Projects Committee  
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**Quality, sustainability and networking  
to improve the competitiveness of the  
Veracruz coffee sector in Mexico**

## Background

1. This document, submitted by the Institute of Ecology, A.C. (Instituto de Ecología, A.C.) of Mexico, contains the summary of a new project proposal designed to increase the competitiveness of small and medium coffee producers in Veracruz, Mexico's second biggest coffee-producing State, by: (a) strengthening its organization in processing, roasting and marketing the product and improving its quality in order to enable it to opt for niches in the specialty coffee market; (b) providing an incentive for an environmentally sustainable production that will permit the choice of Payment for Environmental Services (PES), green certificates and coping with climate change; and (c) developing coffee farming in order to discourage migration, maintain generational changeover and increase domestic consumption.

2. The proposal will be forwarded to the Virtual Screening Subcommittee (VSS) for an evaluation and will be considered by the Projects Committee in March 2013.

## Action

The Projects Committee is requested to consider this proposal as well as the recommendations of the VSS and, if appropriate, to recommend its approval by the Council.

## PROJECT SUMMARY

<b>Project title:</b>	Quality, sustainability and networking to improve the competitiveness of the Veracruz coffee sector in Mexico
<b>Duration:</b>	4 years
<b>Location:</b>	Main coffee growing areas in Veracruz, Mexico
<b>Brief description:</b>	The project seeks to increase the competitiveness of small and medium coffee producers in Veracruz, Mexico's second biggest coffee-producing State, through networking by producers, entrepreneurs, the public sector, research institutions and non-governmental organizations (NGOs).
<b>Estimated total cost:</b>	US\$4,284,490
<b>Financing sought from the Fund:</b>	US\$4,284,490
<b>Project Executing Agency (PEA):</b>	Institute of Ecology, A.C. of Mexico
<b>Supervisory body:</b>	International Coffee Organization (ICO)
<b>Beneficiaries:</b>	The project will cover 4,000 potential beneficiaries, through 400 activities designed to improve the quality of life of coffee farmers and their families, their crops and cloud forests, supporting the establishment of four coffee cultural centres associated to 10 regional organizations and 26 enterprises. Indirect beneficiaries are estimated at 12,000 in an area of influence with 100,000 inhabitants.
<b>Estimated starting date:</b>	To be confirmed

**LOGICAL FRAMEWORK**

**Project title: Quality, sustainability and networking to improve the competitiveness of the Veracruz coffee sector in Mexico**

