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**Summary of progress reports submitted by  
the Project Executing Agencies (PEAs) on  
projects currently being implemented**

## Background

The ICO, as the designated Supervisory Body (SB) for the Common Fund for Commodities (CFC) coffee projects, assists with monitoring the implementation of projects, including reviewing the attainment of objectives, identifying constraints and checking expenditure. This document summarizes individual progress reports submitted by each PEA for the following projects which are currently being implemented (see Section IV of document EB-3922/07 Rev. 1). Copies of the full reports are available on request from the Secretariat.

- Annex I:** Coffee market development and trade promotion in Eastern and Southern Africa – CFC/ICO/03FA (PEA: UNOPS)
- Annex II:** Improvement of coffee production in Africa by the control of coffee wilt disease – tracheomycosis – CFC/ICO/13 (PEA: CABI)
- Annex III:** Integrated white stem borer management in smallholder coffee farms in India, Malawi and Zimbabwe – CFC/ICO/18 (PEA: CABI)
- Annex IV:** Improving coffee quality in East and Central Africa through enhanced processing practices – CFC/ICO/22 (PEA: CABI)
- Annex V:** Robusta quality and marketing improvement by optimal use of coffee terroirs – CFC/ICO/05 (PEA: ACRN)
- Annex VI:** Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua – CFC/ICO/11 (PEA: PROMECAFE)
- Annex VII:** Pilot rehabilitation of neglected coffee plantations into small family production units in Angola – CFC/ICO/15 (PEA: INCA)
- Annex VIII:** Diversification of production in marginal areas in the State of Veracruz, Mexico – CFC/ICO/32 (PEA: Fundación de la Universidad Veracruzana)
- Annex IX:** Short and medium term finance for small-scale coffee farmers in Kenya – CFC/ICO/20 (PEA: UNOPS)
- Annex X:** List of acronyms used in this document

## Action

The Council is requested to note this document.

**COFFEE MARKET DEVELOPMENT AND TRADE PROMOTION  
IN EASTERN AND SOUTHERN AFRICA  
(CFC/ICO/03FA)**

*Period covered by this report: January – December 2006*

**Status of project implementation**

The status of the project was reviewed in Tanzania and Zimbabwe during January and February 2006. The amount left in the budget at the end of September 2006 was about US\$400,000. The project extension was based on this amount with circa US\$200,000 allocated to Uganda and Tanzania in order to cater for both coffee and cotton components.

**Work plan and way forward**

**Uganda:** The local management unit (LMU) understands that the main objective of the project is to provide a framework and infrastructure for commodity farmers and traders, to use their commodities already deposited in warehouses that are under collateral management and get independent assessment of quality and quantity. Farmers are then issued with a warehouse receipt that should enable them to negotiate a better price, or use the deposits as collateral to secure a loan from financial institutions. Despite the late start to implementation, there have been several achievements:

**Component I:           Promotion of a privately run Warehousing System and  
                                  establishment of a Collateralizable Warehouse Receipt System**

- Selection of warehouse operators and a collateral management firm was completed and is now operational.
- Training coffee producers and traders on warehouse receipt systems (WRS) operations is ongoing.
- The pilot warehousing involving deposit and issuing of receipts was successfully done in Western Uganda in 2005 and in Eastern Uganda from October 2005 to January 2006
- At least one bank (Allied Bank) and one collateral manager are fully on board and implementing the programme.
- The WRS bill has been passed by Parliament and awaits presidential approval.
- A favorable price differential of 250 US\$ per kilogram was obtained by participating farmers and groups.

**Component II: Development of a basic market information system for coffee production and marketing**

- A website has been developed for the Ugandan Coffee Development Authority (UCDA) and software has been procured to ease WRS operations.
- A Market Information System (MIS) through the use of mobile phones has been developed and is up and running, enabling users to access information on market prices.
- Training of users about the MIS initiative is on-going.

**Component III: Development of coffee quality assurance and certification system**

- Training of depositors on commodity quality with respect to WRS requirements is on-going.
- Quality assurance and grading equipment have been introduced and are operational.
- Technical quality training manuals and guides have been updated to reflect new developments in the sector.
- Quality analysis of coffee under WRS pilot has been assessed and will continue.

**Component IV: Development of a system of commodity trade finance based on inventory collateralization and warehouse receipt system; and testing the system through pilot trade financing**

- One bank has already given its term sheet to depositors and committed funds towards the WRS operations.
- Intensive talks with banks are on-going to discuss operational arrangements.

**Tanzania:** The coffee budget for Tanzania ran out during the second quarter, however more funding was made available as soon as the “interim budget”, for US\$46,000 against the requested US\$50,000, was approved by the CFC.

**Zimbabwe:** The US\$36,551.12 transferred from the PEA’s coffee budget to the Zimbabwe budget in the “interim budget” was used to offset replenishment of US\$29,806.14 to the Zimbabwe account in early February 2006. Net of this amount, the replenishment amount was about US\$2,000.

**Conclusion**

Overall good progress has been made in all three countries in carrying out the planned activities, despite budgetary problems that plagued the projects during the year. The depletion of the coffee budgetary component is explained in part by the considerably lower

budget that had been allocated to coffee compared to the cotton component. Despite this, in Uganda the WRS has been largely successful with the coffee sector but less so with the cotton sector. Most of the other stakeholders, in particular coffee farmers, were receptive to this system and were eager to apply and support it, whilst in the case of cotton farmers, this was perceived only after they had seen the success enjoyed by their coffee counterparts.

It is worth mentioning that there was a good opportunity in Tanzania for mainstreaming the WRS in both the coffee and cotton sectors and that there is interest in expanding coverage of the system to other commodities. In this respect, the International Fund for Agricultural Development (IFAD) is funding a project to develop receipt systems for maize and rice, while the African Banking Corporation has approached the LMU to discuss expanding the WRS to include cashew nuts. The key to mainstreaming WRS in Tanzania continues to be the establishment of a robust regulatory framework.

On the other hand, in Zimbabwe, the rapid depletion of funds was further exacerbated by the general economic climate in the country, with exchange rates generally working against the projects. Here, a pilot for soya beans was suggested as a very promising opportunity to demonstrate that the WRS could be a viable means of marketing agricultural commodities in the country. However, as has been stated, the Zimbabwe funds have been depleted and this has turned out not to be viable.

