

ACCELERATING PROGRESS ON THE NESPRESSO AAA SUSTAINABLE QUALITY™ PROGRAM IN CENTRAL AMERICA



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NESPRESSO®

Factsheet 2.1 | June 2013

AT A GLANCE

- Since 2007, *Nespresso* has been working with partners to help coffee farmers in Central America make progress on the *Nespresso* AAA Sustainable Quality™ Program.
- Around 5,000 farmers have benefitted from the project and 44% have now reached the emerging, basic or advanced AAA standard for sustainability and productivity.
- Research showed a promising observation: farms with sustainable practices had higher productivity.
- Because of its success, the project has been extended and will run until at least 2013.

ACTIONS & RESULTS

IMPROVING QUALITY, SUSTAINABILITY & FARMER INCOME

Since 2007, around 5,000 farmers across five clusters in Mexico, Guatemala, Costa Rica and Nicaragua have been trained in sustainability and productivity best practices. The first phase of the project, a partnership between *Nespresso*, International Finance Corporation (IFC, a member of the World Bank Group) and ECOM, a coffee supplier, ran until 2010. The project has been extended for a second phase and will run until at least 2013.

The first phase of the project has helped farmers to continuously improve in all three areas of the AAA Program: quality, sustainability and productivity. Farmers are supported in two ways. First, they receive extra technical support and training to complete the self-assessment part of the *Nespresso* AAA Sustainable Quality™ Program farm management tool, called the Tool for the Assessment of Sustainable Quality™ (TASQ™). Second, farmers get better access to finance to make investments that help them meet the standards of the program.

As a result, at the end of 2012:

- Around 11,000 hectares of coffee farms were sustainably managed.
- More than 1,200 training workshops and farm visits had been performed.
- 44% of farmers across all the clusters in the project have improved from being underperforming to reach the emerging, basic or advanced standard for sustainability and productivity on the AAA Program.
- In Huehuetenango, a AAA cluster in Guatemala, 80% of farmers reached the basic or emerging standard. In the AAA Jinotega cluster in Nicaragua, 100% of farmers reached the basic, emerging or high performing standard.

The IFC measured the impact of the partnership between 2007 and 2010 through surveys with coffee farmers and suppliers in two clusters in Mexico and Guatemala.¹ They found a positive result: improvements in farm productivity and sustainability were accompanied by higher farm incomes. On average, net income for AAA farms was 27% higher than for farms not part of the *Nespresso* AAA Sustainable Quality™ Program.

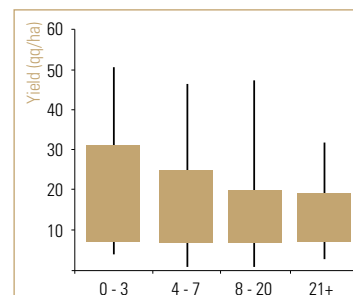
WHY WE CO-FUNDED THE PROJECT

Central America and Southern Mexico provide excellent conditions for growing coffee and farmers in the region have always produced exceptional coffee for *Nespresso*, albeit in relatively small quantities.

The challenge was to help coffee growers in Mexico, Guatemala, Costa Rica and Nicaragua increase the production of AAA coffee in harmony with the environment, while also maintaining the highest quality. To achieve a sustainable growth in the cultivation of the highest quality coffee required support and training from *Nespresso* and our partners, to implement quality, sustainability and productivity best practices.



Central America



Producers with fewer deficient practices (x-axis) have higher yields (y-axis)

Yield & Deficient Practices (NN cluster Ixhuatlan, 1,401 producers)

The IFC measured the impact of the partnership through surveys with coffee farmers and suppliers in two clusters in Mexico and Guatemala.



¹ Ixhuatlan and Huehuetenango

OUR APPROACH

A LONG-TERM PARTNERSHIP

The project was co-funded by *Nespresso*, IFC and ECOM and integrated a number of important considerations, based on learning from many years of working with farmers across the region:

- The price premium for AAA coffee and the long-term commitment from *Nespresso* is a key incentive to motivate farmers to adopt best practices in coffee growing.
- A strong local presence and frequent follow-ups with farmers help to ensure progress on key measures.
- Developing partnerships locally with NGOs enables *Nespresso* to deliver more services and support to help farmers improve.
- Providing access to credit helps farmers make the investments necessary to meet the AAA standards.
- Improving productivity requires a long-term view and so must be built into farmer action plans.

The project was organised in two phases:

- **Phase 1: 2007-2010**
Involved training farmers on AAA standard requirements and providing assistance to help farmers improve from basic to emerging and advanced levels on the program.
- **Phase 2: 2011-2013**
This phase focuses on Rainforest Alliance certification and increasing net income, while ensuring the continuous improvement in sustainability and productivity.



OUR PLANS FOR THE FUTURE

Making a long-term commitment to farmers belonging to the AAA community, the partnership has been extended for another three years and will now run until at least 2013. This phase of the partnership promotes a process of continuous improvement in every area of AAA and also help groups of farmers gain Rainforest Alliance certification. After the Rainforest Alliance certification has been achieved, coffee farmers are able to secure additional premiums for the coffee they choose not to sell to *Nespresso*.

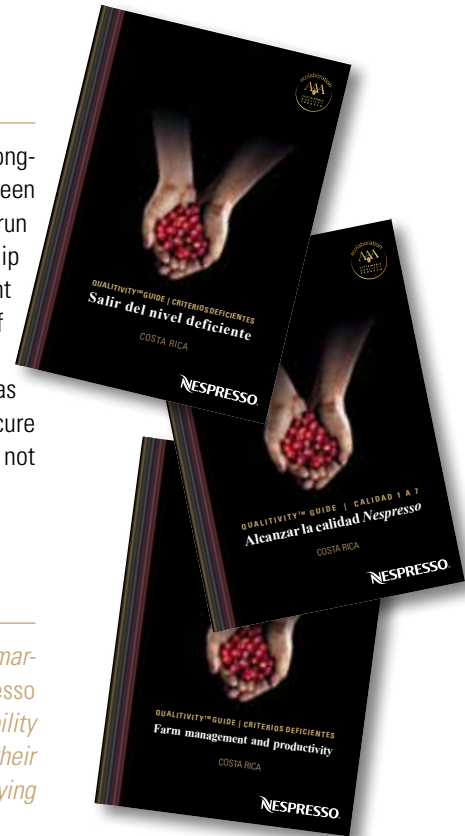
WHAT THE EXPERT SAYS

"Sometimes development projects forget the market demand side but by working with Nespresso farmers are more willing to invest in sustainability and quality. They see that there is a market for their product and that Nespresso is committed to buying and paying a premium price for their coffee."

Through this partnership we are able to bring technical assistance and services to farmers that could not afford it. These services are based on what farmers need in the long-term to improve farmer income and sustainability.

The results are very positive. We see improvement in farmers' income, farm performance and sustainability. We have seen evidence that farms that do well in sustainability also do well in increasing productivity. We also have learned that productivity is the single most important indicator for increasing the bottom line. To our surprise we also found that sustainability in most cases does not provide an additional cost to farmers. In cases where it does the cost is offset by increased productivity."

*Rick van der Kamp, Operations Officer
International Finance Corporation*



TASQ™: individualised training



Coffee tree nursery