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Reconversion of small coffee farms into self-sustainable agricultural family units in the coffee regions of Manabí, Loja and El Oro (Ecuador)

Background

1. The attached document contains a summary of the project proposal “Reconversion of small coffee farms into self-sustainable agricultural family units” which was submitted for consideration to the Consultative Committee of the Common Fund for Commodities (CFC) in July 2004. The proposal takes into account previous proposals received from Bolivia and Ecuador (documents WP-Board No. 917/02 and WP-Board No. 918/02), as noted by the Board in May 2003.
2. This reformulated project has been submitted by Ecuador. A copy of the full project proposal is available on request from the Secretariat.

Action

The Board is requested to consider and, if appropriate, to recommend approval of this proposal by the Council.

PROJECT SUMMARY

1. **Project title:** Reconversion of small coffee farms into self-sustainable agricultural family units
2. **Duration:** Four years
3. **Location:** Ecuador (provinces of Manabí, Loja, and El Oro)
4. **Nature of project:** The project promotes the concept of food security by improving the productive capacity of small coffee growers in the provinces of Manabí, Loja and El Oro, reconverting their farms into profitable and self-sustainable agricultural family units. As coffee is a seasonal crop which produces income only once a year, the project will focus on a variety of agro-productive activities generating regular income.
5. **Brief description:** This project will enhance food security for coffee-growing families by guaranteeing them a monthly income. It will increase the profitability of coffee farms by improving quality, developing sustainable alternative crops to reduce risk, and encouraging activities which will add value.
6. **Estimated cost:** US\$6,637,858
7. **Financing from the Fund:** US\$2,972,713
8. **Counterpart contribution:** Contribution in kind: US\$1,689,219
9. **Co-financing:** US\$1,975,925
10. **Type of co-financing:** Donation
11. **Project Executing Agency:** United Nations Development Program (UNDP)
12. **Supervisory body:** International Coffee Organization (ICO)
13. **Estimated starting date:** January 2005

Background

This proposal was introduced to the Executive Board of the International Coffee Organization (ICO) at its meeting from 21 to 23 May 2003.

The project promotes the concept of alimentary security which was given international force of law by the agreements of the World Food Conference held in Rome in 1974. It does so by improving the productive capacity of small coffee growers in the provinces of Manabí, Loja, and El Oro, reconverting their farms into profitable and sustainable family production. Since coffee is a seasonal crop producing income only once a year, the project will focus on a variety of agro-productive activities generating reliable incomes.

The project promotes the incorporation of added value to a part of the production because 85% of the final price is generated outside the farm and is being kept by the intermediaries of the productive and commercial chain. The aim is that such surplus be retained by the small producers.

A complementary part of the process is based on social participation, so the project will support actions encouraging the people's participation in the economic, political and social processes determining their lives. They will be represented by legitimate organizations and leaders with decision-making powers, exercising democratic and equality principles and having access to information. They shall be committed to the principles of equality between men and women and shall be eager to become involved in continuous training processes to develop skills and capabilities in local management.

Regional proposal for coffee-growing countries

Since monoculture dependence maintains small coffee growers and their families in marginal subsistence and poverty in Ecuador, as well as in other countries, an important objective of this project is to divulgate and replicate this productive reconversion model in other coffee-growing countries.

The project is flexible enough and can be easily adjusted to other scenarios. Its main strengths lie in the following axes:

- a) Diagnosis and definition of a base line.
- b) Identification and involvement of farmers' organizations able to undertake the process.
- c) Study of the nutritional situation and alimentary security of coffee-growing families.
- d) Analysis of available family labor force to face the productive reconversion process. Current utilization and occupation within and out of the farm, etc.

- e) Research about income and its seasonal bias in the face of minimum family needs.
- f) Thorough research of agricultural activities with commercial or alimentary security potential that may be introduced in the farms.
- g) Identification of activities and products that may be processed or industrialized at a domestic level as well as by establishing agricultural or agro industrial companies.

Once concluded the project will be replicated in at least two interested countries by the end of the intervention period. Divulgarion of results is high in the agenda.

Currently, initial contacts are being made with organizations in Venezuela, Bolivia and Peru, as well as in Honduras, El Salvador and Costa Rica.

It is expected that the countries participating in the proposal be defined jointly with the ICO at the beginning of the project.

It should be noted that due to its characteristics, the model is generating great interest not only in the Andean Region but also in Central America and the Caribbean.

It is first intended to divulgate the reconversion system according to national needs. One of the foreseen activities is the visit of technicians and coffee farmers from the selected countries to reconvered farms in Ecuador in order to assure clear understanding of the model.

These activities will be followed by workshops and seminars held at the target countries to train people in the new model.

Four model farms will be established in these countries as practical examples and demonstration laboratories, just as it has been done in Ecuador.

Also, printed information and training material will be elaborated and distributed. The experience will be systematized as an important element for future interventions.