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT RISK ASSUMPTIONS
<p><b>Programme goal:</b> To increase the socio-economic well-being of small and medium coffee producers in Veracruz, Mexico, through collective networking designed to improve the organizational level, the quality and environmental sustainability of coffee farming and production.</p>	<p><b>Measures of goal achievement</b> (A) Nationwide regional intersectorial coordination system. (B) Improvement in coffee quality marketed by small producers in cooperatives. (C1) PES by farms. (C2) Development of good agroforestral management practices and pest control. (C3) Development of a rural coffee tourism management system. (D) Training of promoters and establishment of cultural centres.</p>	<p>(A) Existence of a Functional Competitive Intelligence System with a web platform. (B) Records of events and volume of coffee marketed. (C1) Establishment of hybrid PES programmes and certification. (C2) Programmes for good management practices and establishment of Informal Groups of Technology Adopters (GIAT). (C3) Evidence of sustainable rural tourism management system. (D) Number of promoters trained and cultural centres established.</p>	<p><b>Concerning long-term value of project</b> (A) That the political affiliation of the organizations will not affect their integration in the web. (B) That political changes and international market trends will not have negative effects on the project. (C) That public policy in relation to PES will continue. (D) That communications media will support local coffee growing.</p>
<p><b>Project purpose:</b> (A) To support sector coordination in order to improve decision-making and development of activities. (B) To improve competitiveness through cooperative commercial development and product quality certification. (C) To encourage sustainability of production through PES, good farming practices and rural tourism. (D) To encourage coffee farming, generational changeover and quality coffee consumption.</p>	<p><b>Conditions that will indicate purpose has been achieved: End of project status</b> (A) The web brings together academic institutions, social actors and government agencies and influences regional production chain decisions. (B1) Groups are trained in cooperative working methods, good processing practices and administration. (B2) Quality certification and evaluation accepted by buyers. (C1) Producers receive PES and transfer of agroforestral technological packages, and use new products. (C2) Integrated coffee tourist routes are established with microenterprises operating in the neighbourhood. (D) The coffee sector values its productive activities and there are coffee cultural centres for the region.</p>	<p>(A1) Web adhesion contracts for project institutions and organizations. (A2) Reports of training activities, services provided and documents on systematization and diffusion of information. (B) Certificate of products and reports of quality evaluation. (C1) Number of programmes for PES; area paid for and certified. (C2) Packages on good management practices and coffee area incorporating these practices. (C3) Visits and surveys to demonstration farms with agroforestral systems and GIAT. (C4) Volume of additional agroforestral products produced. (C5) Number of coffee tourism developments. (D) Records of training activities, surveys recording changes in cultural perception, records of exhibitions, meetings and list of attendance by local inhabitants at cultural centres.</p>	<p><b>Affecting purpose to goal link</b> (A) That web components do not delay in establishing the required synergy. (B) That producer group leaders continue to defend the commercial interests of cooperative labour. (C) That there are no delays in PES for forestal technology and rural tourism. (D) That users maintain cultural practices in the medium term.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT RISK ASSUMPTIONS
<p><b>Outputs:</b></p> <p>(A) More collective and better informed decision-making process and activities in the sector.</p> <p>(B1) Increase in area and volume of certified coffee.</p> <p>(B2) Organizations that can obtain higher and more reliable profits as a result of the increases in coffee quality and production.</p> <p>(C1) Increase in PES.</p> <p>(C2) Reduced expenditures attributable to pests.</p> <p>(C3) Higher profits and more producers interested in implementing improved agroforestral management systems.</p> <p>(C4) Public policies to reduce climate change risks for the sector.</p> <p>(C5) A rural tourism management system.</p> <p>(D1) Presence of a coffee growing identity in regional and state life as a development option for new generations.</p> <p>(D2) Increased interest in domestic consumption of quality coffee.</p>	<p><b>Magnitude of outputs necessary and sufficient to achieve purpose</b></p> <p>(A1) Participation in coordination system of &gt;60% of the relevant academic institutions in the region, 20% at national level and relevant government authorities; 20% of the coffee sector.</p> <p>(A2) 30,000 annual visits to information system.</p> <p>(B1) 10 commercial groups legally established.</p> <p>(B2) 5 containers a year covered by the project.</p> <p>(B3) Increases in price paid to producer, minimum +US\$10 market premium or 80% of market price transfer, as a minimum for production of quality coffee.</p> <p>(C1) At least 15% of coffee municipalities in the region with programmes for PES; at least 3,000 ha with PES and 2,000 ha with sustainable certification.</p> <p>(C2) 10% reduction in pest damage.</p> <p>(C3) 7 GIAT established with demonstration farms.