USAID | CENTRAL AMERICA

CENTRAL AMERICA AND DOMINICAN REPUBLIC QUALITY COFFEE PROGRAM (CADR QCP)

FINAL REPORT
March 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International, Inc.

CENTRAL AMERICA AND DOMINICAN REPUBLIC QUALITY COFFEE PROGRAM (CADR QCP)

FINAL REPORT
March, 2006

Implemented by the Chemonics RAISE IQC Consortium:

Chemonics International Inc.

Prime International

J.E. Austin Associates

NCBA/CLUSA

Task Order 816 under the RAISE Rural and Agricultural Incomes with a Sustainable Environment IQC, Contract No.: PCE-I-00-99-00003-00

CONTENTS

EXECUTIVE SUMMARY

The USAID Regional Quality Coffee Program (QCP) for Central America, Panama, and the Dominican Republic, administered by the Chemonics International consortium, ended regional activities in mid-September 2005 but continued under an extension in El Salvador through March 31, 2006.

The QCP worked with national coffee organizations and other partners to enhance coffee quality, increase productivity, and improve business practices. By strategically leveraging its resources in a very limited timeframe, the project met all but one of the 24 life-of-project targets (listed in Annex A) — most by a wide margin. Results for sales, certifications, training, and business development were especially strong. The single target that was missed — volume of coffee certified — was likely mischaracterized from the start, based on land area instead of product volume. And some figures are surely underestimated; for example, we report only those certified coffee sales that could be independently verified.

To achieve these impressive results, the program provided training and technical assistance to more than 35 cooperatives, associations, and producer groups, representing more than 30,000 small- and medium-sized producers and accounting for over 800,000 quintals of exported coffee — eight percent of all coffee exported from the region. The program's most significant contributions came in the form of direct assistance to producer groups, which were able to take advantage of our assistance in improving quality and ensuring consistency and transparency, which in turn enabled them to better serve their established clients.

Some of the program's many accomplishments include:

Training in quality controls. Producers and consumers agree that Central America, Panama, and the Dominican Republic are the world's main source of premium-quality coffees. Demand for fine qualities continues to grow, but producers must provide the high quality that specialty-coffee buyers demand. The QCP helped train 849 people at the following levels:

- "Star Cuppers." This level of cupping was previously unknown in the region. The program trained 94 people to this level, far surpassing the goal of 15.

- "Q Graders." Coming from six producing countries, these individuals met the highest requirements, set by the leading specialty-coffee trade organizations. They are now recognized as official graders and quality experts on a par with the best cuppers in the world.

- "Marketing Cuppers." This program was established at the request of the private sector to raise employee standards and enhance the technical knowledge of professional cuppers.

- “Junior Cuppers.” This program was designed for young people who showed a natural talent for detecting flavors and tastes and wanted entry-level training in coffee tasting.

These programs also raised awareness, at coffee’s origin, to the demands and opportunities in the specialty-coffee market and promoted quality control standards throughout the region.

High-quality production. In conjunction with training, QCP helped farmers and their organizations improve harvesting and milling procedures, which significantly increased incomes while reducing pollution at coffee mills. The Quality Enhancement component helped to improve 84 wet mills, provided direct training to 312 mill operators, and produced and distributed a video and manuals for in-country partners to train thousands more.

Higher quality means higher income. Program beneficiaries generated $3.2 million in additional income by marketing their coffee to the premium-coffee sector, allowing farmers who might have otherwise abandoned their farms to stay in production.

Reduced pollution. The program, working with the Rainforest Alliance, helped to reduce emission of billions of gallons of contaminated water from coffee mills through the construction of new process lines and water treatment facilities where dirty water and residual byproducts are recycled on farms.

Increased certification. The program originally aimed to increase the land area of newly certified crops to 1,200 manzanas. In reality, such crops covered more than 8,000 mz by program end, surpassing the goal by 576 percent. And international demand for certified fair-trade and organic coffees continues to grow.

Increasing the number of farmers producing certified coffee. QCP surpassed its goal, achieving 1,100 certified farmers — 223 percent of goal. These farmers can raise their standards of living with the higher premiums their coffees command.

More than tripling quality-coffee exports from El Salvador. The country went from exporting 575 metric tons to 1,796.

The program also faced several formidable challenges. Primary was the project’s abbreviated timeframe. With only two full production cycles (prior to the final six-month extension) to field experts and run and subsequently close out the project, there was very little time to see results. Additionally, the program was limited to cooperatives of small- and medium-sized growers, bypassing independent growers who could have greatly benefited from assistance. Finally, of the cooperatives that were chosen to receive assistance, many were not committed to the organizational reforms necessary to achieving results, thus further diluting the impact of the QCP program on the region’s specialty-coffee industry.

Future programs in specialty coffee should focus more on beneficiaries that are dedicated to organizational transparency and integrity. Independent growers should be considered for assistance, and programs should last for at least several coffee harvests in order to see maximum results.

In spite of these challenges, the Quality Coffee Program turned in some impressive results. With resourceful in-country partners, dedicated beneficiaries, and a flexible approach, the Central American and Dominican Republic specialty-coffee industry is stronger than ever.

INTRODUCTION

A. BACKGROUND

Beginning in 2000, four years of historically low coffee prices brought severe economic hardship and social and political turmoil to Central America. Coffee is vital to the poorest economies of the region, especially to their fragile rural segments, thus the impact of low prices and declining production fell disproportionately on the region's most vulnerable economies. Although coffee contributes to only three to five percent of the region's GDPs, it represents 20-40 percent of agricultural GDP and 20 percent of export earnings.

Free-falling coffee prices had a disastrous effect. In a region already plagued by chronic high unemployment, historically low farm-gate coffee prices crashed to $0.31/lb in Guatemala, $0.45/lb in Costa Rica, and $0.16/lb in Nicaragua. As a result, over 2000-2003, permanent employment in the coffee industry dropped by 54 percent and seasonal employment by 21 percent. This period also saw regional coffee exports decline by 44 percent, from $1.70 billion to $940 million.

Lower coffee prices mean lower income for producers, which reduces investment capacity, which cuts yields, which further reduces income. This vicious cycle most severely affected small producers, who make up 90 percent of the region's coffee producers on farms producing fewer than 100 quintals (1 quintal = approx. 46 kilograms or 101 pounds) each. And because small farms are major employers of farm labor, rural stability was further threatened by every loss of a small farm.

As if these weren't enough challenges for the coffee growers of Central America, Panama, and the Dominican Republic, the first years of the 21st century saw Brazil — the world's largest coffee producer — shift from a strategy of price maximization to one of maximizing market share based on production-cost advantages. And Vietnam went from producing an insignificant 400,000 bags just 12 years ago to being one of the top three coffee producers in the world, with more than 12 million bags exported annually.

