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National Coffee Platform Representatives



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Silvia Janine Servidor de Pizzol, Technical Advisor at National Coffee Council (CNC)



Gustavo Aandrés Gómez Montero, Executive Director Asoexport Analdex, Board member of STP



Alberto Ponce, General Manager Quality Control Cadexsa



Luis Navarro, President of the Camara



Veronica Herlina, Executive Director SCOPI
Moenardji Soedargo, Chair of SCOPI



Kajiru Francis Kisenge, Director of Operations Tanzanian Coffee Board



Apollo Kishagumi, Director of Development Services UCDA
Tony Mugoya, Uganda Coffee Farmers Alliance - Executive Director and Vice Chair of Platform



Le Van Duc, Vice General Director of Department of Crop Production (DCP) and Vice Chairman of Vietnam Coffee Coordinating Board

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Securing the Future of Coffee Through Global Collaboration

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SECURING THE FUTURE OF COFFEE THROUGH GLOBAL COLLABORATION



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Guest speakers share some of their actions towards improving producer profitability

Description of GCP Members' scope on Economic Viability of Farming

Poll to participants on priority actions in relation to Economic Viability of Farming

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Jeremy Dufour

Sustainability Manager, East Africa Cluster,
Olam International Ltd



Steven Collet

Operational Director, Member Executive Board;
IDH The Sustainable Trade Initiative



Joel Brounen

Country Manager, Colombia,
Solidaridad

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Optimizing value through farmer segmentation



Jeremy Dufour

Sustainability Manager, East Africa Cluster,
Olam International Ltd



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Coffee Production: Ideal ...

🌿 Common approach/perception of considering single typical smallholder farmer.



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... vs Reality

- But smallholder farmers differ in many aspects.
- As we increase the number of parameters, the diversity within farmer populations amplifies.



- Farm size
- Coffee plot size
- Yield
- Gender
- Crop diversity
- Importance of coffee in livelihood
- Age
- Entrepreneurial spirit
- Eager to adopt new technology
- Many more parameters...



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... vs Reality

- Even by being conscious of this fact, with a logic of optimizing service delivered, frequent adoption of "one-size-fits-all" with provision of similar trainings, access to similar agro-inputs, credits, etc...
- It becomes obvious such approach end up destroying value:



- limited impact on production;
- dilution of resources;
- irregular adoption of GAP;
- mismatch between farmers expectation and production outcomes;
- increased indebtedness of farmers;
- increased default payment;
- mistrust between partners;
- very limited Return on Investment for all partners...



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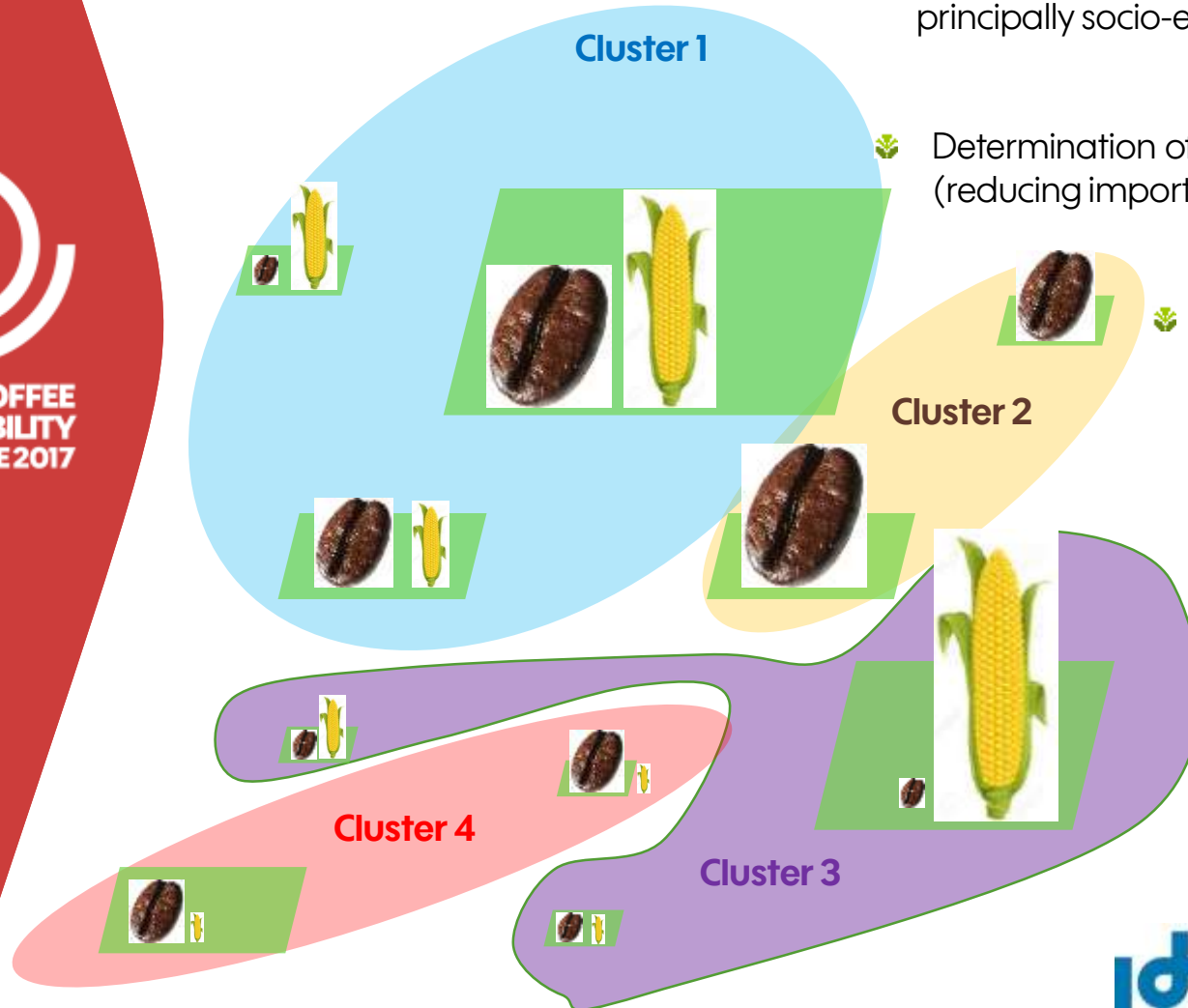


Segmenting coffee farmers

🌱 Dynamic analysis of farmers profiles, from a wide range of data, principally socio-economic and farming parameters.

🌱 Determination of fewer but stronger characteristics amongst farmers (reducing importance of geographical repartition).

🌱 Resulting in a population of farmers clustered ("grouped") according to main levers impacting their production.