## **IMPROVEMENT OF COFFEE PRODUCTION IN AFRICA BY THE CONTROL OF COFFEE WILT DISEASE – TRACHEOMYCOSIS**

### **Project No. 4 – financed by the CFC (CFC/ICO/13)**

*Period covered by this report: January – December 2006*

*Background note on budget neutral extensions of the project: Based on the MTE in August 2004, a request for a year's extension was approved by the CFC up to December 2006. For 2007, the PEA requested that the project be extended for a further 12 months and – due to extra work still needed – a further extension is requested.*

### **Status of project implementation**

#### **Component I:           Implement a regional programme to develop improved management practices**

- Biological survey for Coffee Wilt Disease (CWD) was conducted in Rwanda. Findings show that wilt was present in a number of surveyed areas but the incidence is very low. The survey also showed the presence of a similar disease causing root rot caused by a fungus called *Fusarium solani*. Coffee Leaf Rust (CLR) disease is also present and distributed in all surveyed areas with very high severity.

#### **Component II:       Train extensionists & farmers and disseminate information**

##### **Epidemiology – Uganda results:**

- Spread from diseased to next plant by runoff, wind.
- Spread also occurred at distances away from diseased areas by wind, insects or other agents.
- Wilt incidence has risen over time in all clones.
- Clones which survived the disease for a longer time normally form cracks on the stems (e.g. 258/24).
- Rate of spread is also caused by human activities, such as removal and transportation of infected stems, grazing and tethering animals on coffee trees.

### **Assessment of resource utilisation**

The overall budget variance still stood at 25% by the end of the period. There was a remarkable improvement in the implementation process in collaborating countries, including the DR Congo which experienced serious financial problems the previous year. The capacity to implement activities, including developing dissemination materials, has improved in this period.

### **Social and environmental effects of project implementation**

Being a perennial crop, the death of each infected tree means the loss of long-term investment by the farmer. In a number of countries CWD is being referred to as the AIDS of coffee, implying the devastating nature of the disease.

Raising awareness of CWD and especially training extensionists and farmers in the management of this disease will continue to be a priority. In this respect, all CWD on-farm trial sites will be converted to Farmer Field Schools (FFSs) to promote uptake of findings from trials and provide accessibility by more farmers.

### **Conclusions and recommendations**

Activities in all countries involved are continuing as planned, with minor delays in some of them. Through the project, a large number of farmers and policy makers have been sensitised to CWD, particularly with regard to the damage it causes and management strategies needed to combat it. However, some extra work needs to be done, thus a further extension of the project without financial implications is needed.

**INTEGRATED WHITE STEM BORER (WSB)  
MANAGEMENT IN SMALLHOLDER COFFEE FARMS  
IN INDIA, MALAWI AND ZIMBABWE  
(CFC/ICO/18)**

*Period covered by this report: January – December 2006*

**Status of project implementation**

**India**

**Component I:       Development of new control methods within  
an Integrated Pest Management (IPM)  
and farmer participatory research framework**

- Economic analysis of biocontrol and use of pheromone traps for WSB management indicates that augmentative biological technologies have proved to be difficult to develop.
- Findings from the trapping studies of WSB in non-coffee forested zones, showed the presence of WSB in natural forest. Incidence is very low as it was expected. It is likely that WSB has a distribution wider than the coffee zone thus the coffee industry needs to flag this in broad management plans. This work is finished.
- Field work on shade and planting density and their relation to WSB abundance has been completed and data shows that mono-shade is not effective for control of WSB. The results are being incorporated into an extension training programme on WSB management.
- Within the WSB population dynamics/mortality study, the field work on mortality factors has been completed. The main conclusions on mortality factors are that very high natural mortality occurs in the stems in the field, mostly at the egg stage. Whilst mortality due to natural enemies is often low but natural enemies need conserving as collectively their impact is important. New natural enemies are being recorded from Tamil Nadu. The data from the life cycle study suggests that progeny from the ‘large adults’ tend to emerge in the short cycle.
- Within the studies on the relative efficacy of major local parasitoids and pathogens, the first release of the native parasitoid *Allorhogas* (now *Parallorhogas*) *pallidiceps* at an estate close to Chettalli (see previous report) have been assessed and have not been successful because the recovery rate of parasitized WSB larvae was very low. Work is continuing with the other native parasitoid (*Genus nr Siragra*) but the focus is on rearing methods for the moment. Overall, augmentative biological control does not seem to be a strong option but work is continuing. There is a need to incorporate strong messages to farmers about the need to conserve natural enemies.

**Component II: Optimization of currently available technologies**

- Economic analysis of “best management practices” in relation to total farm budget is still being done but most of the farms in the sample feel that the management is economically viable in the long run. Core management tools include proper shade, regular tracing, and uprooting/destruction of infested plants. Further application of rationale pesticides also helps.
- Large scale field trials on monitoring, trapping and impact involved assessment of the 10,000 traps set out during the October – December 2005 flight period showed that on average, each trap was catching 1.22 WSB. This has not been related quantitatively to WSB numbers but it is felt by extension that it does reflect a reasonable catch of the WSB in the areas. It may be noted that trap catch at Central Coffee Research Institute (CCRI), Chikmagalur for the same period was 66%; this is based on the existing resident population of WSB. CCRI has also investigated ways in which to make the traps cheaper. It has been found that the amount of lure used in the vials could be reduced which would lower costs.
- Economics of trapping indicates that when WSB are caught the farmers become optimistic about the traps, however what the traps are adding in terms of reduced WSB incidence has yet to be determined. There is a real need for the ICB to get an estimate of what traps can add to the best management practice package currently being promoted.

**Component III: Extension and dissemination of project results and economic assessment of benefits of the use of improved WSB management technologies**

- The extension services are making good efforts to address the farmer issues identified earlier in the project. The training is gradually being rolled out to more farmers.
- WSB management information uptake assessed and dissemination pathways identified has got greater appreciation of the need for timely application of management and the use of proper shade. The risks of not doing any management are also better understood. Village level tracers have been re-established. The farmers have also made suggestions for spreading the message.
- For the activity on production of material in support of training – booklets, brochures, leaflets etc., as a preliminary measure leaflets on WSB management have been distributed in all major coffee zones. Other material will be produced on the basis of Activity 3.3.