Central America's coffee-production costs are relatively high in global terms, and coffee prices dropped to levels where even low-cost producers could not sell at a profit. Major buyers, whose main concern is price for minimal standard qualities, abandoned the region when producers resisted selling below cost. And new industrial processes further challenged the region's market share by reducing the disagreeable taste of robusta coffee. Coffee blends could now use more robusta and unwashed arabicas, which command lower prices.

This intense price competition drove Central America to find economically viable alternatives to traditional markets. Specialty coffees were the obvious solution for a region recognized as a leading source of high-quality coffee and many specialty buyers were more interested in quality than in low prices. Many large growers and traders had already responded to this growing demand, but small and medium growers either had not realized the potential or were unable to access this market.

The coffee crisis hit medium growers the hardest, as large growers had the capital, entrepreneurial skills, and economies of scale to adapt to the changed market or to exit coffee growing if their farms were not at the altitude required to produce specialty coffee. The smallest growers do not have to pay for labor, depending on family members to work for free. These growers also invest minimally in their farms and can quickly revert to subsistence farming. The medium-sized grower, on the other hand, has fixed expenses, such as hired labor, infrastructure expenses, and a higher living standard than the small grower.

B. TECHNICAL CONSTRAINTS

Despite a reputation for quality coffee, a significant portion of Central America and the Dominican Republic's (CADR's) coffee has been classified and marketed as commercial grade because of natural conditions and/or inferior processing and handling. In the '80s and '90s, low-quality CADR coffees could not compete on price with other coffee origins. Clearly, quality has to be the pillar of a 21st century regional coffee strategy.

Several factors, however, threatened to hamper the QCP's efforts to increase the competitiveness of CADR coffees in the premium and specialty markets.

Numerous small producers. More than 90 percent of the producers in CADR are small growers, each producing less than 100 bags of coffee annually. Though many of those producers belong to cooperatives or associations, producing commercial quantities of high-quality coffee has been difficult when growers process their coffee individually, resulting in wide variations in quality. A batch of poorly prepared coffee can harm the quality of the entire lot.

Concept and classification of quality coffee. Quality coffee was a foreign concept to most of the small and medium producers in the region. Many producers knew about the opportunities and importance of the quality-coffee market, but most had little understanding of quality coffee itself.

Lack of financing for production and marketing. Most NGOs and donor credit programs had stopped their agricultural and, specifically, coffee portfolios for small and medium producers as a result of low coffee prices and associated losses. Much of the credit that was available was restricted to financing harvests and processing, with disbursements made against coffee deliveries.

Weak small-farmer organizations. Producing and marketing quality coffee is a business quite distinct from that of commercial-grade coffee. The primary suppliers of quality coffee were well-managed large farms and companies that were familiar with and able to meet market requirements. Most small producers lacked the discipline and skills to successfully provide a reliable supply of quality coffee.

Non-competitive labor costs. Price was still a deal-breaker. Competitiveness, therefore, was a function of cost as well as quality. In CADR countries, labor was costly in relative and absolute terms. For example, wages in El Salvador and Panama are paid in U.S. dollars, Costa Rica's minimum wage was more than five times that of Papau New Guinea (where similar coffees are produced), and the Dominican Republic's coffee industry had to compete for labor with the *maquila* and tourist industries.

The region needed a competitive edge to compete against the low wages paid in Asia, Africa, and some Latin American countries; increased production and processing efficiency; and significant price differentials to compensate for higher labor costs and compete in export markets.

C. INSTITUTIONAL ISSUES

Coffee in Central America has traditionally been controlled by the private sector. However, in the face of structural changes in producing and consuming countries, there was an increasing need for the public sector to help producers and exporters regain or maintain market share. Coffee-sector institutions were strained and their roles undefined. The QCP assessed each institution's direction, goals, and capacity to tailor its relationships with and expectations for each.

PUBLIC/PRIVATE

There was wide disparity in the capacity, role, and scope of responsibility of each coffee institutions in CADR. In order to select primary counterparts, the QCP evaluated the institutional capabilities in each country and choose implementing partners that could promote quality coffee at the regional and country levels. The following institutions were the leading candidates:

- Asociación Nacional del Café (ANACAFE) in Guatemala had been around for more than 50 years and was the most aggressive and agile of the candidates. It was active in positioning Guatemalan coffee in quality markets and promoting socially responsible programs, principally on large coffee farms and, to a lesser extent, in cooperatives.

- Instituto del Café de Costa Rica (ICAFE) has a legal mandate to regulate much of the coffee sector, especially processing and marketing. In an effort to protect small producers, the institute made several pricing policies restricting negotiations between producers and buyers; these policies, however, were inappropriate for a broad-based quality coffee program.

- Consejo Salvadoreño del Café (CSC) in El Salvador was created in 1989 as the official entity representing the coffee industry. Its board of directors includes cabinet ministers and representatives from all coffee associations in existence that year. Since 2001 the CSC has focused on quality and promotional issues, and between 2001 and 2005 the CSC invested nearly US$1 million in promotional efforts.

  Fundación Salvadoreña para Investigaciones del Café (PROCAFE), a not-for-profit foundation established in 1992, is the institution contracted by the CSC to conduct research and perform technology transfer among Salvadoran coffee producers, according to annual guidelines prepared by the CSC. In addition to its 2004 mandate to begin working on issues related to quality at the farm level, in 2006 the CSC added a number of agricultural activities to PROCAFE's mandate which would serve to bolster the Marketing Plan being developed jointly by QCP and the CSC.

- Instituto Hondureño del Café (IHCAFE) and Consejo Nacional del Café in Honduras, established in 2000 to define its mandate in relation to IHCAFE. The two groups defined complementary functions in which the council formulates and IHCAFE implements policy. However, the operational relationship suffered from a lack of clarity and consensus.

- Consejo Nacional del Café (CONACAFE) of Nicaragua was established "in name" by the Coffee Law of 2000 and was to consist of public- and private-sector representatives. Because of the coffee crisis, economic and political concerns, and widespread opposition to the law, the group was not functioning as the QCP began.

- In Panama, where coffee is a very minor product, the Ministry of Agriculture was responsible for coffee activities. However, in the northern part of the country where quality coffees are grown, the private sector had assumed leadership for integrating it into the marketplace.

- Consejo Dominicano del Café (CODOCAFE) focused primarily on the technical aspects of coffee in the Dominican Republic. The Association of Dominican Agroenterprises, Ministry of Agriculture, and ADOCafés (the specialty coffee association) were much more active in defining the direction of the country's quality-coffee industry.

INSTITUTIONAL REVENUE

Institutional revenue in the coffee sector is dependent on exports, either on a per-bag or a percentage-of-value basis. In either case, budgets and operations were jeopardized by falling prices and decreased exports. This hampered institutions' ability to develop programs for quality coffee. In 2000, coffee institutions in Central America received approximately $25 million in quotas, but because of deteriorating coffee prices, there were serious questions as to whether the benefits received by producers were commensurate with the volume of the diverted revenue.

