



Coffee plantation renewal programs: Key instruments for the Colombian coffee sector

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Oficina de Asesores del Gobierno en Asuntos Cafeteros
República de Colombia

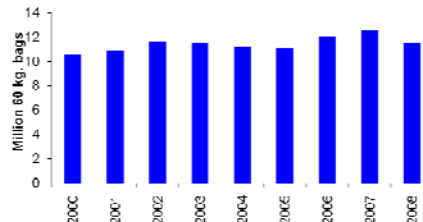


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Colombia produced an average of 11,4 million coffee bags over the past years

Colombia – Coffee production
2000 - 2008



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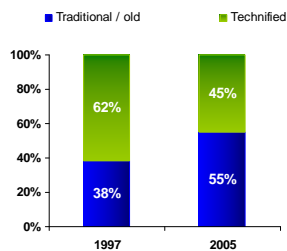


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However, low international prices in the early 2000's and a strong local currency discouraged investments for several years.

Colombia – Distribution of coffee area by production technology
1997, 2005



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In response, Colombia designed two programs to encourage growers to renew their plantations

1. Competitiveness Program

Designed to maintain crop productivity in the technified areas.

2. Permanence, Sustainability and Future Program (PSF)

To renew plantations in aging conventional areas.

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The *Competitiveness Program* started in 1998, aimed toward maintaining technified plantations in optimal productivity

- The targets of this program are all coffee plantations of more than 5 years old, located in ideal production areas for the crop.
- Each plantation must renew at least 400 trees per year.
- Farmers receive technical assistance from the National Federation of Coffee Growers.
- The economic incentive works by giving the farmer 100 gr. of fertilizer for each renovated tree.
- **Results:** 525,000 hectares have utilised this program in the past 10 years.

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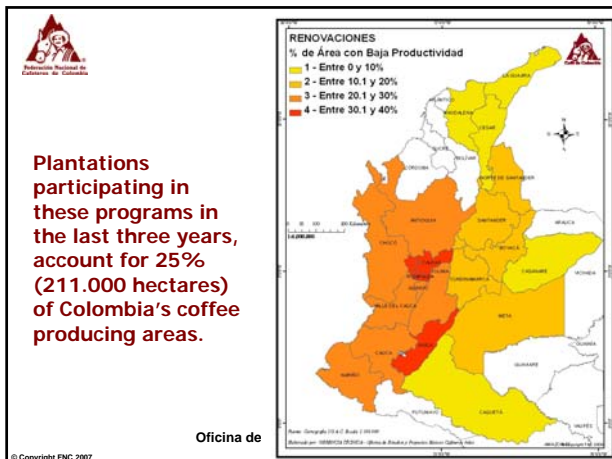
The *Permanence, Sustainability and Future – PSF* program started in 2008 focusing on conventional crop areas

- The objective is to renew 300,000 hectares of aging conventional crop areas within the next 5 years.
- Designed for small coffee growers that need renovation to increase productivity as a way to raise family income and contribute to poverty alleviation.
- The basic instrument is a bank loan with favorable financial conditions:
 1. A public collateral fund pools the credit risk.
 2. 40% of the debt's principal is paid by the government.
 3. Interests are paid by a fund where all coffee growers contribute.
- The program temporarily compensates growers during the unproductive period after the trees are cut.
- Grants special technical assistance for farmers.

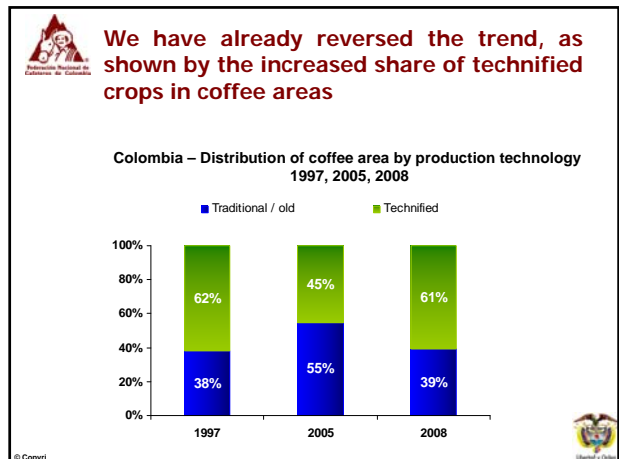
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Plantations participating in these programs in the last three years, account for 25% (211.000 hectares) of Colombia's coffee producing areas.



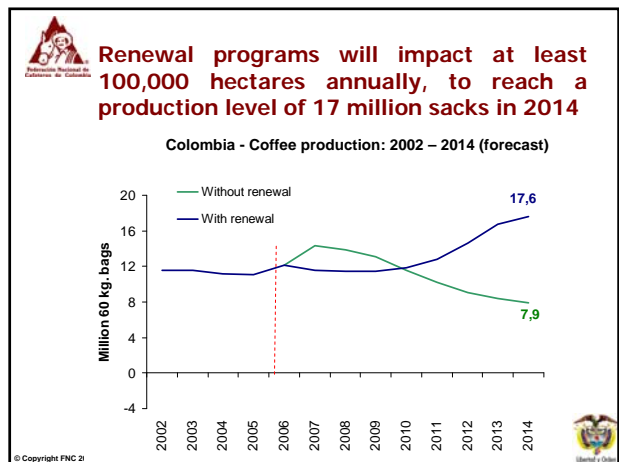
We have already reversed the trend, as shown by the increased share of technified crops in coffee areas

Another strategy implemented in 2009 is to encourage the use of fertilizers

- Crop productivity declined during 2008 as a result of lower fertilizer use due to high prices.
- A program called *FertiFuturo* was designed to finance the purchase of fertilizers in Coffee Co-Ops at 0% interest for farmers. Interest costs estimated at USD\$8 million will be paid by the Colombian Government.
- The grower signs a forward sales contract with the Co-Op as a means of collateral.

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Renewal programs will impact at least 100,000 hectares annually, to reach a production level of 17 million sacks in 2014

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