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Tailor-made Services to optimise Return on Investment

- 🌱 Input distribution/service delivery can be implemented in many different ways, but farmer clusters allows development of tailor-made extension services adapted to fewer but more critical needs identified during clusterisation:

Scenario	Action	Implementation	Effectiveness
Sc. 1	All farmer with same input package	Easy	Low
Sc. 2	Input distributed according to yields	Medium	Medium
Sc. 3	Input distributed based on clusters - <u>Cluster 1</u> : <200kg/ha; bad GAP, 4.3 pax/hh - <u>Cluster 2</u> : <200kg/ha; good GAP, 2.2 pax/hh - <u>Cluster 3</u> : >200kg/ha; good GAP, 3.4 pax/hh, regular pest infestation - <u>Cluster 4</u> : >400kg/ha; good GAP, 3.7 pax/hh	Difficult	High

Source: inspired from Olam Uganda data.

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Tailor-made Services to optimise Return on Investment

- Analysis of productivity improvement models per cluster allows to determine most cost effective engagement with farmers, in terms of Return on Investment for both parties (farmer & partner).

	Scenario 1		Scenario 2		Scenario 3	
	farmer	Olam	farmer	Olam	farmer	Olam
Total Increased Yields						
Total Increased Profits	\$\$	\$	\$\$\$	\$\$\$	\$\$\$\$\$	\$\$\$\$\$
Ave. Increased Profits	\$ per farmer	\$\$ per farmer	\$\$\$\$ per farmer		\$\$\$\$\$ per farmer	\$\$\$\$

- Tailor-made service delivery allow better achievement of economic viability of coffee farming:

- increased production across farmer range;
- optimization of resources used;
- reduction indebtedness hence default risk;
- restoration/build of trust between partners and on value of GAP adoption.

- But, the practicality in the field can remain a challenge, requiring:

- significant and frequent data collection on farmers (socio-economic and farming) and the landscape;
- analytic skills to determine more relevant lever to act on;
- cost prohibitive implementation;

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Adoption of digitalisation

- 2013, Olam launches its first internal farmer data collection platform in its cocoa supply chain (OFIS).
- 2014, integration of farmer management plan onto the platform, but quickly seeing the limitations by being too simplified.
- Since 2016, OFIS constantly upgraded to be a more integrated solution progressing towards an all-in-one solution:
 - data collection on farmers (socio-economics and farming) and the landscape;
 - visual representation of the supply chain;
 - training tracker
 - transaction tracker
 - integrated analytics to generate larger but more targeted action, application of farm-gate data level.



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“Transforming Agricultural Business Models to Improve Profitability and Livelihoods”



Steven Collet

Operational Director, Member Executive Board;
IDH The Sustainable Trade Initiative



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idh the sustainable
trade initiative



350+

Value Chain Partners

**the sustainable
trade initiative**

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Creating impact on

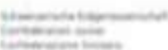
SDGs

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Landscapes

30+

Countries



Source: U.S. Census Bureau, *Marriage, Divorce, Remarriage in the 1990s*, 1995.

Federal Department of Economic Affairs,
Education and Research (ED)
State Secretariat for Economic Affairs (SECO)

DANIDA



WHAT IF WE COULD INCREASE FARMER PROSPERITY WHILE REDUCING COSTS AND RISKS?



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the sustainable
trade initiative

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TYPICAL PAIN POINTS



Farmers:
inconsistent,
incomplete



Companies: isolation,
disconnect

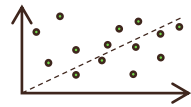


Financial institutions:
perception of risk



Donors: effectiveness
and additionality

WE DEVELOPED A METHODOLOGY TO OPTIMIZE SERVICE DELIVERY TO SMALLHOLDER FARMERS



outcomes



key success
drivers



enabling
environment
challenges



funding
needs



opportunities
for innovation

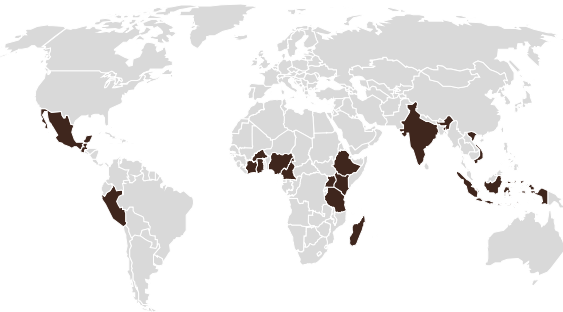


Upscale



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30 SDMs in 16
countries ...



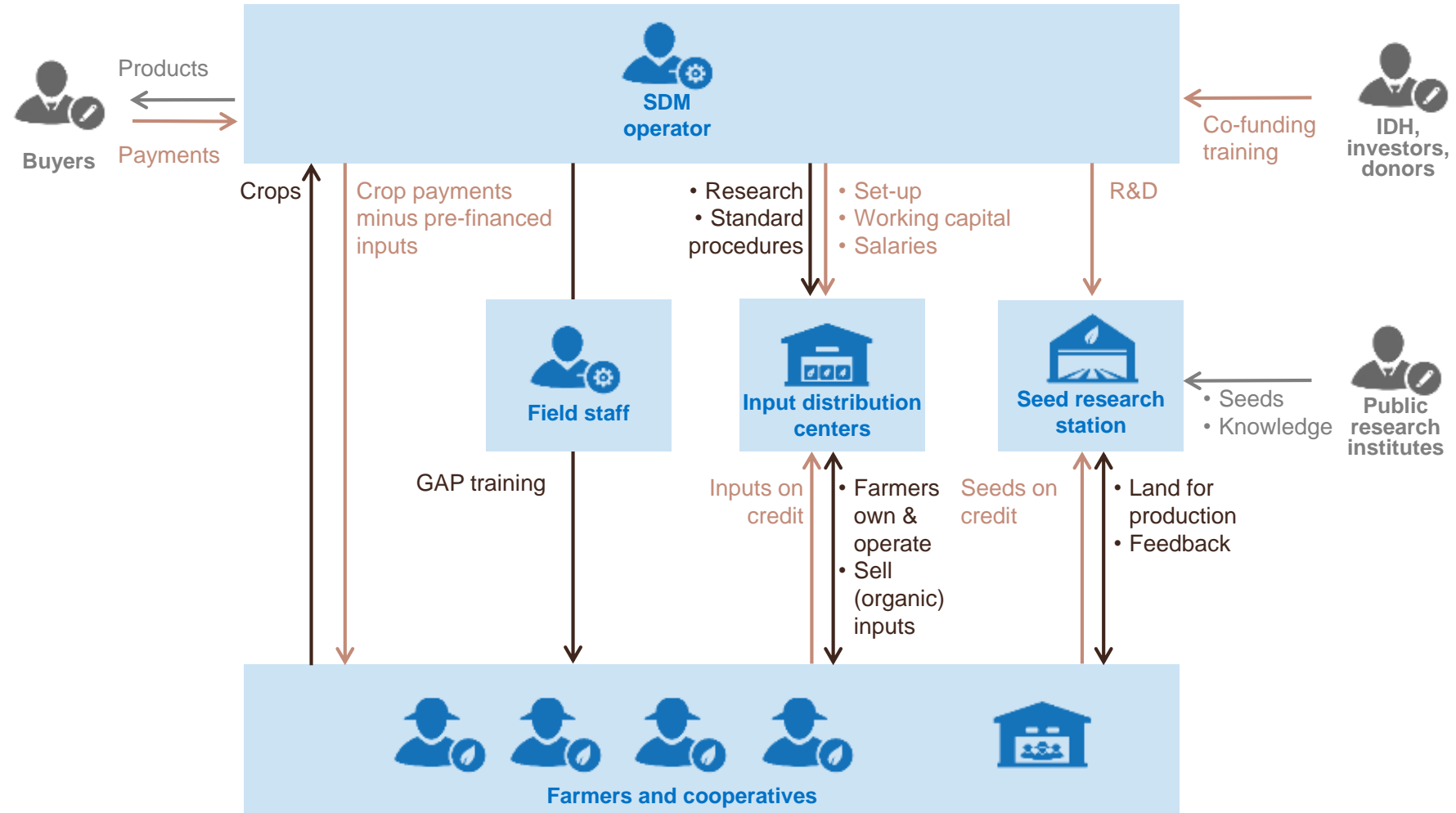
...covering a range
of crops ...