DONOR SUPPORT

By the time the QCP began, there was growing recognition that the major opportunities for increasing competitiveness in the coffee sector were no longer production and research but marketing, quality enhancement, and value-added activities. Faced with the large-scale economic and social impact of the coffee crisis, government ministries and public institutions were convinced that they needed to refocus donor program support to address these new areas.

D. POLICY ISSUES

Each Central American country had its own specific barriers to the efficient, competitive flow of coffees to quality markets. Vested interests, tradition, and "business-as-usual" maintained the status quo in spite of radical changes and challenges in quality-coffee markets. Furthermore, Central American policymakers paid little attention to the concept of "Centrals," a widely recognized generic classification of the region's coffees, in formulating a forward-looking regional vision.

REGIONAL POLICY ISSUES

The concept of a Central American origin. Since coffee's introduction into Central America in the late 1800s, the industry has been guided by the private sector, particularly by transnational traders and exporters. Governments had little input, explaining why CADR countries lack national, much less regional, coffee strategies, policies, or plans. In the absence of producer-driven strategies that could have unified marketing of the region's coffees, transnational traders and exporters promoted an industry based on volume for commercial markets, favoring certain companies and feeding a rivalry between countries.

While the consumer market viewed many of the region's coffees as interchangeable in terms of quality, producing companies were quite competitive over their coffees. Instead of trying to increase the region's share of the global quality-coffee market, Central American countries vied among themselves for a market share of the "Centrals." In light of this nationalistic, rather than regional, orientation, there was little attempt to analyze the changes in demand and supply in world markets and determine their implications for the region and its component countries. However, the emergence and expansion of the quality-coffee market, and contacts between origin producers and consumer-country importers and roasters, clarified the true nature of market opportunities for Central American producers.

Quality definition and control. In the absence of a regional orientation, there is no interest in legal or regulatory controls that would support a Central American profile and definition of coffee quality. Even the Cup of Excellence did not recognize the interchangeability of "Centrals," promoting the differentiation of national origins — which ultimately played one against another.

Professional cuppers in each country had little experience with other regional coffees and evaluated cup characteristics on a national, rather than a regional, basis. As a result, they were unlikely to support a competitive regional strategy that complemented buyer demand for "Centrals."

COUNTRY-SPECIFIC POLICY ISSUES

Tax disincentives and barriers. El Salvador and Guatemala continued to apply the value-added ta*x* to coffee exports, increasing the price to buyers, producers, and exporters. In Guatemala, the tax was supposed to be reimbursed; for those who did recuperate payments, it took months and even then came as a tex credit, not cash. Refunds were primarily made to exporters who seldom, if ever, returned them to producers, though the cost of the tax had already been deducted from the price paid to the producer. Tax evasion became a major factor in the local coffee market and caused considerable distortions, adding yet another layer of intermediaries between the producer and the exporter. After the value-added tax was applied to coffee exports in the mid-90s, the percentage of coffee traded through intermediaries is estimated to have doubled from 35 percent to 70 percent or more.

Price modifications and controls. In Nicaragua, the latest coffee law requires the exporter to fix prices within minutes of being instructed to do so by the seller or assume the risk of a price decrease. As a result, exporters withdrew the price-to-be-fixed option and reverted to a flat price for many small and medium growers. The law also prohibits exporters from including finance and management costs in their fees to producers.

Costa Rica fixes profit margins and processing costs for all processing mills with no distinction for the quality of service. Producers are paid in advance for cherry coffee delivered on consignment, with the final price determined at the end of each year based on the average price of sales registered with authorities. This system does not allow a grower to sell freely, transferring selling decisions to processors who prefer to sell at prices and times similar to those of their competitors, rather than at the best price available. This system — intended to protect the small producer against abuses of large processors — has not been modified for 50 years despite radical changes in the markets and numerous under-the-table transactions over the years.

Export licensing and controls. ANACAFE in Guatemala awards coffee export licenses — but only sparingly. Licensed exporters can export only coffee that they own, restricting export to just a few. In Honduras, only roasted coffee with added sugar can be exported.

E. SPECIFIC CHALLENGES FACING SMALL-SCALE PRODUCERS

Small-scale producers and processors face many constraints specific to their size, and they are especially affected by constraints affecting all coffee producers.

- Small-scale producers are uninformed about markets, including standards of quality, prices, and alternatives — especially with specialty buyers' requirements.

- Small-producer groups have limited access to capital.

- Individual producers cannot provide the volume that commercial buyers require. The two first-place winners of Nicaragua's Cup of Excellence had to combine their lots to place 15 quintals of coffee into the auction! Coffee is bought and sold on the exchange in container lots of 375 hundred-pound bags, but 90 percent of regional producers produce less than 100 bags each. When acting independently, these producers must sell to intermediaries, often with little bargaining power over prices.

- Small-scale producers are usually ineligible to obtain operating capital from formal sources. Collateral problems — lack of land title, risk of default on deliveries, high transaction costs, and mistrust — obligate producers to use informal channels or sources that specialize in small loans. In most cases, interest rates are exorbitant (30 to 40 percent) and obligate sale to the lender with little chance for price negotiation. And because borrowing is often required for consumption, incurred debt does little to help with crop maintenance.

- Processing in individual wet mills and combining a group's output (such as in a cooperative) sacrifices uniformity and exposes the entire lot to damage by one producer's defective coffee.

- Markets are inaccessible due to logistical factors, lack of knowledge, inappropriate or poor quality preparation, resources, and geographic and cultural distance.

- As a group, small-scale producers usually have low production yields, so even when they earn reasonable prices, total income is low.

- Small producers lack access to risk-management mechanisms, even when organized in groups.

- Small-producer organizations are often socially oriented and characterized by poor enterprise management. In some countries, laws covering cooperatives require frequent rotation of leaders and administrators, leading to continual training of new personnel.

The specialty coffee market is even more demanding in its physical and market requirements.

F. USAID/QCP DELIVERABLES: INDICATORS, ACTIVITIES, AND TARGETS

During the first six months of project implementation, the Quality Coffee Program and USAID met several times to define and specify the deliverables expected at the end of the program. The final set of deliverables rationalized the indicators and targets presented in the Statement of Work of the Quality Coffee Program RFP and included intermediate and final results — for example, number of courses and persons trained, and quantity of product certified and exported, respectively. The final deliverables emphasized the program's impact on target groups and on the regional coffee sector and the feasibility of implementation.

In choosing deliverables, the RFP's list was subject to a two-tiered filter. First, did the indicators, activities, and targets in the RFP reflect the realities and priorities of the coffee industry? Second, would the results improve conditions in the region's coffee sector? Three criteria were used:

- Would the activities provide quantifiable benefits to the coffee sector, principally to small- and medium-sized producers?

- Would the activities contribute to the longer-term sustainability of the region's coffee industry?

- Were the deliverables and/or targets reasonable within the timeframe and resources of the project and the milieu of the region?

