We knew that by collaborating with multiple stakeholders and IFC, we would be challenged to see how good we could get. Through continuous learning and building new sets of tools and abilities, we've been able to strengthen our local capacities and provide a better service to our producers.

—Eric Ponçon, Ecom’s Regional Director in Central America.

In partnership with: Australia, Canada, Finland, Ireland, the Netherlands, New Zealand, Switzerland

Ecom Coffee: Increasing the Productivity of Smallholder Coffee Farmers

IFC worked with Ecom, a global trading company specializing in coffee, cotton, and cocoa, to strengthen the ability of its coffee suppliers to meet international standards for quality and adopt sustainable practices.

IFC has a strong relationship with the company through its Investment and Advisory Services. IFC and Ecom worked together in Central America and now expand the success of the program in other coffee-producing countries around the world.

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The Opportunity

Coffee is a heavily traded global commodity, and high-quality arabica beans are in high demand and the fastest-growing segment of the market. The demand from consumers for certified coffee is also growing, and the price they are willing to pay appeals to traders.

Smallholder coffee farmers have had to adapt to several new standards that include environmental certifications establishing whether the coffee is organic, bird-friendly, shade-grown, or affected by social issues. Utz Certified, 4C, and Starbucks’ CAFE Practices are just a few of the organizations that provide guidance on best practices for coffee growing. These certifications have the potential to create value for smallholders, as certified coffee carries a market premium. However, complying with rigorous and sometimes varying certification criteria is generally more difficult for small farmers, so providing targeted, direct support for them through financing and training is needed.

Ecom is an international commodity trading company, ranked third among the world’s largest coffee dealers with a 13 percent world market share. Ecom’s major customers include Nestlé, Starbucks, Kraft, Procter & Gamble, and Sara Lee. Despite its success, Ecom faces a number of issues in its coffee supply chains, including:

- Low productivity from inadequate tree husbandry and insect problems
- Poor quality due to equipment
- Absent or ineffective agricultural extension services
- Inefficient supply chain structures between farmers and exporters
- Limited access to finance for farmers and market intermediaries in the supply chains, which hinders their ability to make needed improvements

Our Approach

IFC has developed a strong relationship with Ecom through its Investment and Advisory Services in several countries. IFC and Ecom began working together in Central America to strengthen farmers’ coffee-growing practices in order to increase productivity and meet industry quality as well as environmental and social standards.

IFC has done four investments with Ecom totaling $154 million. IFC’s latest transaction with Ecom was a $50 million quasi-equity investment.

Currently IFC has six active projects with ECOM in the coffee sector and is planning additional projects in the cocoa sector.

The IFC/Ecom model established farmer training centers, operating under local subsidiaries of Ecom, where sustainable farming techniques, financial literacy, and quality assurance methods are taught to local smallholders. IFC and Ecom focus on educating farmers on best practices in seed selection, nursery and soil fertility management, pest control, and farm management. As farmers incorporate what they have learned, they can advance toward certification, which can lead to access to financing and longer-term supply contracts with Ecom.

Based on the program’s positive results in Central America, a $55 million global financing facility was developed to serve six other coffee-producing countries: Indonesia, Vietnam, Papua New Guinea, Kenya, Tanzania, and Uganda. These countries have similar issues with smallholder supply chains, and country-level projects establish farmer training centers in local environments to address those issues.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

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