Coffee	Cashew
Cocoa	Cotton
Maize	Vanilla
Chili	Rice
Sorghum	

...varying in size:



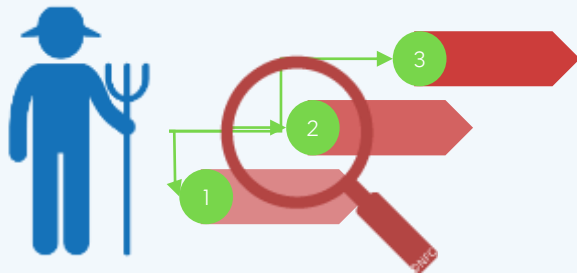
WHAT IS A SERVICE DELIVERY MODEL?



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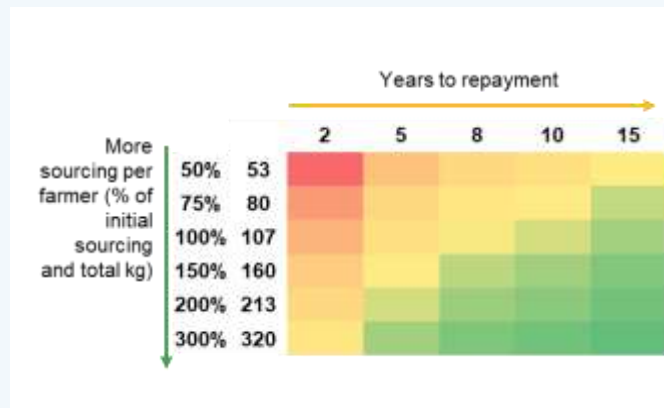
RESPONDING TO THE INDIVIDUAL NEEDS OF SERVICE PROVIDERS

How to make my SDM more effective for farmers?



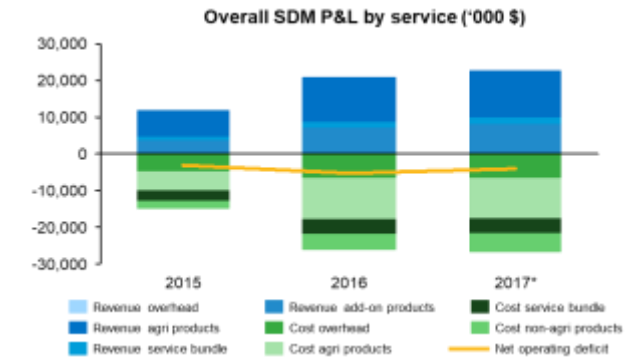
- Services
- Segmentation
- Sequencing

What are the sensitivities of my SDM?



- Sensitivity analysis: prices, impacts, market shocks, farm sizes

In what timeframe can I make my SDM sustainable?



Our analysis focuses on:

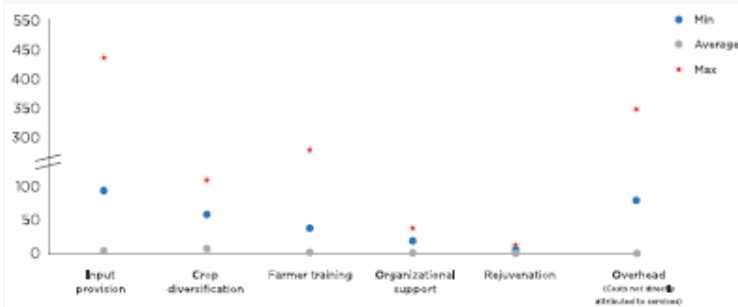
- Cost efficiency
- Reliance on external funding
- Capacity to cover costs through services and/or sourcing revenues

By reflecting on these questions, SDM operators are able to better understand their SDMs, to learn and improve

BENEFITS BEYOND THE INDIVIDUAL SERVICE DELIVERY MODEL CASE ANALYSIS

Benchmarking

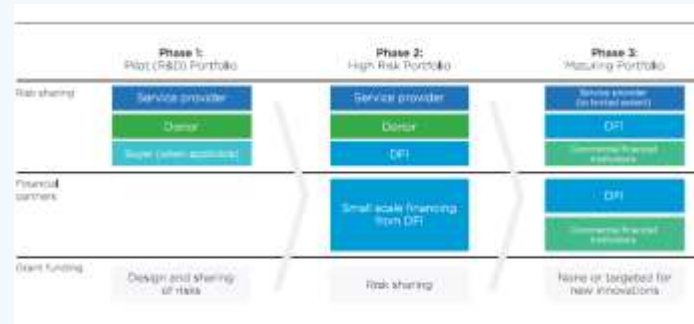
Average cost per farmer per year by service



Get insights, and understand your SDM in relation to other cases

Identifying funding opportunities

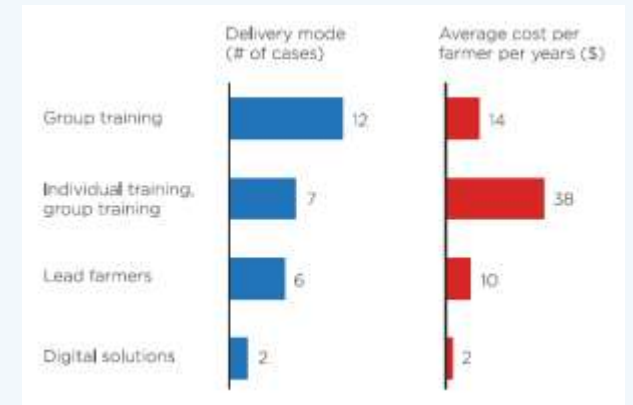
Funding strategy based on the maturity phases of a SDM