The final indicators, and their respective quantitative targets, corresponded to five indicator categories: marketing and sales, quality enhancement, business development, certification, and institutional and policy.

Annex A details how the project reached — and often exceeded by a considerable margin — all but one of the indicators. The only indicator not met was to have 7,000 metric tons of coffee certified; however, this indicator was improperly defined as certification against farm area under cultivation, not product quantity.

In order to report a result under the indicator, certified land area was multiplied by the average production per hectare in each country to arrive at an estimated volume. This figure is a conservative estimate, as farms that participated in certification programs likely had higher productivity than national averages. Measurement was further complicated because the QCP subcontracted with TransFair for fair trade and with Rainforest Alliance prior to their Global Development Alliance (GDA) contract with USAID. We reported only the volumes of coffee we could verify.

G. A REGIONAL APPROACH

The regional approach was a challenge and a boon to Chemonics in implementing the QCP. We were able to supply a larger pool of short-term professionals to work throughout the region and we distributed more and better trainings and tools to more people. We were also able to "cross-pollinate" ideas and successes between countries.

The challenges, however, were considerable. Support from USAID missions varied and this was reflected in the wide variations in country results. While all the beneficiary countries benefited from the core regional program, the El Salvador and Nicaragua missions contributed additional funding to intensify activities and to add local coordinating teams. Guatemala benefited as the base for both the program and USAID's Central American Programs and from its strong in-country partners. Work in the Dominican Republic was hampered by distance, higher costs, and the fact that the coffee industry does not associate this country with Central America.

CENTRAL AMERICAN PERCEPTION OF REGION

Central America has a dubious history of attempts at integration, beginning with the short-lived Central American Federation (1825-1838). The fitful, 40-year process of solidifying the Central American Common Market and recent, laborious Central American Free Trade Association negotiations with the United States and among the countries themselves demonstrated a tenuous commitment to a regional identity.

Nonetheless, faced by the opportunities and challenges of globalization, there have been institutional changes favoring regional competitiveness and private-sector initiatives in regional trade and investment. Coffee is among the value chains that have developed beyond national borders. Historically, cross-border activity was the bailiwick of smugglers who tended to reduce internal price differentials between the countries (either because of different market values of some origins or due to unequal taxation).

Make no mistake: Central America has not yet developed a "community of coffee" approach to marketing "Centrals." Producers, exporters, and countries still protect their own interests, sales, and profits. Nicaragua, Honduras, and El Salvador were struggling to establish shares of the quality market and looking for new ways to gain that foothold. Guatemala and Costa Rica, whose coffees command the region's — and some of the world's — highest prices, were extremely cool to a regional approach. In view of their tangible (coffee quality) and perceived (market image) advantages over other regional and most global coffees, Guatemala and Costa Rica's national institutions saw no net benefit in developing, marketing, and promoting Central America as a coffee origin.

Nonetheless, in the course of the project, two strong incentives favored increased regional interaction, if not collaboration:

- Coffee buyers were seeking local suppliers to provide one-stop-shopping for regional coffees to avoid dealing with multiple suppliers, each of whom deals in only one national origin. While this has long benefited multinational traders, local businesses are now forming alliances to serve the region (excluding the Dominican Republic).

- Overlapping marketing and promotional events, like the annual Cup of Excellence auction (and subsequently Q-Auction) in each country and regional meetings like RAMACAFE (Nicaragua), SINTERCAFE (Costa Rica), and ANACAFE's Coffee Congress (Guatemala), were extremely costly and duplicated functions and benefits. Maximizing benefits and minimizing costs through regional consolidation is an attractive option.

FEASIBILITY FROM AN INSTITUTIONAL PERSPECTIVE

The design and implementation of the QCP were shaped by opportunities and needs in the coffee sector; contradictions, conflicts, and inequalities in the region's coffee industries; and regional and bilateral USAID missions.

USAID's decision to respond to the area's coffee crisis through a regional initiative had a far-reaching effect on the Quality Coffee Program. In the final analysis, project design and implementation were as much a product of the objectives, agenda, and modus operandi of the USAID missions as it was a response to the coffee sector. This dual perspective gave rise to conflicting institutional and implementation issues, which complicated project design and distorted execution.

REGIONAL ACTIVITIES

Central America is a primary source of premium-value specialty coffee, but recognition of this was limited primarily to a small group of large-scale growers and dealers in Costa Rica and Guatemala. Nicaraguan cooperatives had leveraged political events to access social-activist buyers, but the scope was quite limited.

A. MARKETING

The QCP had to adapt to each country's internal differences and level of recognition in the world marketplace. Buyers made it clear that quality was their primary concern, so the program worked first to improve beneficiaries' quality standards and to support national marketing programs through specialty coffee associations and in-country partners.

EXPANSION OF MARKET CONTACTS

The QCP introduced new sales channels by allying with established trading firms that were willing to be transparent in their buying activities. In 2005 and 2006, the program organized two tours for personnel from international coffee roasters. Twenty-six people from 17 roasting firms toured the region to make direct contact with beneficiaries and establish personal relationships between producers and roasters. The program sponsored producers and national representatives of local trade associations to participate in international trade shows, such as the SCAA (Specialty Coffee Association of America) in 2004 and 2005, the Specialty Coffee Association of Europe in 2005, and events in Japan and Canada.

PRODUCER-GROUP CUP PROFILES

Cup profiles were created as marketing tools to help producer groups understand the coffee each client produces. To create the profiles, producers provided the brands they offer to customers, and in some cases, we separated coffees by altitude to maximize the variety of flavors. We then cupped the coffees from the beginning, middle, and end of the harvest. Honduras, Nicaragua, and El Salvador were profiled, and 12 cooperatives received a total of 29 profiles.

CERTIFICATION ACTIVITIES

Certification programs became more prevalent in response to consumer demand for more responsible environmental protection, labor practices, and grower income.

The QCP subcontracted with TransFair USA to expand the fair-trade certification of small-scale grower cooperatives, certifying five beneficiaries who now are guaranteed a minimum of at least $1.26 per pound for their coffee. The program also raised the quality of fair-trade cooperatives to meet roaster demand.

The program subcontracted with Rainforest Alliance (RA), before they established a GDA with USAID, to help growers meet the RA's standards. After the subcontract expired, the QCP continued to support beneficiaries' certification activities and intensified activities during the six-month extension to meet sharply higher demand.

The program supported the new Utz Kapeh and Starbucks C.A.F.E. (Coffee and Farmer Equity) Practices programs during the final year of implementation.

Support for all of these certification programs consisted of technical advice on meeting farm and mill requirements, chain of custody, and transparency systems, and in some cases providing matching funds for initial certification costs.

It became apparent that the economic success of these certification programs depended on consumer demand, so the program accelerated assistance when market demand was high and worked to keep the supply of certified coffee in check when demand was too low to sustain price premiums.