Project objectives

- 1) Achieving productive reconversion of small coffee-growing farms.
- 2) Encouraging activities that may provide the farms' production with added value by means of post harvest, elaboration or preparation processes.
- 3) Supporting marketing and commercialization processes of the production surplus.
- 4) Strengthening the institutional frame, the entities regulating coffee growing and the farmers' organizations as development agents.
- 5) Becoming a productive reconversion model that may be replicated in other countries.

To reach the aforementioned objectives, the project is divided into four components:

Component 1: Project management

It comprises the project's coordination and direction, development of operation planning, design and settlement of the follow-up, monitoring and evaluation system, and consolidation and diffusion of the results obtained by the project. The component's cost is US\$1,385,742 with the following financing: US\$779,708 by the CFC and US\$606,034 by the co-financier. This component is the fundamental basis to meet the other objectives of the project.

Component 2: Farm reconversion

It is structured to specifically meet objectives 1 and 2.

It comprises soil-use optimization and decreasing of coffee-growing areas which are currently almost abandoned because of their low production, low sowing density and expensive collecting labor force which make it impossible for the coffee-growing family to manage. The goal is renovating one and a half hectare of coffee crop by farm, which is the area calculated to be handled by a single family without hiring laborers. Under good management, such surfaces will generate more incomes for the family than the current crops. An additional aim is to introduce varied alternative crops and activities such as poultry farming, apiculture, sericulture, pisciculture, etc., by transferring new technologies and implementing agricultural enterprises and gathering and processing centers.

The cost of the component is US\$4,028,860 with the following financing: US\$1,493,000 by the CFC, US\$974,080 by the co-financier and US\$1,561,780 by the counterpart.

Component 3: Commercialization and marketing

It meets objective 3.

It includes facilitating the dialog between producers and exporters to trade coffee, establishing commercialization funds, performing market research and development of new products. The cost of the component is US\$182,500 with the following financing: US\$60,000 by the CFC, US\$118,500 by the co-financier and US\$4,000 by the counterpart.

Component 4: Training and organizational strengthening

It meets objective 4 and 5.

It comprises knowledge, abilities and skills transfer to generate the capabilities needed to reach the aims of the project, institutional strengthening of the participating institutions – National Coffee Council (COFENAC) and The National Coffee Exporters Association of Ecuador (ANECAFE) – and strengthening of organizational processes of second grade organizations (OSG's). Besides, this component includes the activities related to the

transferences of the model of reconversion to other countries. The cost of the component is US\$705,620 with the following financing: US\$479,400 by the CFC, US\$183,220 by the co-financier and US\$43,000 by the counterpart.

Expecting results and beneficiaries

The project benefits 3,200 families in the provinces of Manabí, El Oro and Loja.

The expected results are the following: A monthly family income increase of at least US\$150.00, a balanced family diet including varied products, 6 companies in operation, 6 commercialization funds in operation, and strengthened participating institutions.

Cost and financing

The total cost of the project is calculated in US\$6,637,858 of which the CFC is requested to provide US\$2,972,713 equivalent to 45% of the whole project.

The requested resources will constitute a donation, as stated in the documents presented to the OIC, which are based on the following criteria:

During recent decades, small rural economies, especially those of coffee-growing families, have been seriously affected, both by national economic policies as well as destructive natural phenomena.

For this reason, it is highly important that the support provided to the project should be a non-refundable fund, so that the resources invested as well as those generated during the process are kept at a local level in order to strengthen family and local economies.

Besides, the project is meant to be supported by credits granted by COFENAC, seeking not only better credit conditions (according to the law, COFENAC grants credits to organized small farmers at 50% of the active interest rate), but also to strengthen the portfolio available to the National Coffee Council by the rotation of its capital.

Mode of co-financing

The co-financier's contribution is US\$1,975,925, which corresponds to 30% of the project's total cost, and will be given in cash through a donation.

Counterpart contributions

The contribution of the counterpart is US\$1,689,219 and it will be given in kind as follows: 12 training workshops and seminars and 8 events for technology transfer valued at

US\$43,000. Acquisition of 1 unit of coffee-processing equipment valued at US\$12,000. This contribution will be made by ANECAFE and COFENAC. The contribution of the small coffee growers consists of 373,260 wages for a total amount of US\$1,119,780 and US\$430,000 in agricultural products and materials to be used in coffee and other crops.

Project Executing Agency (PEA)

The project will be managed by the United Nations Development Program (UNDP) which will constitute an Executive Management Committee (EMC) with representatives of the two organizations involved (ANECAFE - COFENAC) and of the participating coffee-growers organizations.