Learn from successful strategies

Sharing knowledge to improve

Training: Training cost per farmer by delivery mode

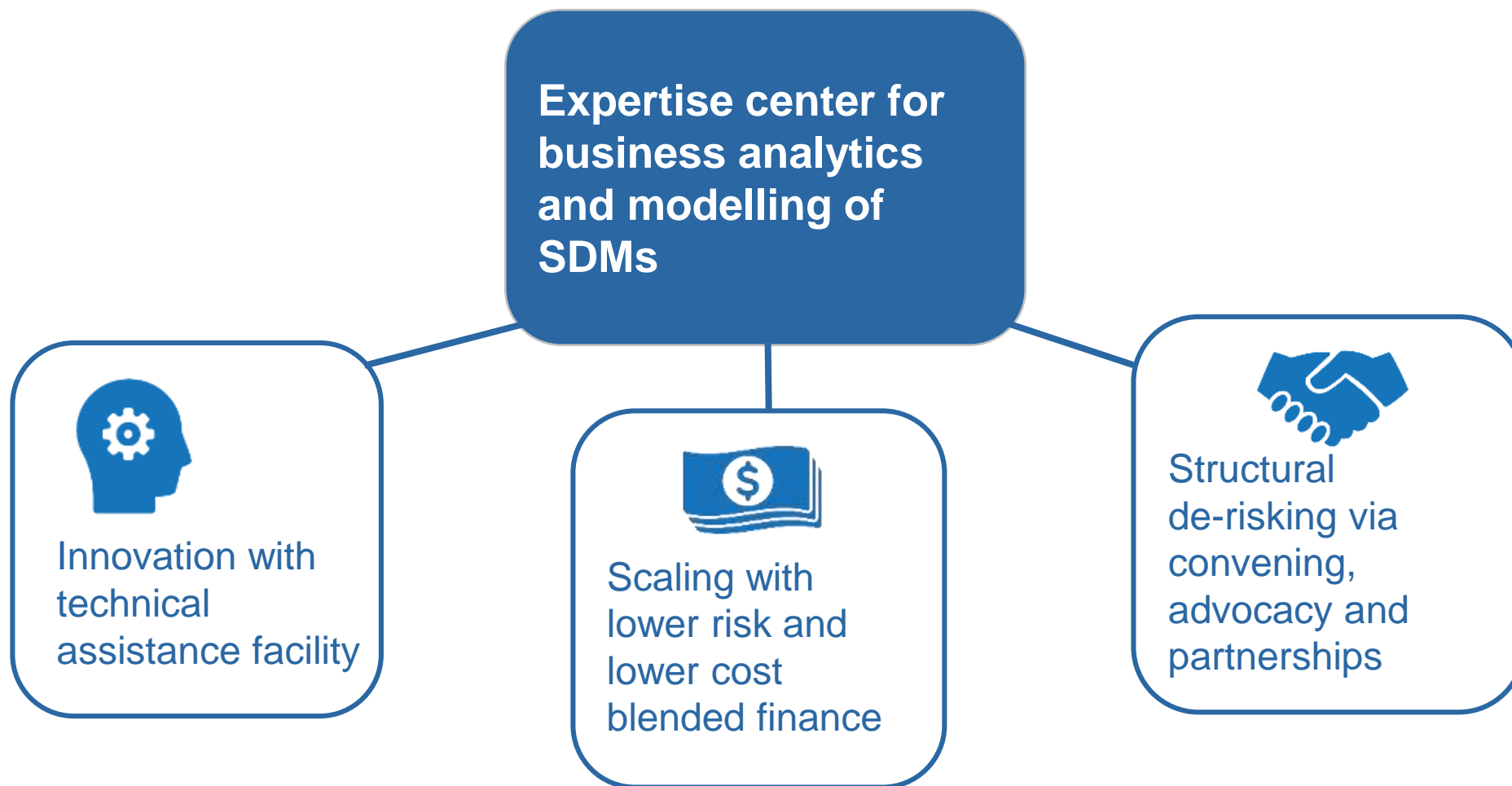


Share findings and use learnings to design and improve your programs

JOIN US IN CONTINUOUS IMPROVEMENT FOR LASTING AND SCALABLE FARMER PROSPERITY



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WE ARE LOOKING FOR PARTNERS INTERESTED TO GAIN INSIGHT INTO THEIR SDM AND PROTOTYPE NEW APPROACHES



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CONTACT

David Rosenberg

Program Developer
Smallholder Innovation Platform

Rosenberg@idhtrade.org

+31 650 630 710

André Dellevoet

Senior Strategist and Business
Developer Africa

Dellevoet@idhtrade.org

+31 629 155 461

www.idhsustainabletrade.com/approach/service-delivery-models/

“Economic viability under pressure: dealing with risks and costs from a farmer perspective”



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Joel Brounen

Country Manager, Colombia,
Solidaridad



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ECONOMIC VIABILITY UNDER PRESSURE