LOCAL QUALITY COMPETITIONS

Coffee competitions proved to be an effective way to generate awareness about the potential of the specialty-coffee market, to build pride of farmers competing with their peers, and to spark a desire for recognition. These competitions were an initial filter to determine the best coffees to compete in auctions such as the Cup of Excellence and to build a database on the cup profiles of a country's geographic regions. The QCP learned to schedule these events during local fairs to maximize participation, similar to county and state fairs where farmers compete for blue ribbons.

REGIONAL SALES

Sales exceeded targets due to an increase in the supply of better-quality coffee, thanks to the QCP's work with growers and their organizations and to continued growth in global demand for specialty coffee. Demand for certified coffees took a marked jump as this marketing tool gained acceptance in various markets.

Since project inception, the QCP facilitated export contracts for 417 containers (158,615 quintals) for a total net revenue of $19,059,534 over the life of the project. Quality price premiums ranged from $5 to $41 per quintal for normal commercial qualities, with an average premium of $20.11 per quintal and a total premium value of $3,190,154.

B. QUALITY AND TRAINING COMPONENT

Raising the level of technical know-how in production, processing, quality control, and business practices was a key prerequisite if the program was to achieve its goals of increasing coffee quality and grower income.

The program provided technical support and training to growers to raise the quality of raw coffee cherries and to millers on how to better select and process coffee to specialty standards. In quality improvement, the focus was to "calibrate the producers on the various qualities found in coffee to ensure and maximize their entry into improved market opportunities." This involved training courses in quality evaluation (various levels); the number of people trained in quality evaluation (various levels); producer-group cup profiles; quality-control laboratories established or improved; and the presence of regional quality standards.

Training included courses designed for small producers as well as for large exporters. The trainings improved the way those in the coffee industry measure and determine coffee quality.

STAR CUPPER PROGRAM

The "Star Cupper" program aimed to provide cuppers with a basic knowledge of coffee tasting (cupping) with a higher level of theoretical knowledge on the international coffee market to further professionalize them and increase their contribution to their employers. In addition, cupper calibration improved their communication skills and established regional norms and standards. Finally, the Star Cuppers were trained to become teachers so they could transmit their newfound knowledge and be considered experts in the field.

Training courses included:

- The Function of the Coffee "C" Market: the foundation of the coffee market and its worldwide exchange.
- The Specialty Coffee Market: Specialty-coffee market trends, consumer issues, and trade information.
- Coffee Processing: The wet and dry stages of coffee processing and how they contribute to quality.
- Cupper Calibration: Calibration of cuppers in tasting Central American and international coffees.
- Green Grading: The classification of coffee by the Green Coffee Association and the Specialty Coffee Association of America (SCAA).
- Roasting and Blending: The art of roasting technology and blending coffees for the consumer.
- The Cupping Laboratory: Proper management of a cupping laboratory, including computer systems, data management, and statistical analysis.
- Training: Teaching cuppers to become presenters and trainers.

Candidate Selection. A total of 95 students graduated from the Star Cupper program (see tables 1 and 2). We chose them through an exam process and the assistance of several national organizations: the Consejo Salvadoreño de Café, Instituto Hondureño de Café, Instituto de Café de Costa Rica y Asociación Nacional del Café de Guatemala, Asociación de Cafés Especiales de Nicaragua, and the Specialty Coffee Association of Panama.

The initial selection criteria required trainees to have at least three years of cupping experience, the backing of their employers, and passing grades on a series of cupping and theoretical exams.

In September 2003, the QCP announced a regional tour to pick the 10 best cuppers. The following month, we held exams in Guatemala, Salvador, Honduras, Costa Rica, and Nicaragua.

TABLE 1. RESULTS OF 2003 SELECTION PROCESS

Country	Tested	Selected	Women	Graduated
Guatemala	15	10	0	9
El Salvador	22	10	0	10
Honduras	15	11	1	11
Nicaragua	21	10	2	7
Costa Rica	20	16	1	15
Total	93	57	4	52

TABLE 2. RESULTS OF 2004 SELECTION PROCESS

Country	Tested	Selected	Women	Graduated
Guatemala	12	10	1	10
El Salvador	14	7	1	7
Honduras	11	6	0	5
Nicaragua	17	8	2	7
Costa Rica	17	9	0	8
Panama	10	6	1	4
Japan	1	1		1
Total	82	47	5	42
Both Years	175	103	9	94

WHAT MADE THE STAR CUPPER PROGRAM A SUCCESS?

Company Involvement. Cuppers were required to obtain letters of support from their sponsoring organizations/companies prior to joining the program.

Professionalism. In general, training courses in Latin America have a tendency to be very lenient on attendance and punctuality. From the beginning, the cuppers were informed that attendance in each training course was mandatory.

Punctuality. Students signed contracts stating that they would be on time and that if they arrived more than 20 minutes late to any given session, they could be sent home for the day. The program required participation by everyone during all sessions and cooperation in setup, cleanup, and other activities.

Exams. At the beginning of each class, students completed an examination on material from the previous class. This was crucial in ensuring the cuppers paid attention during the class and absorbed the material.

Duration. The first Star Cupper session, which lasted one year, was much more effective than the second session, which lasted five months, at promoting unity, exchange and professional development. The first session had nine classes and covered more topics; the month or two between classes allowed cuppers to apply what they had learned. After just a few sessions, the cuppers began to develop a professional network among themselves. One of the most important highlights of the session is that for the first time, cuppers from various countries met periodically to exchange views and ideas. The resulting Star Cupper network established by the first graduating class was much stronger than that of the second class. The one-year session was a bigger commitment for each cupper and created a true sense of accomplishment. QCP recommends that any new Star Cupper program be at least one year in duration.

Star Cupper Raising Higher Level of Standards

"I have updated my experience through the various courses provided in cupping and quality management. I am now able to use a higher level of standards and I have improved confidence in the coffee evaluations I submit. I have also improved my abilities as a trainer, feeling confident in being able to teach what I have learned to other producers to multiply the knowledge that was transmitted to us by the teachers. My company has benefited from the program by receiving visitors from other countries that have increased confidence in purchasing coffee from us due to my new credentials as a Star Cupper."

Jose Vargas, Guatemala

Facilitator. Someone must be present throughout the course to ensure that each class flows into the next. The facilitator sets the tone and oversees punctuality, attendance, and exams. Without a facilitator, the program would be just a series of isolated information sessions instead of a cohesive training program.

Expert Trainers. The classes challenged even experienced cuppers. Expert trainers provided the program's content, and all presenters were specialists in their fields.

Service Hours. All cuppers were required to provide 20 hours of service in their home countries by training others in the coffee industry, further promoting quality coffee. Students aided their own professional development as teachers by organizing and administering their own training events. Through the service hours, the Star Cuppers built self-confidence and began to be recognized as leaders in their communities.