</p> <p>(C4) Production of 30,000 orchids and other ornamental epiphytes and 10 groups of coffee growers trained in development of epiphytes; 3 Management Units established or in process.</p> <p>(C5) Creation of 25 microenterprises and 5 rural tourism routes, with 7 integrated tourist developments.</p> <p>(D1) 18 promoters trained, &gt;20% increase in the interest of young people in participating in the coffee value chain.</p> <p>(D2) 5% increase in quality coffee consumption, in 4 target groups.</p>	<p>(A1) Attendance list and minutes of decisions adopted and coordination system agreements.</p> <p>(A2) Information consultants on the web platform.</p> <p>(A3) Cooperation agreements, documentary and financial records on activities carried out through cooperation.</p> <p>(B1) Records of legally established groups.</p> <p>(B2) Commercial invoices or certificates.</p> <p>(B3) Official international index price.</p> <p>(C1) Agreements signed for certification of coffee and programmes for PES.</p> <p>(C2) Costs of damage attributable to pests.</p> <p>(C3) Data for farms with and without good management practices.</p> <p>(C4) Record of participating producers and organizations in GIAT, which make use of diversified products and visits to farms.</p> <p>(C5) Records of microenterprises established; tourists and new consumers trained, workshops conducted, number of tourists visiting the area, economic spillover for participating producers.</p> <p>(D1) Annual training plans. Evaluation reports by participating organizations. Labour monitoring of young people trained.</p> <p>(D2) Surveys of quality coffee consumers.</p>	<p><b>Affecting output to purpose link</b></p> <p>(A) That there is a slackening in the project's material impact on the sector's socioeconomic well-being or that there is a regional dumping effect that will diminish its value to coffee farmers.</p> <p>(B) Exceptional improvements in economic and environmental conditions mask the positive impacts achieved by the project.</p> <p>(C1) Technological and training innovations are not easily accepted by older producers.</p> <p>(C2) Better qualified young people could see non-agrarian activities as providing better employment opportunities than coffee.</p> <p>(D1) That factors unrelated to coffee production provoke emigration by young people.</p> <p>(D2) That existing cultural patterns prevent promotion of higher quality coffee consumption.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT RISK ASSUMPTIONS
<p><b>Inputs. Activities and types of resources:</b></p> <p>(A) Web coordination: Intelligence Systems Management, online monitoring and evaluation, financial management and links with the productive sector.</p> <p>(B) Strengthening of alliances between producers and consumers for differentiated coffee to attend specialty coffee events.</p> <p>(C1) Arrangements for the establishment of programmes for PES.</p> <p>(C2) Propagation of native forest species in community nurseries through GIAT-Café.</p> <p>(C3) Production of epiphyte plants, training in their exploitation and commercialization management.</p> <p>(C4) Workshops in sustainable rural tourism and planning of microenterprises for marketing coffee and coffee farm products (such as epiphytes, orchids, ornamental and medicinal plants) and/or coffee entrepreneurs.</p> <p>(D) Diffusion of coffee culture.</p>	<p><b>Level of effort/expenditure for each activity</b></p> <p>Component 1: Intersectorial coordination: Competitive Intelligence System (US\$1,551,114)</p> <p>Component 2: Productive integration and quality management (US\$395,127)</p> <p>Component 3: Development of environmental services (US\$580,437)</p> <p>Component 4: Diversified agroforestral production (US\$557,814)</p> <p>Component 5: Entrepreneurial development in sustainable rural tourism (US\$599,998)</p> <p>Component 6: Promotion of a coffee culture (US\$600,000)</p>	<p>(A1) Minutes of coordination meetings between producers, marketers and NGO collaborators.</p> <p>(A2) Reports on volume of information stored.</p> <p>(A3) Periodical reports on PEA planning and evaluation schemes.</p> <p>(A4) Reports on management results and financial alliances established.</p> <p>(A5) Field visits to measure project impact indicators.</p> <p>(B) Progress reports on establishment and training of groups, geographical mapping of field activities as well as product traceability and reports on business missions.</p> <p>(C1.1) Field visits to verify PES and good practices.</p> <p>(C1.2) Reports on management of hybrid PES and certification in Mexico.</p> <p>(C1.3) State Plan for Climate Change Mitigation and Adaptation in the Coffee Sector.</p> <p>(C2) Documentary and graphic evidence of demonstration plots, GIAT's, workshops on agroforestral technology.</p> <p>(C3) Statistics on production and commercialization of plant samples.</p> <p>(C4) Annual financial and progress reports of profitability of new microenterprises; dossiers of verified results.</p> <p>(D) Social marketing surveys and campaigns for the diffusion of regional and national culture.</p>	<p><b>Risks:</b></p> <p>(A) The complex nature of the activities and interests of coffee production from cycle to cycle could limit participation by social actors in the web.</p> <p>(B) Actors in the coffee chain who benefit from the unfavourable conditions of poor organization and ignorance, could seek to disparage work.</p> <p>(C) New academic institutions and their administration systems sometimes fail to respond to the project execution rhythms.</p> <p>(D) Conditions of violence and insecurity can limit work in the region.</p> <p>(E) There may be initial mistrust on the part of organizations of the relevance of the proposed activities.</p> <p>(F) Difficulty in obtaining concurrent funding can hold up the project.</p>