*Dealing with costs and risks
from a farmer perspective*

Joel Brounen
Country Director Colombia
Solidaridad

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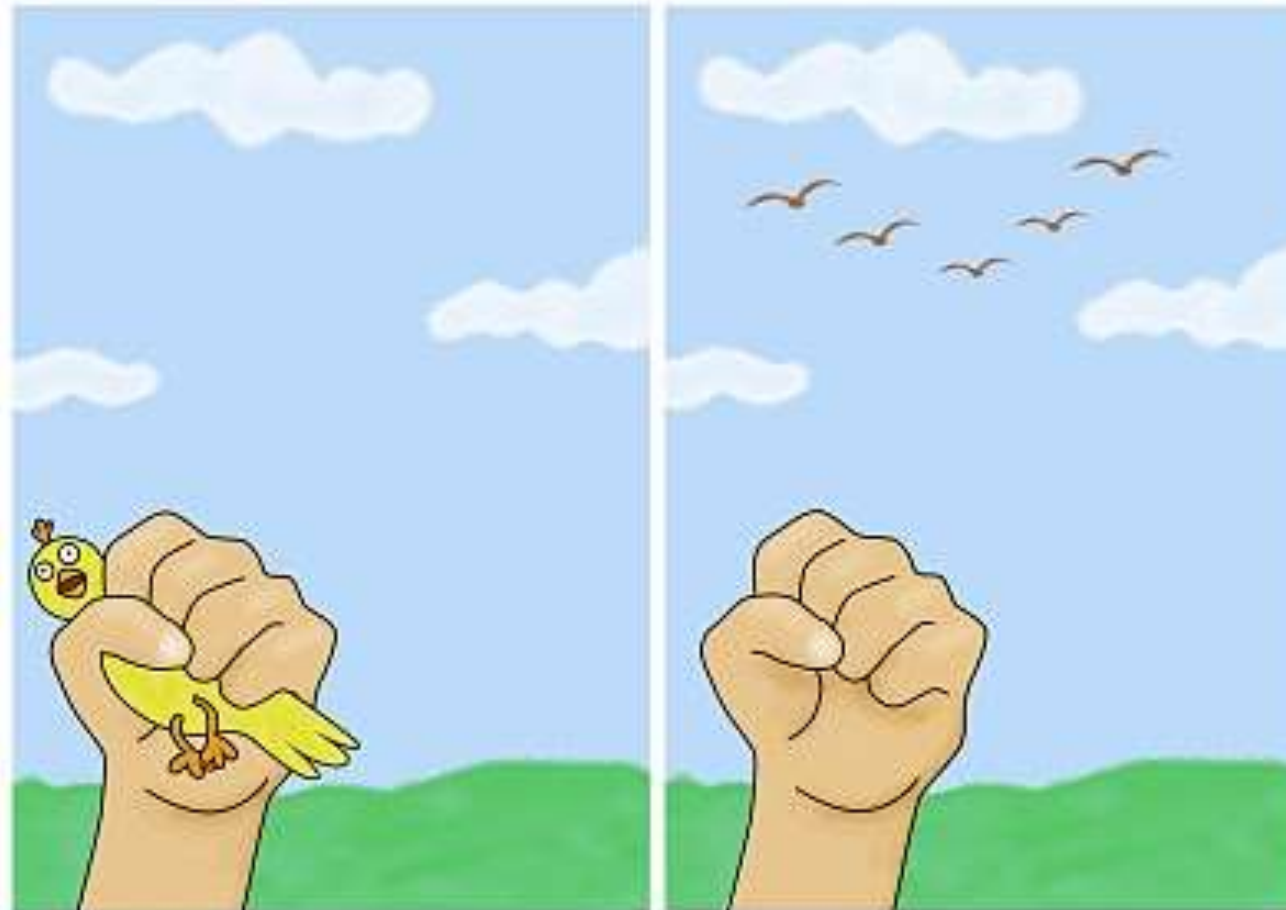
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WHAT FARMERS SAY....



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ECONOMIC VIABILITY UNDER PRESSURE



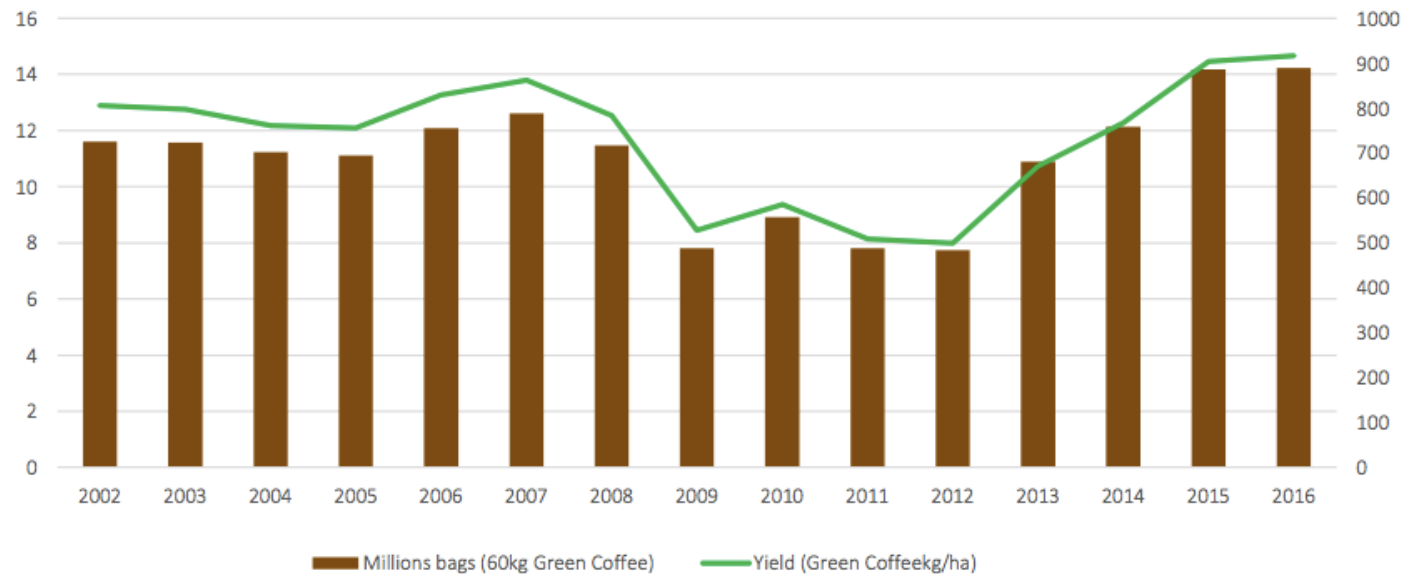
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Colombia 6% increase due to high production varieties + young trees (source: FNC)

2007: 863 kg/ha



2016: 916 kg/ha



25% increase in productivity is required (Source: GCP/TNS study 2017)

916 kg/ha



1150 kg/ha

AGRONOMIC PERSPECTIVE

529.000 farmers under 5 hectares - 70% total production
(Source: SCP/TNS – Colombia Business Case – study 2014)

Area under coffee (ha)	Number of coffee farms	Share of coffee area	Share of production
< 1	305,200 (54.5%)	21%	20%
1.1 – 5	224,000 (40%)	48%	50%
5.1 – 10	24,800 (4.4%)	14%	12%
> 10	6,000 (1.1%)	17%	18%
Total farms	560,000	974,000 ha*	

How to increase productivity?

- Young coffee trees and new varieties
- More coffee trees per hectare
- Fertilization, the right product at the right time
- Integrated Pest Management



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FARMER PERSPECTIVE: RISKS

For the farmer this means:

- Behavioral change - New way of doing farming
- Lower the production in the short term - Uncertainty and risks on cash flow
- More cash needed or credit - More processing infrastructure
- More labor... not only the family labor

?