## Malawi

### **Component I: Development of new control methods within an IPM and farmer participatory research framework**

- On the evaluation of pheromones as potential control agents against coffee stem borer (CSB), the male CSB has been found to produce chemical not produced by females. Both male and female CSB respond to both natural and synthetic pheromone in the laboratory. No catches have so far been made on the traps. Trials have been completed with no definite pheromone identified.
- Within the screening of a range of coffee varieties to ascertain their resistance at a range of different physiological ages to coffee stem borers, eight coffee varieties at 40 on-farm sites were assessed for their susceptibility to CSB in June 2006. Assessment shows that all tested varieties succumb to infestation. Infestation was observed in over 30 of the 40 sites.
- On the side of integrate effective control options into a management strategy for stem borer, no specific alternative host plants identified for CSB in Malawi.

### **Component III: Extension and dissemination of project results and economic assessment of benefits of the use of improved WSB management technologies**

- Thirty extension workers have been trained in the management of coffee including CSB. Dissemination materials on management of CSB are continuously being disseminated among extensionists.
- For the global dissemination of information on management strategies for the control of stem borer, over 500 copies of a poster on identification and management of CSB have been produced and disseminated. A document on the cost of uprooting coffee trees *vis a vis* retaining them has been compiled. Draft gross margins of coffee production losses associated with stem borer is being well disseminated. A cost/benefit analysis of using fipronil to control stem borer is being carried out. A document on policies affecting coffee production in Malawi is being revised and will be circulated.

## Zimbabwe

### **Component I: Development of new control methods within an IPM and farmer participatory research framework**

- No natural enemies have emerged from CSB collected from the field in Zimbabwe and incubated in the laboratory. Insect specimens collected earlier were sent to the Plant Protection Research Institute (PPRI) in South Africa for identification.
- In establish mass production/rearing programmes for indigenous and/or exotic natural enemies, the male CSB has been found to produce a chemical not produced by females. Both male and female CSB respond to both natural and synthetic pheromone in laboratory. An artificial medium is very appropriate for mass rearing *B. bassiana* and *M. anisopliae*.
- Within the evaluation of pheromones as potential control agents against coffee stem borer, field trials with pheromone traps were set up in December 2005/January 2006 to evaluate new sticky “rat-trap” designs and white sachet dispensers loaded with the synthetic, male-specific compound isolated from *M. leuconotus*. Four replicates of four treatments (synthetic lure, male beetle, female beetle and unbaited) were set up. Four days later, one male beetle was caught in a trap baited with a female beetle. More field trapping work with “intercept trap” design was initiated at New Year’s Gift (one of four large coffee farms) December 2006. Olfactory and cuticular hydrocarbon work under laboratory conditions is still on-going.
- From the screening a range of coffee varieties to ascertain their resistance at a range of different physiological ages to coffee stem borers emerges that all sites have succumbed to CSB attack. All the varieties tested are susceptible.
- In order to integrate effective control options into a management strategy for stem borer, the identification of alternative hosts of CSB is considered. Preliminary results indicate no correlation between occurrences of rubiaceae and stem borer field infestation. Analysis is now focused on other factors such as altitude and temperature together with similarity. The activity has been completed and data analysis and interpretation are in progress.

### **Component II: Optimization of currently available technologies:**

- To quantify the efficacy of existing control methods including improved agronomic practices, inorganic pesticides and botanical repellents, monitoring of 27 physical control trials, 27 chemical control trials and 26 cultural control trials were set up in October/November 2003 and data was collected in May. Fipronil insecticide and banana fibre appear to be superior at controlling CSB, both in small holder and estate farms. Banana fibres used as barrier round coffee stems seem to attract termite attack! No effect of any cultural practices seen so far.

**Component III:      Extension and dissemination of project results and economic assessment of benefits of the use of improved WSB management technologies**

- In order to train extension workers in appropriate strategies for the management of stem borers to disseminate methodologies to smallholder farmers, twenty five extensionists have been trained in the development of a season-long coffee FFSs curriculum and are continuing to develop FFSs activities. Extensionists, farmers and researchers were trained in participatory monitoring and evaluation in August.
- For the global dissemination of information on management strategies for the control of stem borer, a presentation was given at the dissemination workshop and EAFCA Conference in Tanzania on the financial analysis of white stem borer control options. Calendars, leaflets on preliminary findings from field trials, quality management and antestia bug management were distributed to farmers, extensionists and policy makers. Preparation of more dissemination materials (T-shirts, caps etc.) has been initiated with participation from BASF who are the principals for the successful Fipronil. An advocacy workshop to submit Coffee Vision and strategy document was held in July. Policy makers from the Ministries of Agriculture and Industry and International Trade together with farmers (Coffee Growers' Association of Zimbabwe and the Zimbabwe Farmers' Union) were in attendance. A draft financial analysis report has been prepared and is being edited.

**IMPROVING COFFEE QUALITY IN EAST AND CENTRAL AFRICA  
THROUGH ENHANCED PROCESSING PRACTICES  
(CFC/ICO/22)**

*Period covered by this report: January – December 2006*

**Status of the project implementation**

This project is aimed at empowering smallholder coffee farmers in Ethiopia and Rwanda with the necessary skills and knowledge for sustainable production of high quality Arabica coffee. The outcome of the project will also be scaled-up in the DR Congo and Burundi. A total of 180 and 32 tons of green coffee were produced in Ethiopia and Rwanda respectively, using the improved wet processing methods. An additional 120 tons of sun-dried coffee was produced in Ethiopia using the improved methods. In both countries, the crop produced using improved processing methods was sold at premium prices.

**Component I:           Semi-washed coffee processing using small-scale  
                                  coffee washing stations (SSCWS)**

- Training activities were conducted in Ethiopia in September 2006 on improved coffee processing practices (both sun-drying and pulping), proper use and handling of processing equipment and drying materials. A number of training activities were similarly carried out in Rwanda.