STAR CUPPERS ACHIEVE CALIBRATION STANDARDS

Through numerous cupping sessions during the Star Cupper programs, we calibrated the cuppers to measure coffee on the same scale. The first class calibrated 30 cuppers; the second, 25. After each cupping session, we performed a statistical analysis of the cupping scores and generated an average score for each coffee. Each cupper's score was then compared to the average to calculate difference from the group norm. When we began the program, the cuppers demonstrated an average of 10 to 20 percent deviation from the norm. After a few months, most were calibrated to within five percent of the norm and were measuring coffees on an almost identical scale. This helped develop regional standards for quality coffee. These benchmarks assured buyers that regional cuppers measure coffee on a widely used scale and that contract negotiations will not require thorough sampling.

The QCP's many accomplishments helped reshape the Central American coffee industry. The Star Cupper program had arguably one of the most striking impact on cupping in the region, and many participants described it as a life-altering experience. More than 20 Star Cuppers moved to higher-paying positions or received raises that significantly affected their lives.

One participant in the program, Marcelino Samayoa from El Salvador, described being a Star Cupper as belonging to an elite national group of cuppers, being internationally recognized as a professional in the field, learning about coffee topics that were previously ignored, and gaining friends and colleagues throughout Central America.

OTHER TRAINING IN QUALITY EVALUATION

While the Star Cupper program was a considerable success for the QCP, it could accommodate only a small number of trainees despite demand that grew larger with every year of the program. The QCP responded to this demand by expanding its training program in quality evaluation.

The Junior Cupper program was developed to provide entry-level cuppers with the basics of coffee tasting. Candidates were tested for the ability to detect the four basic flavors, identifying those with a natural talent for cupping. Training sessions were condensed to 10 weekly sessions that covered much of the Star Cupper curriculum but in a more general fashion and without international trainers or a "student teaching" component. More than 120 people were trained as Junior Cuppers in Nicaragua and El Salvador.

In response to El Salvadoran cuppers, we created the Marketing Cupper program to increase the knowledge of those who had gained a higher level of expertise through their jobs but lacked technical training and formal calibration. In 2005, the program trained staff from more than 15 of the largest cooperatives and exporters.

REGIONAL NORMS AND STANDARDS

Star Cuppers from the first graduating class worked together to develop a set of regional norms and standards that could be used by all coffee professionals in Central America to improve cupping practices. Until that time, there were only international standards for cupping. These standards are well-suited for thoroughly cupping specialty coffees, but not as useful in day-to-day cupping at origin, where cuppers can cup 30 to 200 samples a day and a thorough analysis is rarely feasible. The norms and standards document creates general laboratory guidelines for setting up, equipping, and running an origin laboratory.

QUALITY-CONTROL LABORATORIES

A qualified cupper cannot function without an adequately equipped cupping laboratory. Only 10 labs were available in main cities at association, government, or exporter offices. The QCP helped producer organizations establish cupping labs in producing regions for use as coffee was received, rather than when it was delivered to buyers and cupping results were too late to correct mistakes.

The QCP developed 15 new laboratories, donated 15 mini labs, and rehabilitated several more.

The program also helped several national associations to acquire sophisticated equipment and equipment to handle cupping competitions and coffee auctions.

TRAINING FOR PROCESSORS AND TECHNICAL ASSISTANCE FOR MILL IMPROVEMENTS

The high standards of quality coffees require improved milling techniques and adequate facilities. There was considerable demand for such training, but time and financial limitations restricted QCP to producing a how-to video and 5,000 handbooks for our in-country partners (see Table 3).

TABLE 3. TRAINING FOR MILL IMPROVEMENTS

Country	People Trained	Mills Constructed	Mills Upgraded	Mills Planned	Handbooks	Posters
Guatemala	80		10		3200	400
Nicaragua	46	1	54	1	700	200
El Salvador	70		28		100	50
Honduras	67	1	8	1	600	150
Dominican Republic	30			5	400	200
Panamá	35		1			
Costa Rica	15		1			
TOTAL	**343**	**2**	**102**	**7**	**5000**	**1000**

C. SPECIALTY COFFEE ASSOCIATIONS

The specialty market is intrinsically different from the larger coffee sector, and numerous associations have been developed to target this market segment in cooperation with the longstanding public and private organizations of the larger sector. In the more coffee-savvy countries, specialty associations functioned vibrantly, while in others such groups were dysfunctional — if they operated at all. The QCP worked to further develop specialty-coffee associations in every country in the region.

Recently, a regional federation formed to unify all the local associations and provide a stronger presence to larger competitors, such as Colombia, and other regional groupings, such as East Africa. As financial support from the program ends, local leaders know that expensive auctions and promotions can continue if they grow their support base and take care not to duplicate activities.

D. ENTERPRISE DEVELOPMENT — MANAGEMENT AND INFORMATION

From the very beginning, QCP decided to require candidate beneficiaries to submit to analysis of management practices, legal documents, attitudes toward transparency, and financial audits. This decision proved valuable in filtering out problematic groups and finding candidates with the best potential for success.

The program met with each candidate's board of directors and vigilance committee to report our findings; these meetings gauged the will of each organization to implement the recommendations of our specialists.

Once an organization agreed to work with the QCP, our specialist would propose corrective actions for the deficiencies uncovered in the initial audit.

Directors and managers were trained to keep proper records and were informed of their legal obligations to supervise the cooperative's activities. Administrative staffs received training on accounting practices, including bank reconciliation, budgeting, bookkeeping, and cost analysis. Financial statements were organized in a standardized format to facilitate future audits.

When a beneficiary was unable to make satisfactory progress, we met with its members, directors, and management to define remedial actions to organize the cooperative's records. The QCP encountered only two organizations unwilling to implement corrective actions, and the program terminated its support.

The program developed additional tools for managers. "SACafe" software was developed to compile information that growers use to determine production costs. The software was given to in-country partners and 109 people were trained to use the software and to train others to use it.

The QCP also helped larger cooperatives to acquire, install, and operate an integral system controlling inventories, financial statements, and interfaces with the costing program under the "SIGCafe" component.

Finally, the program developed a comprehensive Web site providing futures market prices, price differentials for different origins and qualities, coffee news, weather, and other tools. Operation of the Web site was passed to the Specialty Coffee Association of El Salvador in 2005 and can be accessed at www.simcafe.net.

COUNTRY ACTIVITIES

The Regional Program could not carry out activities in a uniform manner in each country but had to adapt to the reception of the program by the missions, in-country partners, and the beneficiaries. The missions in El Salvador and Nicaragua contributed additional bilateral funds so activities in these two countries were much stronger than in other countries. The methodology and execution in each country were identical, the only difference being in the scope of activities. In this section we will highlight program activities by country.