Beyond agronomic problems, the farmer faces risks for family income and business

DEALING WITH RISKS

RECOMMENDATIONS:

- Training with a new approach: increasing motivation, improving self-esteem and triggering continuous action
- Support among farmers: group support key to ensure behavioral change at scale
- Better understanding of Smallholder Farms Economics: motivations, fears, risk perception, decision making



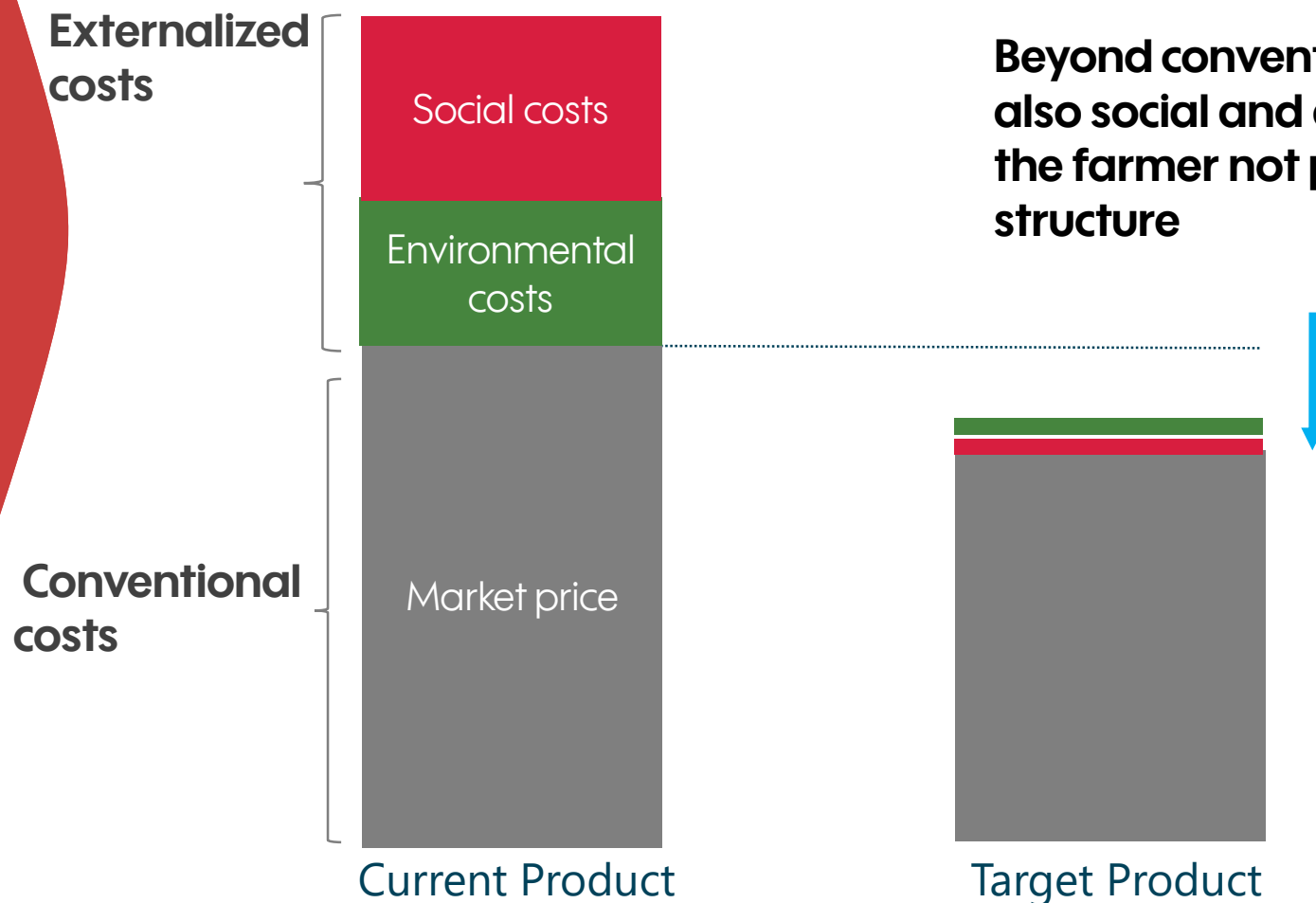
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FARMER PERSPECTIVE: COSTS



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Source: Trueprice (2017)

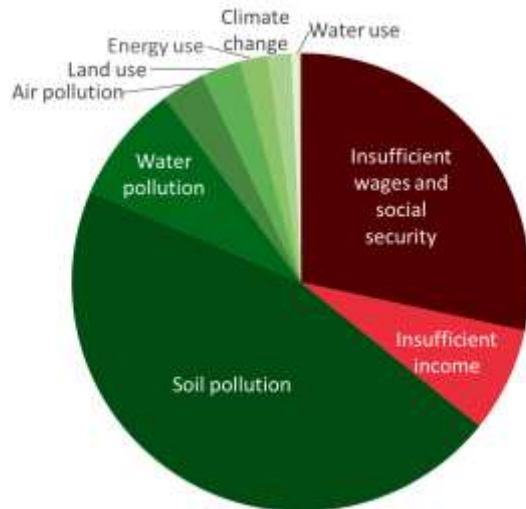
DEALING WITH COSTS

RECOMMENDATIONS:

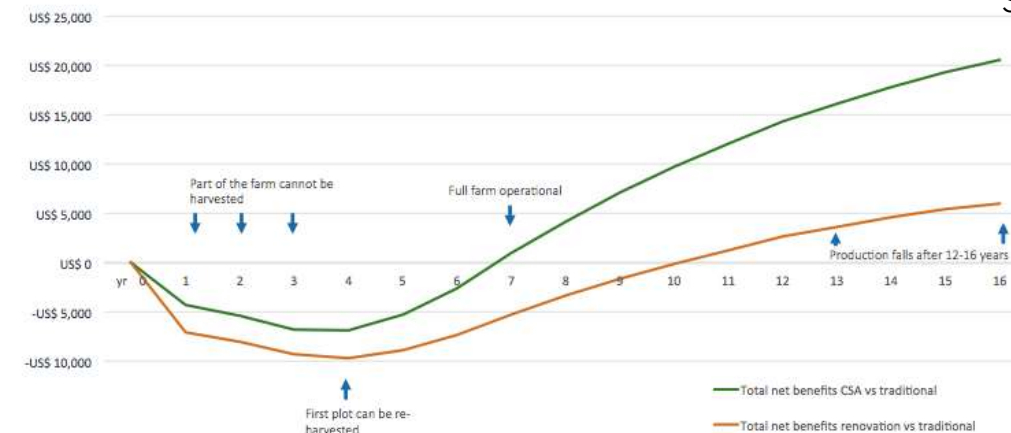
- Map main conventional and externalized costs at farm level
- Restructure renovation process according cost-benefit ratio
- Measure economic viability by screening all costs of production (conventional and externalities)



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Sum-to-date of cash flow – discounted with 10% Cost of Capital