**Outcome and impact of this activity**

There was an improvement in the farmers' skills and knowledge of coffee processing and handling. Farmers are now able to organise their crop sales only after the quality of coffee they are offering has been determined, which gives them the opportunity to receive premiums based on the level of quality. The payment received at the end of the season has generated a good savings culture among the smallholders, which did not exist prior to the project.

Through the project interventions in Ethiopia, the zones involved – traditionally known to produce coffee of poor quality such as Jimma 5 - have produced coffee of superior categories (Class 1 – 2 for example) indicating that the region has the potential to produce superior quality which will obtain better prices and improve incomes of smallholder farmers.

Quality improvement was also rewarded in Rwanda. The Shyorongi washing station involved in the project participated in the national cupping competition organized by OCIR CAFÉ and was ranked 13<sup>th</sup> out of 47 washing stations classified as providing the best coffees.

In another cupping competition organized by the Eastern African Fine Coffees Association (EAFCA), this mini washing station was also rated 4<sup>th</sup> of 5 stations sent to Addis Ababa to compete with coffees from other EAFCA member countries.

The market also started paying differential prices and premiums based on the quality of coffee, a practice which was not there before, and the marketing chain for coffee produced through the project is now substantially shorter.

As a result of the benefits realised from the pilot project, there has been a spontaneous scaling-up of the improved processing practices among farmers. Farmers involved in the project are expanding the drying and processing facilities using their own funds whereas farmers who were not enlisted in the first phase of the project are already installing the processing facilities such as drying materials necessary to improve their processing practices.

- Monitor and evaluate cost and efficacy of operating (SSCWS)

Assessment of the performance of SSCWS to establish whether they are worthwhile and compare them with existing coffee processing practices was carried out through questionnaires both in Ethiopia and Rwanda. Preliminary data shows that in Ethiopia hand pulpers produced higher quality coffee compared to sun-dried coffee processing.

A number of social benefits are attributed to the hand pulpers e.g. better quality coffee is produced and demonstrated to be commercially viable in the first year of operation. Preparation of adequate quantities of pulped coffee can provide economic profits to the farmers including repaying the investment required for the equipment. The technical efficiency was lower than expected, but this is because of underutilization of processing capacity, possibly because processing started late in the season, after most of the coffee had been harvested.

- To evaluate cup and green coffee quality by liquorers and exporters, quality assessment of coffee produced through the improved processing practices was conducted in both Ethiopia and Rwanda. In Ethiopia, quality assessment by the Coffee Liquoring Unit (CLU) revealed that the quality of coffee processed by hand pulpers was better than that processed by other methods. The improvement in the quality of pulped coffee in essence makes it a new class of coffee. This is indeed impressive especially given that the pulped coffee is produced at the farm level.
- To identify appropriate marketing channels for SSCWS coffee, the results of the marketing analysis by an expert suggested that direct sales are recommended to coffee exporters as the best marketing option.

A national consultative workshop was convened in September 2006 to discuss options for marketing the 2006 project coffees, given the need to make marketing more transparent and

sustainable. The need for differential payments whereby better quality coffee attracts better price premiums was also discussed. The workshop recommended that all the potential exporters should be given a chance to bid and that representative samples of the coffee should be provided to the CLU for quality evaluation prior to the auction of the crop, and the results disseminated to all interested parties in good time to ensure transparent competition.

The results of the liquor evaluations impressed most participants. In particular, the State Minister and representative of USAID stressed the need for scaling-up and ensuring continuity of this effort. In general, the workshop played an important role in popularising the project.

## **Component II: Sun drying systems for natural coffees**

- To train farmer/managers in installation, maintenance and use of improved sun-drying equipment activities have been carried out in Ethiopia only. Popularization of the project amongst stakeholders was conducted back-to-back with training and awareness raising of the benefits of producing quality coffee. This was in addition to the development and circulation of training manuals and publicity materials about production of high quality coffee.
- To evaluate cup and green coffee quality by liquorers and exporters, coffee samples were collected from each farmer and assessed for bean and liquor qualities. The results of the quality assessments were subsequently conveyed to the farmers and ways of avoiding the production/processing anomalies identified during the quality assessment were discussed with them.

## **Assessment of resource utilisation**

Overall expenditure during the reporting period is above the total budget by US\$226,516.73 because of the actual procurement of machinery and equipment planned for 2004. The supply and installation of the equipment in both Rwanda and Ethiopia has been completed.

## **Social and environmental effects of project implementation**

There are indications that the farmers involved, particularly in Ethiopia, are already cultivating the culture of saving since the coffee has been sold in bulk, hence concentrating financial flows to the farmers. By working together (five farmers per hand pulper), there is increasing cohesion amongst farmers, which is an essential stage for the formation of viable

farmer associations. In both countries, more farmers are requesting to join the project, an indication that the economic benefits of the project are starting to be evident. No adverse effects to the environment are envisaged.

**Conclusions and recommendations**

Marketing of project coffee at premium prices was the most important challenge to project implementation during the reporting period. This is because the project is proposing a marketing system that neither the farmers or traders are familiar with, i.e. direct sales of coffee with premium payments for high quality. Consequently any delays in disposing of the project coffees have given rise to opportunities for deliberate dissemination of inaccurate information by potential losers in the new marketing system, with the intention of dissuading the farmers. Convincing potential buyers to purchase the project coffee at premium prices therefore needs careful negotiation and patience.

More active involvement of the exporters in the future project activities such as during the regional stakeholders' workshop will undoubtedly contribute immensely towards minimising future marketing problems.

**ROBUSTA QUALITY AND MARKETING IMPROVEMENT  
BY OPTIMAL USE OF COFFEE TERROIRS  
(CFC/ICO/05)**

*Period covered by this report: October 2005 – March 2007*

**Project objectives**

The project aims to identify the causes of the different tastes of Robusta coffee and to prepare a catalogue of origins in order to promote a marketing policy based on the terroir concept. Project activities are grouped under three main components, namely:

- (a) Identification and characterization of Robusta terroirs in terms of climate and pedology;
- (b) Characterization of coffee quality in terms of terroirs; and
- (c) Marketing of Robusta on the basis of identified terroirs.