A. COSTA RICA

Costa Rica pioneered the specialty coffee phenomenon in the late '80s and has enjoyed a privileged position as one of the most recognized origins, regularly earning some of the highest average premiums. The private sector has organized under the Specialty Coffee Association of Costa Rica, one of the most active and effective coffee associations in the region — and in the world. The QCP gave financial assistance to the group and to the Instituto de Café de Costa Rica (ICAFE) to participate in the trade conventions of the SCAA in 2003, 2004, and 2005; the Coffee Association of Canada in 2005; and the Specialty Coffee Association of Europe in 2005. The program also brought regional beneficiaries to Costa Rica's own coffee convention, SINTERCAFE, in 2003, 2004, and 2005. This meeting is widely recognized as one of the world's premier coffee conventions, reflective of Costa Rica's leading position in the world of coffee.

In 2004, three cooperatives — Coop Palmares, Corponaranjo, and Coope Atenas — received technical assistance to lower production costs after a considerable drop in the volume of coffee processed in the mills. The QCP recommended how to withdraw some of the production line and to use excess capacity to improve quality in other parts of the line. Aside from this, there was not much demand for other technical assistance as Costa Ricans consider themselves leaders in coffee-milling technology.

Costa Rica's internal coffee market is unique in that it is divided into three distinct areas — farming, milling, and exporting — and it is illegal for a company to operate in more than one area. ICAFE monitors deliveries of coffee cherries from growers to millers and deliveries of green coffee from millers to exporters. The weighted average selling price for each of 100 milling companies is calculated by ICAFE using predetermined milling costs and yields; these prices are published at the end of each crop year as the required price paid to every grower who delivered to that miller. Growers, who in effect deliver coffee cherries to millers on consignment during harvest, receive advances during the season as the crop is sold. They are then guaranteed a final liquidation based on the miller's average selling price for all coffee processed in the mill that season.

This system was implemented more than 50 years ago, and although there have been efforts to modify it over the last 15 years, the law remains essentially unchanged. At the outset of the QCP, we analyzed the effectiveness of the system and made proposals for change. While the system was democratic (the smallest producers were guaranteed the same price as the largest producer at each mill), the negative aspects outweighed the benefits.

First, the pricing mechanism was distorted: millers had no incentive to sell at the highest price, but rather at a level as similar as possible to their competitors so that final liquidation prices would not vary widely. Millers have learned painfully that large variations in final prices will induce many growers to switch mills, assuming the highest prices paid one season will be repeated at the same mill the next season. As a result, Costa Rica sells much of its coffee in spurts, with all millers entering the market at the same time and then withdrawing until the other millers sell more. Often, these spurts pushed internal prices down while lucrative opportunities were lost to price spikes, as millers scaled back sales when the market rose for fear that prices would continue to climb and their average price would be lower than competing mills.

Another problem with this system is that millers who have low final prices can artificially raise them by selling new crop arrivals as if they are old. This "improvement" in yield raises the final price of the old season, but in fact the mill is going "short" against its producers as the diverted coffee will be missing the following season. Competitive pressures and pride cause some millers to go short for years until the mill goes bankrupt and producers face huge losses when the deficit can no longer be hidden.

The Costa Rican coffee law was intended to protect growers from abuses by millers and exporters, but in reality it denies producers the right to decide when to sell their products and to use the modern, flexible pricing mechanisms available to growers in other countries. The QCP attempted to address these issues, but the Costa Rican coffee industry and policymakers are still divided on the coffee law and QCP involvement would not have been constructive. The system continues unchanged, but the realities of the modern coffee market mean some of its rules are no longer strictly enforced. For example, large producer groups can now mill their own coffee and even export it so long as they do not receive cherries from small-scale, independent growers. As a result, the number of registered wet mills has risen over the past five years after a consistent decline since the mid-20th century. These new mills are small by Costa Rican standards and relate to specific coffee farms or regions, which better fits the specialty market's demand for appellation and boutique mills.

Costa Rica also requested that the QCP develop a strategy to take advantage of carbon-sequestration and emissions-trading rules under the Kyoto Protocol to the United Nations Framework Convention of Climate Change. We began work on this project but ceased after finding it conflicted with protocol policy.

B. DOMINICAN REPUBLIC

The program provided technical assistance on mill improvements to several groups of small producers and produced a national marketing study in 2004. There has been limited response to efforts to market Dominican coffee as a specialty origin, often by Dominican expatriates in the United States. This is not a serious problem however, as local and tourist demand for roasted coffee is very strong and often absorbs most of the country's production, leaving little for export. The market price paid by local roasters was well above world rates, so the study recommended how to increase the volume and premiums of roasted coffee from the Dominican Republic.

At the request of the Dominican Coffee Council (CODOCAFE), the program provided technical advice and blueprints for the construction of five coffee wet mills for small-producer groups under the Improving the Quality of Dominican Coffee and Promotion of Specialty Coffees Project (PROCA´2) (see Table 4). Due to problems in CODOCAFE, however, construction was delayed into 2005/2006, after the QCP ended activities in the Dominican Republic, and the program was unable to confirm if construction occurred as planned.

TABLE 4. BASIC CUPPING TRAINING AND NEW WET-MILL PLANS

Groups	People Trained in Basic Cupping, Wet Milling Practices, and Mill Management	New Wet Mill Plans (blueprints) delivered
Cenovi, La Sidra, La Lomita, and El Mostazo in Santiago Rodríguez Province	5	1
Ascaja in Jarabacoa	2	1
San Rafael de Peralta, Azurdia	3	1
Juncalito, Franco Bido	5	1
El Guayabal in Azua	3	1
La Esperanza, San Cristóbal	3	0
CODOCAFE technicians	10	0
TOTAL	**31**	**5**

The considerable distance and expense associated with travel between the Dominican Republic and Central America was detrimental to the scope of activities. It was simply too expensive to fly trainees to Central America for the nine-month Star Cupper program, so this was the only country that did not participate in the program. QCP experts trained cuppers in the Dominican Republic as reflected in Table 4.

The QCP eventually ceased working with CODOCAFE after our proposed 2005 work plan, delivered in 2004, went unanswered for nine months. When a new administration at CODOCAFE eventually contacted us in 2005, the program was winding down and could no longer provide new assistance due to lack of remaining funds and time.

C. EL SALVADOR

El Salvador has historically been an important player in the coffee world, at one time the fourth largest exporter. El Salvador had a reputation as a reliable supplier of generic "Centrals," selling three basic qualities based on altitude. A national coffee law gave producers the right to deliver coffee and later fix a final price over several months, thus relieving selling pressure during the peak of harvest season. The government also sponsored a liberal, enlightened financing policy through the national banking system.

The industry, however, was decimated by civil war in the early '80s and by the nationalization of coffee exports in the '80s and early '90s, coinciding with historically low prices that continued to depress the sector into the 21st century. The global shift in demand patterns forced the country to compete with much cheaper coffees from competitors in South America and Asia. Large central mills could not produce the new specialty-quality coffees and the country lost market share and crop value. The financing system delayed adjustment to the new marketplace and farmers, millers, and exporters went deeper into debt.

