

Project background

Expanding the AAA Sustainable Quality™ Program in Ethiopia and Kenya

Partners: Nestlé Nespresso, TechnoServe, local governments
Location: Ethiopia, Kenya
Scope: Farmer welfare, economic development, farming practices and productivity, coffee quality, coffee traceability

Background

Nespresso has been buying coffee from East Africa, mainly Kenya and Ethiopia, since 1998. Kenyan and Ethiopian coffee profiles play an important role in *Nespresso* Grand cru range. In order to meet its future demand for African highest quality green coffee, *Nespresso* will continue to increase the reach and impact of its AAA Sustainable Quality™ Program in these countries. This expansion is an important component of ensuring that the company can reach its objective of sourcing 100% of its coffee from the AAA Program.

The supply chain in East Africa presents multiple challenges, including farmer poverty, a lack of investment in coffee quality, environmental degradation, and a lack of an established infrastructure to drive shared value throughout the supply chain. Additionally, almost all coffee traded in Ethiopia and Kenya passes through a commodity exchange or auction system, hindering the establishment of direct relationships with farmers to farm level, a key component of the AAA Program.

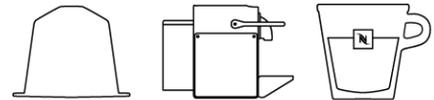
Ethiopia is the largest producer of Arabica coffee in Africa, exporting on average 180,000 metric tons (3 million bags) of green coffee per year. Coffee is the country's largest export and an important livelihood for more than 1.2 million smallholder farmers.

Kenya is the largest producer of washed Arabica coffee in Africa, but environmental degradation and demographic changes are leading to a decline in production. Production has fallen by about 20% over the past decade to current levels of around 42,000 tons (700,000 bags) of green coffee per year. Two thirds of production comes from an estimated 450,000 smallholder farmers.

About the expansion of the AAA Program in Ethiopia and Kenya

After announcing the project in July 2013, *Nespresso* started expanding the AAA Program in Ethiopia and Kenya to include more smallholder coffee farmers and partnering with TechnoServe to improve coffee quality and sustainability at farm level. As part of this approach, the partners provide training to smallholder farmers to help improve their productivity and the quality of their coffee.

Specifically, *Nespresso* is scaling up the current AAA Program in Ethiopia to include more cooperatives in the Sidama region and beyond and provide assistance to more coffee farmers. In regions where 100% coffee traceability is currently not feasible, the partners are exploring



alternative solutions, including washing stations and private farms, to engage new coffee farmers.

In Ethiopia and Kenya, *Nespresso's* overarching goal is to reduce poverty of 200,000 smallholder coffee farmers through increased incomes as a result of improved yields, quality and market access to the *Nespresso* AAA supply chain. The company has decided to focus on supporting 300 wet mills, which purchase coffee from about 200'000 smallholder farmers, to implement improved and more sustainable processes in order to increase the volume and quality of green coffee and thereby increase farmer income. *Nespresso* is also working with TechnoServe to provide farmers with agronomy trainings to boost yield and quality through better and more sustainable practices and drive corresponding increase in farmer income. Additionally, *Nespresso* is also engaging with exporter partners to help build an efficient, traceable supply chain between farmers and *Nespresso*.

Nespresso has planned to invest over \$10 million over six years to specifically address the challenges of coffee farmers and their families in Kenya and Ethiopia.

Progress and achievements

Ethiopia

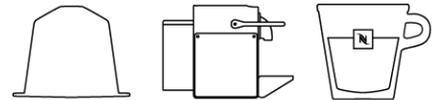
Nespresso introduced the AAA Program in Ethiopia, in the Sidama region, at the end of 2012 and has since then integrated 3,500 farmers in the program.

A 19-month training curriculum on best agricultural practices, such as mulching or plant renovation was devised to drive improved quality and productivity. About 120 coffee demoplots were implemented in order to train farmers in real-life conditions. 10 local farmer trainers have been appointed to run these sessions. The first year of training, tackling 14 different topics, was completed. Efforts to encourage women's participation were rewarded, with a women attendance level of 38%.

As a first step to implement traceability, *Nespresso* and its partners integrated four wet mills into the AAA Program, providing them with training on sustainability and efficient management, after having mapped the sensory profile of the coffees they process and analyzing the environmental impact of their operations. As a result, one wetmill in Bokasso was renovated by supplier partner EFICO, implementing a waste water treatment system through a vetiver wetland, better preserving the soil and local water resources. Before, coffee pulp and soiled water were gathered in an under-sized lagoon resulting in a poor treatment of the waste water and high risk of environmental contamination by overflow. Now pulp is properly separated and used as compost, while the remaining effluent is naturally treated by a vetiver wetland. Additionally, a water meter has been installed and a recirculation tower has been renovated to optimize water consumption.

Kenya

Seven coffee cooperatives were selected to integrate the AAA Program. 18 farmer trainers were recruited in the local community. Over 4'000 farmers have been taking part in trainings since January 2014, with a women's attendance reaching 40%.



An assessment of coffee practices was also done in 600 farms in order to constitute a base for future monitoring of progress in regards to good agricultural practices in the country.

Next steps

Ethiopia

Nespresso and *TechnoServe* will pursue the agronomy trainings of the farmers who have joined the AAA Program, while ramping up to engage in the program 116 wet mills by 2017 and 300 wet mills by 2020 in Ethiopia. Additionally, *TechnoServe* will provide farm-level agronomy training to 40,000 farmers to boost yields by 2020, all of whom will be located around AAA wet mill suppliers that joined the program before 2018.

Nespresso expects to almost double its coffee purchases, thereby improving the economic development in farming communities, and to move to 100% AAA coffee in the country by 2020.

Kenya

Nespresso plans to increase its volume of purchased coffee by 50% by 2020. In partnership with *Nespresso*, *TechnoServe* will provide farm-level agronomy training to 10,000 farmers to boost yields by 2020.