The results envisaged from the project are:

- A catalogue of Robusta quality characteristics as well as a characterization of terroirs to be used as a reference for Robusta marketing;
- A new marketing system for Robusta based on product knowledge of producers and coffee traders;
- A new Robusta production system based on terroirs and derived from the requirements of the market.

**Component 1: Characterization of terroirs**

**Activities carried out**

A project launch workshop organized by the Inter-African Coffee Organization/African Coffee Research Network (IACO/ACRN) in collaboration with the Centre national de recherche agronomique (CNRA) took place on 23 and 24 June 2005. Participants included representatives of international and national institutions, cooperatives and economic operators in the coffee chain. Before the workshop launch and on the basis of available documentation, four terroirs were selected in terms of climate, soil types and volume of coffee produced: Abengourou, Aboisso, Divo, and Man.

Project activities were launched in October 2005 following the appointment of a Project Coordinator. During the first year of the project, 27 farms were selected in the Abengourou, Aboisso and Divo terroirs and the following activities were carried out in these farms:



- Collection of samples of berries to determine chemical and cup-tasting quality of the coffee;
- Processing of samples using both dry and wet methods;
- Collection of plant material for planting in nurseries, creating field collections and characterization of genotypes;
- Survey of cultural techniques used and varieties cultivated;
- Characterization of soils and collection of samples for chemical analysis.

In Year 2, coffee samples were collected in the 27 sites selected as well as in nine farms in the Man terroir for cup-tasting and chemical analysis, i.e. the 36 farms retained for the project.

#### **Activities to be carried out**

- Characterization of farms in Man (soil, varieties and cultural techniques);
- Characterization of genotypes in the four terroirs.

#### **Component 2: Coffee quality characterization**

##### **Activities carried out**

- Four researchers from the CNRA and IACO received training at the Centre for International Cooperation in Agronomic Research for Development (CIRAD) in Montpellier, France during the period May to December 2006;
- In Côte d'Ivoire, with the assistance of CIRAD, eight agents from the CNRA and IACO received complementary training on sensory analysis of coffee from 27 February to 16 March 2007. The award of diplomas in the presence of national media attested completion of this training course. The number involved makes it possible to establish a cup-tasting panel;
- Cup-tasting and chemical analysis of Year 1 coffee samples were carried out by CIRAD in November 2006 in Montpellier and by IACO in January 2007 in Abidjan. The results indicate a difference between terroirs: there are acidic coffees with good aroma qualities and fermented and rioy coffees that have a bitter body. Some blends from different terroirs also produce good quality coffee. All samples of Year 2 coffee (208) were cup-tasted during the February – March 2007 training course in Abidjan.

##### **Activities to be carried out**

- Statistical analyses of Year 2 cup-tasting results;
- Equipping the CNRA chemical analysis laboratory;
- Chemical analysis of coffee samples at the CNRA and at CIRAD in Montpellier.

### **Component 3:            Coordination, management and supervision**

Equipment and vehicles required for the project have been purchased and are available (Purchase of equipment and vehicles: four computers, two fax machines, one video projector and two vehicles). The Project Steering Committee, composed of 12 members, was established on 9 March 2006. The Chairman is the representative of the Ministry of Agriculture, Mr. René Kossa. Mr. Caleb Dengu of the CFC and Mr. Denis Seudieu of the ICO carried out a mid-term evaluation of the project from 4 to 7 September 2006.

**Technical reports:** The following technical reports have been prepared and are available: Project Launch Workshop report; programmes of activities and annual budgets; reports on progress of activities; reports of the Project Steering Committee; reports on training courses; financial reports; and evaluation reports.

#### **Presentations of the project:**

- At the round table organised by the union of 40 cooperatives, held in Abidjan in September 2006, on the subject “Contribution of cooperatives to quality improvement and promotion of Ivorian coffee”;
- In the Coffee and Cocoa Exchange Bulletin (BCC) published in November 2006;
- In the magazine of the Ministry of Scientific Research (publication due shortly);
- Presentation of first cup-tasting results at the 3<sup>rd</sup> African Coffee Scientific Conference/EAFCFA held in February 2007 in Addis Ababa.

#### **Future activities**

- Workshop on coffee quality for actors in the coffee chain, 12 April 2007;
- Dissemination of information on project results for producers, exporters and other actors in the coffee chain;
- Continuation of processing of results of analyses for the preparation of the catalogue;
- As the project is due to end on 30 September 2007, it is proposed to hold a regional workshop to disseminate the results in August 2007.

**PILOT REHABILITATION OF THE COFFEE SECTORS  
IN HONDURAS AND NICARAGUA  
(CFC/ICO/11)**

*Period covered by this report: June – December 2006*

**Status of the project implementation**

The project was launched in Tegucigalpa, Honduras, on 4 April 2006, in a special ceremony attended by representatives of national authorities. On 6 April the CFC/ICO mission together with the PEA met authorities in the city of Ocotal to launch the project in Nicaragua.

**Assessment of technical progress of the project in Honduras**

The PEA together with the Instituto Hondureño del Café (IHCAFE) and the collaborating institutions have prepared and discussed all the technical papers needed for government approval of the project implementation agreement (PIA). In the meantime the Consejo Nacional del Café (CONACAFE) has handed over its project responsibilities to IHCAFE, a private agency that cannot directly manage public funds (as the loan funds are considered to be by the government of Honduras), with the result that the credit programme operations at the field level will start in the first quarter of 2007, as soon as the loan Disbursement Administration Agreement enters into force. The set of regulations for sub-loans has been prepared and approved.

**Assessment of resources utilization**

The Loan Agreement between the Government of Honduras and the CFC entered into force on 1 June 2006, however the first loan disbursement has not been requested from the CFC until negotiation of the loan Disbursement Agreement with BANADESA, the designated intermediary bank, is completed. Almost all the previous conditions for the Loan disbursement have been met. An authorized allocation of US\$75,000 of the grant has been disbursed to the PEA for initial operations in Honduras. Part of this has been utilized for hiring the specialist in charge of the technical unit, the procurement of office equipment, one work vehicle, and travel expenditure for the training and supervision activities.

**Assessment of project coordination and management**

Both IHCAFE and CONACAFE have contributed in kind in accordance with the Project Agreement, in terms of technical personnel, logistical support, office materials and non-personnel services. The training activities were initiated by a workshop on modern coffee processing technology in October 2006.