Source:
Solidaridad/
Trueprice
(2017)

ROAD TO ECONOMIC VIABILITY

ACTIONS by Sustainable Trade Platform in 2018 (in collaboration with GCP):

1. Support to roll-out of intelligent soil management
2. Optimized management of renovation plots
3. Better understanding of the farmer economics and decision-making
4. Mapping of externalized costs at farm level
5. Development of financial solutions adapted to farmer economics and directed to reduce hidden costs at farmer level



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Joel Brounen – Country Director
joel.brounen@solidaridadnetwork.org

Carlos Isaza – Programme Manager Coffee
carlos.isaza@solidaridadnetwork.org

Francisco Bustamente – Project Manager
francisco.bustamente@solidaridadnetwork.org

Find more on Sustainable Trade Platform:
<http://comerciosostenible.org>

Find more on our training materials and online courses:
<http://www.agrolearning.com>

Economic Viability of Farming

1. GCP's scope for action
2. Poll on intentions for action



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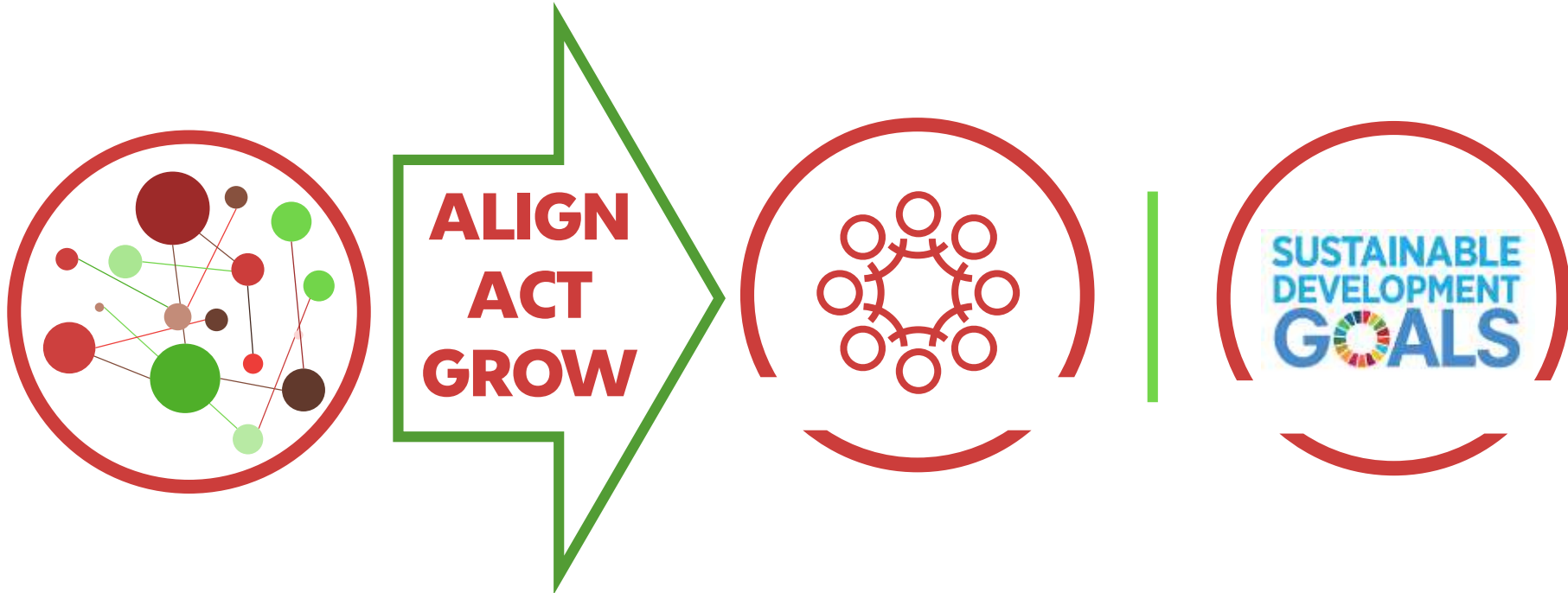


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EVoF network to Convene & Align



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GCP GOALS 2020





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EVof network contributes to GCP Goals

Economic Viability of Farming

Profitable coffee farming
Being resilient
Moving out of poverty



**Farmer
Prosperity**

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Measure using our Sustainability Progress Framework



**Farmer
Prosperity**

Impact Indicators

1. **% increase in profit**
2. % improvement in asset basis to cushion farmer and worker

Late Outcomes (results of changed practices)

1. productivity improvement to optimal target
2. Number of Days Without Sufficient Food
3. % meeting agreed quality parameter in country
4. Reduction of cost per kg to optimal cost
5. Increased share of FOB price to farmer
6. % increase in sustainable purchases by buyer
7. Increased diversification.



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EVof Collective Action Network – Objective

Enable farmers to become more profitable and resilient by:

- creating synergies among coffee stakeholders
- increasing investment efficiency
- expanding engagement with more isolated small farmers



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GCP Members EVoF scope



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Optimize Productivity	Price mechanisms / market system	Cost of production Criteria
Technical / Extension Service	Renovation & Rehabilitation	Service delivery models
Livelihood strategies small farmers	Climate smart agriculture	National Platforms
Supply chain efficiency	Labor	National Sustainability Curricula
Regulatory environment	Youth	Certification / Baseline codes
Research & Dev. / innovation	Gender equity	Measurement & Monitoring
Access to finance	Quality	Forest mapping

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GCP Members EVoF scope



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Optimize Productivity	Price mechanisms / market system	Cost of production Criteria
Technical / Extension Service	Renovation & Rehabilitation (SCC - CAN)	Service delivery models
Livelihood strategies small farmers	Climate smart agriculture (GCP - CAN)	National Platforms
Supply chain efficiency	Labor (SCC - CAN)	National Sustainability Curricula
Regulatory environment	Youth (GCP - CAN)	Certification / Baseline codes
Research & Dev. / innovation	Gender equity (GCP - CAN)	Measurement & Monitoring
Access to finance	Quality	Forest mapping (SCC - CAN)

