

## Improving the Agricultural Practices of Coffee Farmers in Central America

In 2006, IFC partnered with Ecom Agroindustrial Ltd., a global leader in commodity trading, to help coffee suppliers in Central America improve their incomes through the adoption of sustainable practices and international quality standards.

The success of this program led to replication; IFC has provided both investment and advisory services to Ecom in several regions of the world.

---

*“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

---



### RESULTS AND IMPACT

- \$24 million in IFC financing to Ecom in Latin America and the Caribbean since 2006.
- More than 4,000 coffee farmers have been trained, with 1,800 entities obtaining certification.
- Over 14,000 hectares managed utilizing sustainable practices, compared to less than 405 hectares in 2008.
- Over 23,000 metric tons of certified coffee sold by those certified farmers and purchased by Ecom.
- \$11.8 million in additional sales revenue for the smallholder farmers.\*

\*Figure based on compilation of quality and certification premiums

\*This series provides examples of IFC's impact, expertise and lessons learned working with clients and partners.

## The Opportunity

Coffee is a heavily traded global commodity, and high-quality arabica beans are 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 has caught the attention of traders and producers. In order to meet market demand, coffee farmers have had to adapt farming practices to qualify for certification.

The various standards available include a range of criteria that evaluates farmer performance in relation to environmental protection, social issues and economic sustainability.

These certifications have the potential to create value for smallholders, as certain certified coffee carries a market premium. However, complying with rigorous and sometimes varying certification criteria tends to place additional burdens on small farmers, who need guidance to understand and properly implement required practices.

Ecom is an international commodity trading company, ranked third among the world's largest coffee dealers with 13% of the world's market share. Ecom's major customers include Nestlé, Starbucks, Kraft, Procter & Gamble, and Sara Lee. The company sources from over 250,000 smallholders in 30 countries. Despite its success, Ecom faces a number of challenges in its coffee supply chains, including:

- Absent or ineffective agricultural extension services at origins.
- Low productivity from aging trees and poor farming practices.
- Lack of understanding of consumer demands and market requirements (ie: sustainability programs).
- Limited access to finance for farmers, which hinders the ability to invest at the farm level.

## IFC's Approach

IFC and Ecom, in partnership with Nestlé (Nespresso, Nestec, Nestlé UK) began working together in 2006 in Central America to strengthen farmers' coffee growing practices in order to meet industry quality demands, environmental and social standards, and increase productivity.

Over the course of six years, IFC assisted coffee farmers in Mexico, Guatemala, Costa Rica and Nicaragua to improve their production and increase income for the Ecom-Nestlé supply chain, by:

- Strengthening sustainable practices on farms while providing preferential market access and price premiums through certification programs;
- Increasing farmer productivity through improved pruning and integrated pest management practices and adoption of hybrid varieties;
- Improving Ecom lending practices and provision of a \$25 million loan to Ecom to on-lend to farmers for short-term finance and medium-term sustainability improvements.

Based on the program's positive results in Central America, IFC expanded financing and advisory support to Ecom's supply chain development initiatives in Indonesia, Vietnam, Papua New Guinea, Kenya, Tanzania, and Uganda. Several farmer training centers have been established at the country level to provide training and advise farmers on complying with good agricultural practices.

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

---

**IFC CLIENTS** Ecom