**Social and environmental effects of the project implementation**

Coffee growers have great expectations about the project as they have not been given credit by the local banks nor received technical assistance with processing their coffee harvests since coffee prices slumped in 1999. The pilot project is considered as a means of opening up financial opportunities for renovating and modernizing their processing facilities, especially for small farmers with very low incomes.

One of the necessary conditions for the technology to be applied in the project is that it has to be environmentally safe and appropriate for conservation of natural resources; especially in relation to water use, the disposal of the processing byproducts and the use of chemicals on coffee farms.

**Forward planning of project implementation**

Changes at CONACAFE Secretariat have affected implementation in the field and have caused subsequent delays in fulfilling preconditions established for the loan disbursement by the CFC. However, almost all conditions for the loan disbursement have been reached.

**Assessment of technical progress of the project in Nicaragua**

The sub-borrowing activity of the project has been delayed, as have the field studies for the adjustment of technical specifications and costs of the model units of coffee processing plants. However, significant advances have been made in the training activities for technicians and coffee growers. The Loan Agreements have not yet been signed by the National Congress, and for the same reason the PEA has taken measures to avoid compromising grant funds for the procurement of equipment, and hiring consultants for engineering studies.

**Assessment of resources utilization**

The major use of resources has been from counterpart contribution funds given by the Government. By 30 September 2006, the equivalent of US\$45,639.64 had been spent on the installation and operations of the Executive Unit, and salaries.

**Assessment of project coordination and management**

An important action for the management and coordination of the project was the establishment of the Coordinating Committee of collaborating agencies and the PEA, which has allowed understanding and coordination of the project implementation. The Committee has also assisted the Ministerio de Relaciones Exteriores of Nicaragua with the preparation and signature of the Loan Agreement.

**Social and environmental effects of the project implementation**

Coffee growers have positive expectations about credit opportunities arising from the project.

**Forward planning of project implementation**

The Work Plan for year 1 has been adjusted with a number of changes at the end of 2006 due to activities that were not concluded or initiated during the first semester. At the same time, the development of the Work Plan for 2007 is underway.

**Conclusion and recommendations**

The fulfillment of loan disbursement preconditions established by the CFC are of the utmost priority in both countries, in order to expedite the appointment of the consultant to carry out the field studies on smallholders' needs, cost revision and technological adjustment of the project's coffee mill models to be financed. Preparation and discussion of the Work Plan for 2007, taking into consideration the delays incurred in implementing activities financed by the loan in both countries, should be considered during the CFC/ICO field visit in 2007.

**PILOT REHABILITATION OF NEGLECTED COFFEE PLANTATIONS  
INTO SMALL FAMILY PRODUCTION UNITS IN ANGOLA**  
(CFC/ICO/15)

*Period covered by this report: March – December 2006*

**Status of the project implementation**

Since no funds from either the CFC Loan or Government counterpart funds were available, this report covers only the CFC Grant component of the project. Since the Loan Agreement had not been finalized and signed between the CFC and the Angola Government, funds from the CFC Loan component of the project have not been available. This has led to delays in undertaking some season-specific activities (especially the purchase of agricultural equipment and materials) which will later affect the timely implementation of the project. The Government also did not release the bulk of the counterpart funds. However, some funds were made available by the PEA, the Instituto Nacional do Café de Angola (INCA), from monies received for the implementation of its other activities.

**Assessment of project co-ordination and management**

The active implementation of the project activities by INCA is still lukewarm, necessitating the broadening of the role of the Project Management Unit (PMU) which should only coordinate and not implement project activities. Coordinating the project was a challenge and fraught with problems. The incorporation of the project into INCA's normal activities has still to be achieved. This, if successful, together with full complement of the PMU should ensure that the project is coordinated more easily.

**Assessment of Technical Progress by Components**

**Component I:            Production (rehabilitation) of coffee**

- Socioeconomic baseline survey with the aim of gathering social and economic information related to production in Amboim, the location of the project, was successfully undertaken and the information gathered will permit the Project Management to measure the actual impact achieved. A final report was compiled and submitted for review.
- In order to ensure that sufficient numbers of coffee seedlings are available for activities to be conducted later in the project including planting and replanting as well as undertaking field trials the production of coffee seedlings started. For it the nursery at the INCA station of Gabela has been totally rehabilitated, with an overhead irrigation system. Over 65,000 seedlings were being raised at the station by December. A further 35 sites in farmers' fields were identified and used to raise

seedlings in the field. Since production of coffee seedlings was to be financed by funds from the loan component of the project, alternative sources of funds have had to be identified to enable the acquisition and use of sufficient numbers of coffee seeds, fertilisers, planting bags and a generator.

- For the analysis of soil, in November 2006 INCA staff were trained in the correct method of collecting soil samples in the project area. Over 100 soil samples from 29 locations were collected and sent to Luanda for analysis, and the results will be compared with those sent to OMNIA Nutriology, South Africa for similar analyses. Such analyses will determine the most appropriate type of fertiliser for use in the project area. The procurement procedure for purchasing portable soil samples and analysis kits for INCA was initiated.
- Coffee husbandry activities have been initiated/intensified in over 2000 of the collaborating small-holder coffee farms.
- To rehabilitate smallholder coffee farms, all farmers in the project area have been resettled. A total of 4,000 farms to be rehabilitated (in and out of settlement schemes) or renovated have been identified. Procurement of farm tools and other inputs to be used in the improvement of the coffee plantations has begun.

#### **Component II: Commercialisation of coffee**

- To undertake coffee marketing study, a coffee processing and marketing consultancy was undertaken in September and October to identify current constraints to effective coffee processing and marketing, and made some recommendations, including the need to make short term lending services available, increasing awareness amongst potential beneficiaries and strengthening farmer associations. A report was submitted and awaits comments by the INCA.
- Activities to collate coffee market information are ongoing. Information on coffee production and marketing is scarce at the INCA. This information will be enhanced after the coffee processing and marketing consultants complete their work by the next reporting period.
- To improve coffee hulling facility, requests for proforma invoices for the delivery of coffee processing machinery (pulpers, mucilage removers, hullers, etc) were sought and applications received from Brazil, Colombia, India and Kenya. Arrangements to identify suppliers to deliver this machinery will be resumed as soon as the Loan agreement is signed and funds released. Nevertheless, the project has purchased and awaits the delivery of a coffee liquoring unit (composed of a roaster, huller, grinder, etc) from Penagos, Colombia.
- To introduce coffee quality improvement measures, the technical team and other INCA staff continuously pass information to farmers on how to improve coffee quality, on pre- and post-harvest procedures.