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Broad goal</p> <p>To guarantee the alimentary security of the coffee farmers and their families, by making reconversion of farms instrumental in the generation of incremental income and development of individual capabilities.</p>	<p>a) The number of families that obtain a monthly incremental income of at least US\$150 in a stable and permanent fashion.</p> <p>b) A balanced family diet conformed by different products such as fruit, fish, poultry, pork, honey, etc.</p>	<p>a) Monitoring reports and impact & effect evaluations.</p> <p>b) Evaluation and follow- up reports. Field verification. Children malnutrition and undernourishment indexes for farming families.</p>	<p>The economic and politic situation of the country does not suffer significant alterations</p> <p>International and regional agreements do not have a negative impact on the exportat ion of national production.</p>
<p>Specific objectives</p> <p>a) To achieve the production reconversion of coffee farms into profitable and self-sustainable family units.</p> <p>b) To encourage activities that incorporate added value to farm production through post-harvest, elaboration and processing.</p> <p>c) To support marketing and commercialization processes for surplus production.</p> <p>d) To encourage respect for the legal frame, farmers organizations and strengthening the entities regulating coffee production.</p> <p>e) To become a model that can be reproduced in other countries.</p>	<p>a) The number of farms in Manabí, El Oro and Loja with sustainable productive systems after a five-year period.</p> <p>b) The percentage of farm production with some degree of aggregate value or processing.</p> <p>c) The quantity of green coffee commercialized.</p> <p>d) The amount of surplus agricultural production commercialized.</p> <p>e) Strengthening of coffee related institutions (COFENAC, ANECAFE and farmer organizations).</p> <p>f) Number of countries that assimilated the model.</p>	<p>a) Physical and documental verification through accounts and reports.</p> <p>b) Reports from agricultural enterprises and processing centers.</p> <p>c) Production and sales reports</p> <p>d) Situational evaluation reports.</p> <p>e) ICO reports.</p>	<p>Environmental conditions allow the normal course of agricultural activities.</p> <p>Coffee farmers are trained in and adopt relevant production technologies.</p> <p>There are no destructive climatic events.</p> <p>The proposal is accepted.</p>
<p>Outputs</p> <p>a) Coffee plants are renewed.</p> <p>b) A better quality coffee is produced.</p> <p>c) Crop yield is improved.</p> <p>d) Farms with vegetable gardens are established.</p> <p>e) Agricultural enterprises, post-harvest storage, elaboration and processing centers operated by small farmers.</p> <p>f) The products in demand and their seasonality are properly identified.</p> <p>g) Associative commercialization is undertaken.</p> <p>h) A commercialization committee to promote joint export with one or more exporters.</p> <p>i) ANECAFE energizes the guild's activities.</p> <p>j) COFENAC lobbies for and achieves law and politic reforms in benefit of coffee farming and facilitates credit for small farmers.</p> <p>k) Local leaders are trained in decision-making, administration and negotiation.</p> <p>l) There are model farms in other countries.</p> <p>m) Internships and workshops were done in Ecuador.</p>	<p>a) The number of hectares renewed in Manabí, El Oro and Loja.</p> <p>b) The amount of green coffee produced by renewed coffee plantations.</p> <p>c) The number of families with vegetable gardens in production.</p> <p>d) Rising farm crop output.</p> <p>e) The number of functioning agricultural enterprises.</p> <p>f) The number of identified products in demand.</p> <p>g) The number of associative commercialization funds in operation.</p> <p>h) Agreements and conventions established between production organizations and exporters for joint coffee export.</p> <p>i) The number of active exporters.</p> <p>j) An advantageous legal framework for coffee farmers.</p> <p>k) New mechanisms for granting and collecting loans.</p> <p>l) The number of trained local leaders.</p> <p>m) Number of model farms in other countries</p> <p>n) Number of internships and workshops for foreign farmers</p>	<p>a) Account books from producer organizations.</p> <p>b) Official statistics for the zone of influence.</p> <p>c) Annual reports, final report.</p> <p>d) Outcome report.</p> <p>e) Financial reports for resource rotation.</p> <p>f) Documents, agreements, conventions, exports.</p> <p>g) ANECAFE reports.</p> <p>h) COFENAC reports.</p> <p>i) COFENAC situational reports.</p> <p>j) ICO reports</p>	<p>There are no incontrollable plagues or diseases afecting coffee or other crops.</p> <p>There is respect and support for coffee institutions on behalf of the government and other social agents.</p> <p>The geopolitical stability in the region is maintained.</p>
<p>Inputs and activities</p> <p>a) Administrative, technique and physical conditions for the project's success are established.</p> <p>b) Farm reconversion into self-sustainable family units.</p> <p>c) Construction of support systems for the commercialization of coffee production.</p> <p>d) Transference of knowledge, abilities and skills to generate the necessary capabilities for goal achievement.</p>	<p>Component 1 (US\$1,385,742) Project management.</p> <p>Component 2 (US\$4,028,860) Farm reconversion.</p> <p>Component 3 (US\$182,500) Commercialization and marketing</p> <p>Component 4 (US\$705,620) Training and organization strengthening.</p>	<p>Financial and accounting reports.</p> <p>Operation plans and progress reports.</p> <p>Sales records and reports.</p>	<p>Financing of the financial sources in conformity with the work plan and proposed activities.</p> <p>The management group undertakes the project in an efficient and effective way.</p>