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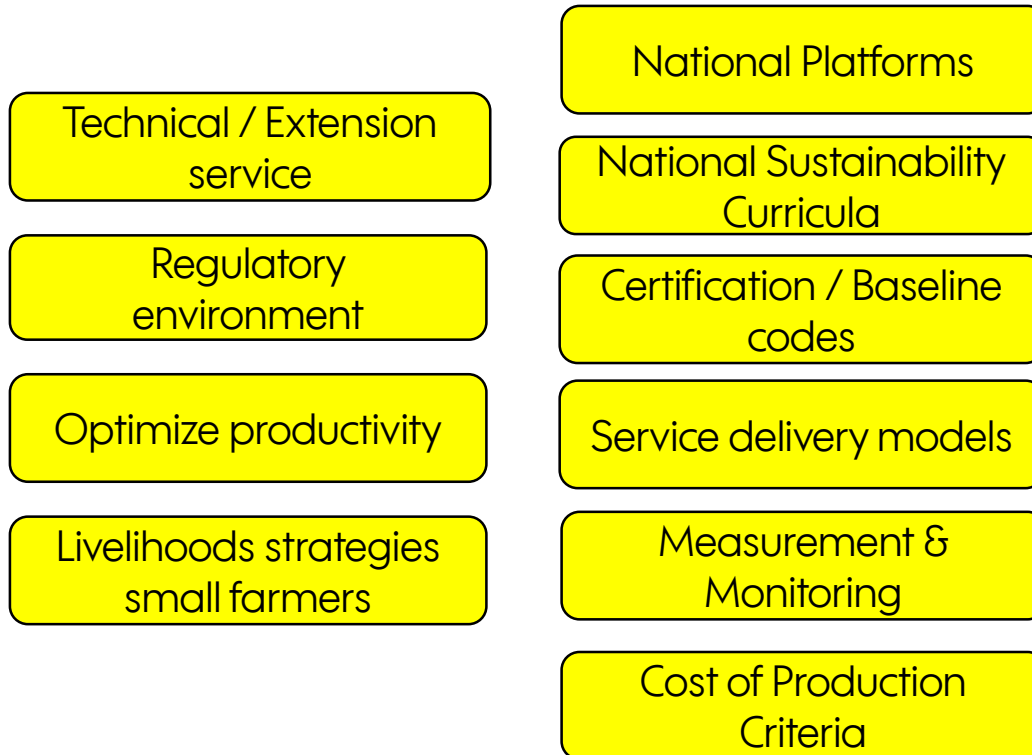
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Proposed scope as first step



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What we want to achieve

Farmer Prosperity

Economic Viability of Farming

Profitable coffee farming
Being resilient
Moving out of poverty

Impact Indicators

1. **% increase in profit**
2. % improvement in asset basis to cushion farmer and worker



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**Which action topics are
important for you?**

<http://etc.ch/55ff>



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ACTION TOPIC – POLL

	Action Topic	Please select the top 3
1	Support National Platforms	
2	Support roll out of National Curricula	
3	Support actions to optimize productivity	
4	Strengthen Technical / Extension services	
5	Influence Regulatory environment	
6	Increase demand on Certified coffee	
7	Analyze Service delivery models	
8	Support Measuring & Monitoring	
9	Advance strategies to improve livelihoods	
10	Determine Criteria for Cost of production	
11	Additional action not listed	



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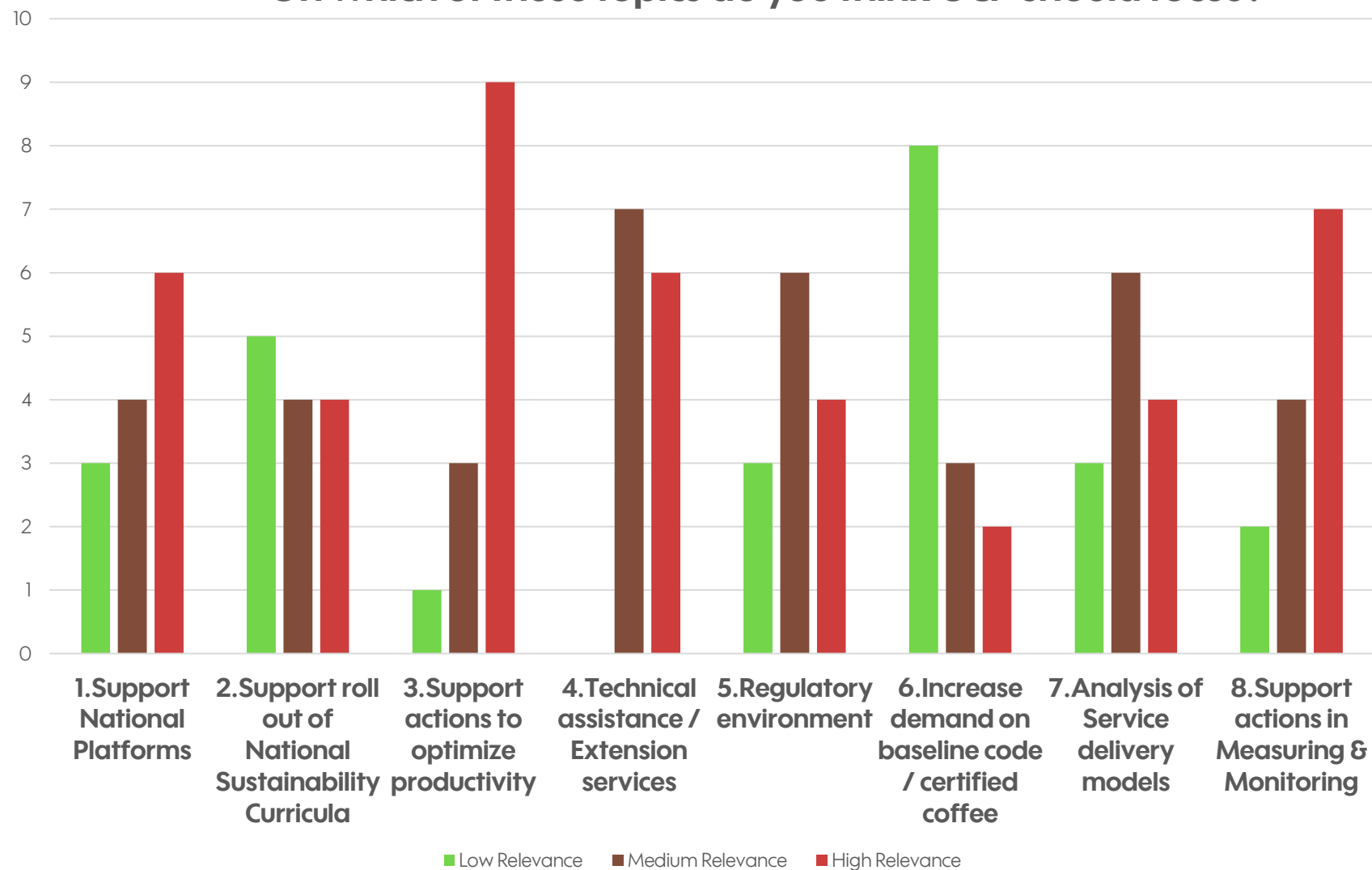


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On which of these topics do you think GCP should focus?





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MoU between Global Coffee Platform & CQI-PGE



The Partnership
for Gender Equity



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MoU between Global Coffee Platform & SCOPI



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