- To support internal marketing of coffee, the INCA approached a number of banks (e.g. BFA, Banco Sol, Banco Keve, BPC) to identify the best method of channelling micro-credit finance to the farmers (including use of a fiduciary fund). Discussions with BPC are at an advanced stage and the project is due to open a bank account with it to manage funds from the Loan Component of the project. INCA's technical team will serve as a link between the bank and the borrowers (farmers and traders).

### **Component III: Settlement Scheme**

- To identify and select suitable land for settlement, in the province of Kwanza Sul, a number of people escaped from the civil war in various districts and camped in the provincial headquarters in Sumbe. Amboim municipality was selected to resettle these people because of its ideal climate as well as its history of producing coffee.
- To construct houses for settlers, almost all the settlers already have houses, some of which the project hopes to improve by providing iron sheets, doors, windows, locks, etc. A complete list of all the farmers collaborating in the project in the different associations/farmer groups has been compiled. This activity will be enhanced when counterpart funding from the Government is secured.
- Activities to construct social infrastructure, await funding from the Government. Due to limited funds, it is more appropriate to concentrate on the improvement of existing infrastructure (schools, health posts, etc) instead of constructing new ones. However, discussions with collaborators from 14 selected sites, indicated that they would rather have new infrastructure constructed, given the remoteness of the locations (far away from Cada and Gabela). The roads are in bad shape, especially during the rains.
- To initiate agricultural production, sets of horticultural crops were purchased and delivered to farmers using funds acquired by INCA. These included cabbage (30kg), tomato (15kg), onions (15kg) and pepper (15kg). These were distributed to a total of 3,161 farmers in 46 groups/associations. Farmers were advised to plant these seeds at the appropriate time and when labour was available.

Activities related to undertake food for work have not yet begun, because materials have not been purchased and delivered. A recent visit to the area found that farmers were requesting food to work on their own coffee fields. They were advised that this would not be the case as the food to be provided by the project is meant to pay for the labour to construct houses, health centres, schools, etc.



### **Social and environmental effects of project implementation**

Although it is too early to assess these, increased returns from the sale of higher quality coffee are expected to improve the incomes of the coffee farmers. Resettling previously displaced persons should give them hope and make them more productive and socially more content. No adverse effects to the environment are envisaged.

### **Forward planning of project implementation**

Farmers will continue production of coffee seedlings to rehabilitate coffee farms starting from the March 2007 rains. Additional farm inputs will also be delivered to farmers to assist them in managing their coffee as well as other food farms. Farmer associations will be formed and existing ones strengthened. Equipment for the coffee processing plant and social buildings (schools, houses, health posts) will be delivered and installed/used. This will be accompanied by training of farmers, extensionists and/or managers on how to operate and manage this coffee processing equipment.

Several technical assistants will undertake specific consultancies and their findings will help the project to focus better on what needs to be done. The assistants will help in undertaking, training local extensionists and other INCA staff, setting up Market Information Management Systems, etc. Overall coordination of the project will continue including holding a PSC meeting, organising ICO/CFC annual supervision and mid-term evaluation visits and generally providing technical and administrative assistance. Progress made in the project in 2007 as well as the workplans and budgets for 2008 will be discussed and agreed upon.

### **Conclusions and recommendations**

Although the project had a slow start, activities will be implemented faster with the acquisition of the project equipment.

**DIVERSIFICATION OF PRODUCTION IN MARGINAL AREAS  
IN THE STATE OF VERACRUZ, MEXICO  
(CFC/ICO/32)**

*Period covered by this report: March – September 2006*

**Status of project implementation**

The execution time of the project has been shorter than the reporting period because the receipt of funds in the project account started in May 2006 and money was not made available until July. However, activities were carried out during the whole period of the report, with contributions from co-financing entities and counterpart funds. This situation does not constitute a risk for the project but requires re-scheduling of activities for subsequent quarters without affecting the budget for each activity.

**Defining crops and integrating the agro-forestry schemes**

As a result of the agronomic characteristics of the plots of land participating in the first stage and the feasibility analysis of the value chains, five crops will be integrated into the four existing agro-forestry schemes which have been defined. Compilation of positive experiences of leading producers and research centres in the selected crops has also been initiated with the purpose of training.

The five networks (listed below) will be boosted by research, promotion of cultivation techniques and organization of growers that will eventually result in the organization of farmers into enterprises constituting the basis for the target integrating enterprises:

- Network 1: Aromatics, spices and condiments
- Network 2: Flowers and ornamental foliage
- Network 3: Forestry plants
- Network 4: Forestry plus non-wood resources
- Network 5: Fruit, nuts and other crops

**Regional offices and nurseries set up**

To set up the project's offices and nurseries, land was donated and distributed as follows: in Zozocolco de Hidalgo, 2.5 hectares will be used for regional nurseries and offices and in Atzalan, two hectares will be used for nurseries. Additionally, about 965 square metres for the main building, 108 square metres for a warehouse and 690 square metres are available for the extension of the nurseries.

The renovation costs of this were not considered in the project and only the necessary space for the regional office will be refurbished in 2006, whilst financial help is sought from the Universidad Veracruzana and the Government of Veracruz for the redevelopment and to provide more services in this region.

The authorities of Zozocolco de Hidalgo have also donated material and equipment to establish a nursery for the production of plants.

### **Forestry set up in circa 317 hectares with resources from the Comisión Nacional Forestal (CONAFOR)**

This has involved the following activities:

- Tree seedlings in 317 hectares
- distribution of 221,900 *Tabebuia rosea* (Bertol) *Swietenia macrophylla* King and *Cedrela odorata* plants with a market value of US\$70,926, and
- support to producers to cover installation costs with a total value of US\$29,452.

