WITH THANKS TO OUR SPONSORS & STRATEGIC PARTNERS
National Coffee Platform Representatives

- **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 Controll 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 Devellopment 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
Securing the Future of Coffee Through Global Collaboration
SECURING THE FUTURE OF COFFEE THROUGH GLOBAL COLLABORATION

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
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
http://etc.ch/55ff
Optimizing value through farmer segmentation

Jeremy Dufour
Sustainability Manager, East Africa Cluster, Olam International Ltd
Coffee Production: Ideal ...

- Common approach/perception of considering single typical smallholder farmer.
... 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...
... 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...
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.
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:

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

Source: inspired from Olam Uganda data.
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).

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>farmer</td>
<td>Olam</td>
<td>farmer</td>
</tr>
<tr>
<td>Total Increased Yields</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>Total Increased Profits</td>
<td>$5 per farmer</td>
<td>$5 per farmer</td>
</tr>
<tr>
<td>Ave. Increased Profits</td>
<td>$5 per farmer</td>
<td>$5 per farmer</td>
</tr>
</tbody>
</table>

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;
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.
“Transforming Agricultural Business Models to Improve Profitability and Livelihoods”

Steven Collet
Operational Director, Member Executive Board;
IDH The Sustainable Trade Initiative
**11**  
**5**  
**12**  

<table>
<thead>
<tr>
<th>Value Chains</th>
<th>Impact Themes</th>
<th>Landscapes</th>
</tr>
</thead>
<tbody>
<tr>
<td>350+ Value Chain Partners</td>
<td>Creating impact on SDGs</td>
<td>30+ Countries</td>
</tr>
</tbody>
</table>

**the sustainable trade initiative**

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**GLOBAL COFFEE SUSTAINABILITY CONFERENCE 2017**

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**Logos of Partner Organizations**
WHAT IF WE COULD INCREASE FARMER PROSPERITY WHILE REDUCING COSTS AND RISKS?
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

30 SDMs in 16 countries ...

...covering a range of crops ...
- Coffee
- Cocoa
- Maize
- Chili
- Sorghum
- Cashew
- Cotton
- Vanilla
- Rice

...varying in size:
- Largest: 500k farmers, cost of $8M
- Smallest: 166 farmers, cost of $133K
WHAT IS A SERVICE DELIVERY MODEL?

Legend

- Flow of goods and services
- Cash flow
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

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

Identifying funding opportunities

Learn from successful strategies

Sharing knowledge to improve

Share findings and use learnings to design and improve your programs
JOIN US IN CONTINUOUS IMPROVEMENT FOR LASTING AND SCALABLE FARMER PROSPERITY

Expertise center for business analytics and modelling of SDMs

- Innovation with technical assistance facility
- Scaling with lower risk and lower cost blended finance
- Structural de-risking via convening, advocacy and partnerships
WE ARE LOOKING FOR PARTNERS INTERESTED TO GAIN INSIGHT INTO THEIR SDM AND PROTOTYPE NEW APPROACHES

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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”

Joel Brounen
Country Manager, Colombia, Solidaridad
ECONOMIC VIABILITY UNDER PRESSURE

Dealing with costs and risks from a farmer perspective

Joel Brounen
Country Director Colombia
Solidaridad
WHAT FARMERS SAY....
ECONOMIC VIABILITY UNDER PRESSURE

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
A GRONOMIC PERSPECTIVE

529,000 farmers under 5 hectares - 70% total production
(Source: SCP/TNS – Colombia Business Case – study 2014)

<table>
<thead>
<tr>
<th>Area under coffee (ha)</th>
<th>Number of coffee farms</th>
<th>Share of coffee area</th>
<th>Share of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1</td>
<td>305,200 (54.5%)</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>1.1 – 5</td>
<td>224,000 (40%)</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>5.1 – 10</td>
<td>24,800 (4.4%)</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>&gt; 10</td>
<td>6,000 (1.1%)</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total farms</strong></td>
<td><strong>560,000</strong></td>
<td><strong>974,000 ha</strong></td>
<td></td>
</tr>
</tbody>
</table>

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
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
Beyond conventional costs, there are also social and environmental costs for the farmer not priced into his/her cost structure.

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)

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
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
EVoF network to Convene & Align
GCP GOALS 2020

GCP VISION

1. IMPROVED LIVELIHOODS
   - Gender & youth equality
   - Better working conditions
   - Improved health and nutrition

2. FARMER PROSPERITY
   - Increased income
   - Optimum productivity
   - Improved quality
   - Supply chain efficiency
   - Increased demand

3. CONSERVATION OF NATURAL RESOURCES
   - Water usage
   - Reduced deforestation
   - Soil protection
EVoF network contributes to GCP Goals

**Economic Viability of Farming**
- Profitable coffee farming
- Being resilient
- Moving out of poverty

**Farmer Prosperity**

1. **NO POVERTY**
2. **ZERO HUNGER**
Measure using our Sustainability Progress Framework

**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.

Farmer Prosperity
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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</tbody>
</table>

### Key Areas of Focus:
- Optimization of Productivity
- Technical and Extension Services
- Livelihood strategies for small farmers
- Supply chain efficiency
- Regulatory environment
- Research and Development / Innovation
- Access to finance
- Cost of production criteria
- Service delivery models
- National Platforms
- National Sustainability Curricula
- Certification and Baseline codes
- Measurement and Monitoring
- Forest mapping

### Additional Topics:
- Climate smart agriculture (GCP - CAN)
- Labor (SCC - CAN)
- Youth (GCP - CAN)
- Gender equity (GCP - CAN)
- Livelihood strategies for small farmers
- Forest mapping (SCC - CAN)
Proposed scope as first step

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

- Technical / Extension service
- Regulatory environment
- Optimize productivity
- Livelihoods strategies for small farmers

- National Platforms
- National Sustainability Curricula
- Certification / Baseline codes
- Service delivery models
- Measurement & Monitoring
- Cost of Production Criteria
Which action topics are important for you?
http://etc.ch/55ff
**ACTION TOPIC – POLL**

<table>
<thead>
<tr>
<th>Action Topic</th>
<th>Please select the top 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support National Platforms</td>
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<tr>
<td>2. Support roll out of National Curricula</td>
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<tr>
<td>3. Support actions to optimize productivity</td>
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<tr>
<td>4. Strengthen Technical / Extension services</td>
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<td>5. Influence Regulatory environment</td>
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<tr>
<td>6. Increase demand on Certified coffee</td>
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<tr>
<td>7. Analyze Service delivery models</td>
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<td>8. Support Measuring &amp; Monitoring</td>
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<tr>
<td>9. Advance strategies to improve livelihoods</td>
<td></td>
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<tr>
<td>10. Determine Criteria for Cost of production</td>
<td></td>
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<tr>
<td>11. Additional action not listed</td>
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</tr>
</tbody>
</table>
On which of these topics do you think GCP should focus?

1. Support National Platforms
2. Support roll out of National Sustainability Curricula
3. Support actions to optimize productivity
4. Technical assistance / Extension services
5. Regulatory environment
6. Increase demand on baseline code / certified coffee
7. Analysis of Service delivery models
8. Support actions in Measuring & Monitoring

[Bar chart showing relevance levels for each topic]
MoU between Global Coffee Platform & CQI-PGE
MoU between
Global Coffee Platform
&
SCOPI