### **Evaluation of the coordination and management of the project**

The management and coordination of the project have focused mainly on generating internal plans regulating the use of project resources. The work has been developed with the municipal authorities involved in the project who have provided financial support of US\$31,050.00 to develop the first regional studies, in addition to the land provided for regional offices and nurseries. They have also helped producers with the documentation required for the application for the co-financing programmes, at no cost to the producers.

### **Social and environmental effects of the execution of the project**

The first project activities have generated discussions on the way in which producers have participated in traditional agricultural development programmes and the active role they have assumed as part of this pilot diversification project. In particular, producer participation was previously characterized by:

1. Lack of organization on the **part of the growers** for the implementation of productive activities.
2. The negative influence of **assistance programmes** which has conditioned the farmers to receive resources without any commitment and which in extreme cases undermines their productive capabilities.
3. **Plots of land with little or no attention** in which only one product is sold and from which the income produced only allows them to survive.

4. In the case of Zozocolco de Hidalgo, the continuation of high rates of deforestation is expected, a situation which in Atzalan has led to the almost total elimination of forest cover on most plots.
5. In the region of Atzalan, the high rate of migration to the United States has caused a high degree of dependence on money remittances, family disintegration and abandonment of agricultural activities due to the unavailability of labor<sup>1</sup> and the relegation of farming to a second order.

### **Future planning of the execution of the project**

It is planned to carry out project activities in stages, according to progress in the agronomic characteristics of the plots of land involved. 493 producers have been involved in the first stage and a study of their land has been carried out. In the second stage, it is expected that a further 507 producers will be involved. In the third stage, it is expected that another 500 producers would be keen to participate after the previous stages have been completed.

### **Conclusions and recommendations:**

The project has started to raise awareness of the importance of establishing various crops in the plots of land and especially of the benefits of introducing a forestry component both from the economical and the environmental points of view.

Participation of growers in an organized manner has been promoted, integrating them into workgroups according to the community they belong to. Workshops have been developed in which participating farmers define how crops would be established on their plots, which has generated a greater sense of involvement, commitment, and responsibility to the project.

We consider that the producers that have been involved have not only come to analyse their situation in more depth, but also to understand and accept the schemes proposed by the project for the production on their plots of land. They have come to understand that in the medium and long run, they will see improvements in their quality of life.

The value chain approach applied to the project makes it possible to link research, crops, promotion, and the integration of producer organizations according to the products integrating the agro-forestry schemes to be established in the plots.

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<sup>1</sup> *Frequently, the people staying in the communities are men over 50, women and children.*

**SHORT AND MEDIUM TERM  
FINANCE FOR SMALL-SCALE COFFEE FARMERS IN KENYA  
(CFC/ICO/20)**

*Periods covered by this report: June – September 2006*

**Status of project implementation**

The objective of this project is to design and operate on a pilot basis an input credit scheme suitable for the liberalized coffee sector which can be replicated in other countries. Lack of input credit is a factor constraining enhanced production and productivity of coffee in Africa.

**Progress**

A review of survey findings and discussions with bankers has been ongoing in order to design the final product, loan scheme and delivery mechanism. Banks are still working on:

- Formulation of terms and conditions of borrowing by farmers
- Design of user-friendly loan application forms
- Design of required documentation for all loan requests

The aim is to develop a simple appraisal methodology that will not scare away farmers but will encourage them to maintain relationships with banks.

During stakeholder meetings and various other discussion forums, the need for a price stabilization or insurance aspect within the project has been highlighted as a critical issue. It is considered that this would cushion both the lender and borrower. It would ensure that farmers have prior knowledge of their returns before entering into indebtedness to purchase input, while the lender may also take up insurance to cushion against defaults brought about by unfavorable price fluctuations.

**Annual work plan and action plan**

The annual work and action plan was approved and adopted as the working tool during the first steering committee meeting held on 25 November 2005.

**Conclusion**

Progress on this project peaked at the beginning of 2006. In May 2006, the Memorandum of Agreement (MOA) between the PIU and UNOPS was signed, following an initial delay by the PIU in providing required realistic budgets for the project period. There remains some work to be done to streamline the budgets for the rest of the pilot period. For 2006 budgets

have been satisfactorily worked out to a point where initial disbursements can and have been made. To date the PEA has disbursed 85% of the project budget for 2006. The project is currently looking at the commitment of the participating banks in order to achieve the initial loan disbursement to the farmer. It is hoped that this disbursement can be paid out in October 2006. The banks are equally working on getting buy-in from their management to set the loan process rolling. With the participation and commitment of all the stakeholders, it is hoped that the project will progress as planned.

## LIST OF ACRONYMS USED IN THIS DOCUMENT

ACRN	African Coffee Research Network
BCC	Coffee and Cocoa Exchange
CCRI	Central Coffee Research Institute
CFC	Common Fund for Commodity
CIRAD	Centre for International Cooperation in Agronomic Research for Development
CLR	Coffee Leaf Rust
CLU	Coffee Liquoring Unit
CNRA	Centre national de recherche agronomique
CONACAFE	Consejo Nacional del Café
CONAFOR	Comisión Nacional Forestal
CSB	Coffee Stem Borer
CTA	Chief Technical Advisor
CWD	Coffee wilt disease
DR Congo	Democratic Republic of Congo
EAFCA	Eastern African Fine Coffees Association
FFSs	Farmer Field Schools
IACO	Inter-African Coffee Organisation
IFAD	International Fund for Agricultural Development
IHCAFE	Instituto Hondureño del Café
INCA	Instituto Nacional do Café de Angola
IPM	Integrated pest management
LMU	Local management unit
MIS	Market Information System
MOA	Memorandum of Agreement
PEA	Project Executing Agency
PIA	Project Implementation Agreement
PMU	Project Management Unit
PPRI	Plant Protection Research Institute
PROMECAFE	Regional Program for the Development and Modernization of the Coffee Industry in Central America, the Dominican Republic and Jamaica
SB	Supervisory Body
SSCWS	Semi-washed coffee processing using small-scale coffee washing stations
UCDA	Uganda Coffee Development Authority
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
USh	Ugandan shilling
WRS	Warehouse receipt systems
WSB	White Stem Borer