These debts still weigh heavily on the coffee industry. Some large growers changed their business models to serve the specialty market; but the majority of growers were still unaware of this new opportunity until the QCP began providing assistance to small- and medium-scale growers in 2003.

USAID/El Salvador provided more bilateral funding than any other regional mission and was the only mission to extend the program into the 2005/2006 crop; for these reasons, the QCP's results have been quite significant in El Salvador. (The specific set of targets can be found in Annex D.)

The QCP subcontracted with local NGO Servicios Empresariales de Mesoamerica (SEM) for most of the on-the-ground effort. Other subcontracts included the National Cooperative Business Association (NCBA, formerly the Cooperative League of the USA, or CLUSA) to prepare for Cup of Excellence auctions in 2004 and 2005, and with Coffee Solutions Inc. for El Salvador's National Coffee Marketing Plan.

PRINCIPAL CLIENTS AND PRODUCER GROUPS

The QCP selected a group of producer cooperatives after performing financial and administrative diagnostics to measure their transparency and enterprise potential. The groups that met our standards were the Cooperativa de Cafetaleros de San José de La Majada, Cooperativa de Cafetaleros de Ciudad Barrios, Cooperativa El Volcán, and Central de Cooperativas PROEXCAFE, a federation of seven small-grower cooperatives.

Agrarian Reform Cooperative El Jabali was initially accepted into the program, but activities were suspended after the first year because of a lack of cooperation from the cooperative. The program added Cooperativa Los Ausoles in 2005 when they met the required criteria.

Beside producer groups, the QCP also worked with the Salvadoran Coffee Council (Consejo Salvadoreño del Café or CSC) and the Salvadoran Foundation for Coffee Research (Fundación Salvadoreña para Investigaciones del Café or PROCAFE) to reach the greatest possible number of growers.

The program also provided $25,000 to support the founding of the Specialty Coffees Association of El Salvador (ACEES) because an existing group, the ITZALCO Association, was closed to new members. Although there was some initial animosity, ITZALCO and ACEES recently expressed interest in merging into a single entity for El Salvador's specialty-coffee sector.

MARKETING ACTIVITIES IN EL SALVADOR

National marketing plan. A group of consulting firms were evaluated to develop a national marketing plan. In December 2004, U.S. firm Coffee Solutions was selected by Salvadoran authorities to prepare the document. The firm presented a draft to the Salvadoran Coffee Council (CSC) and the presidential commissioner for coffee in August 2005, and the QCP worked with CSC to produce a promotional video about the plan. The marketing plan was officially approved in January 2006 and was scheduled for launch in late March 2006.

Cup of Excellence auctions. One of QCP's most substantial efforts was support to the Cup of Excellence for three consecutive years. The Cup is a U.S.-based initiative designed to locate the best of the best in each country through a process of cupping eliminations, culminating in a final selection of the best coffee by an international panel of judges. Winning coffees are then auctioned to worldwide buyers at impressive prices. The QCP worked to locate the best coffees and trained growers on how to participate in the event in the future.

Producer groups. The program provided financial support for a series of trips linking producers to potential buyers at international coffee events. Representatives from a handful of grower cooperatives and national federations attended the Rainforest Alliance Meeting in Japan, RAMACAFE in Nicaragua, and SINTERCAFE in Costa Rica (all in 2004), and the SCAA Convention in the United States in 2004 and 2005.

Visits by coffee roasters. The program coordinated visits from buyers, including ECOM, Nestlé, Starbucks, KRAFT/TALOCA, CTCS, and CBI, to strengthen relationships with producer groups over the long term.

The Marketing Tour de Café visited El Salvador on January 23-26, 2005. Participants included Starbucks, S&D Coffees, Dallis Coffee, Timothy's World Coffee, Coffee Tree Roasters, and the Coffee Quality Institute. Tracy Ging, one of the participants, wrote an article about El Salvador's resurgent coffee industry in the trade magazine *Tea & Coffee*. The article, "El Salvador is Back," can be read online on at www.teaandcoffee.net/0405/coffee.htm.

The tour was repeated as the 2006 El Salvador Harvest Tour with ACEES. Participants included Starbucks, Lola Savannah Coffee, Humboldt Bay Coffee, Vournas Trading, Café Imports, Durango Coffee Co., Coffee Analysts, and *CoffeeTalk* magazine. ACEES plans to continue hosting guided tours of El Salvador because it was quite effective at raising the profile of the country as a source of specialty coffees.

Third-party certification of farms. Strong buyer demand for certified coffees prompted the QCP to accelerate support in certification; as a result, we exceeded program targets by more than 300 percent.

Our certification activities centered on work with the Rainforest Alliance, which focused its inspections on sound environmental practices, improved methods and tighter controls on handling agricultural chemicals, and better housing conditions for people living on the farms. The certification process is lengthy and complicated, especially for small farmers in Central America. The program aided beneficiaries by permitting certification in the shortest time possible and stepping up activities in 2006 in the face of strong buyer demand. See Table 5 for more details on farm certifications.

TABLE 5. CERTIFICATION OF FARMS/MANZANAS

Cooperative	Certified Farms	Area (in manzanas)	Estimated Crop(in quintals of green coffee)
San José de la Majada	10	465.00	6,210
PROEXCAFE DE R.L.	12	563.55	9,125
Cooperativa Ciudad Barrios	7	520.60	11,103.31
Total	29	1,549.15	26,438.31
Average Productivity			17 quintals/manzana

To ensure transparency down the supply chain, the program assisted two beneficiaries in obtaining Rainforest Alliance custody-chain certification for three beneficiary mills (see Table 6)

TABLE 6. CERTIFICATION OF BENEFICIARY MILLS

Mill Owner	Beneficiary Mill
Cooperativa Ciudad Barrios	La Colmena
	José Ruthilio Ortiz
PROEXCAFE	PROEXCAFE

The program helped secure fair-trade certification for the Morazán Coffee Cooperative, which exported its 2005/2006 crop at much more attractive prices.

The Starbucks certification program, C.A.F.E. Practices, give preferred selling status to certified producers. The QCP focused on Cooperativa Los Ausoles, PROEXCAFE, and Cooperativa La Majada, which showed the greatest potential to benefit from this certification. La Majada was designated as a key Starbucks supplier in 2006 after achieving an outstanding score during certification inspection. Starbucks has significantly increased its purchases of El Salvadoran coffee, in no small part because of the strong response to its C.A.F.E. Practices requirements.

The program also began to identify farms that could benefit from the Utz-Kapeh certification used by overseas buyers (see Table 7). Strong buyer demand for certified coffees prompted QCP to accelerate support in certifications, resulting in exceeding program targets by more than 300 percent.

TABLE 7. C.A.F.E. PRACTICES AND UTZ-KAPEH CERTIFICATION

Program	Participant	Organization
UTZ Kapeh	Jorge Jiménez	PROCAFE
	Juan Antonio Quijano	PROCAFE
	Ana Graciela de Urrutia	PROEXCAFE
	Ángel Cabrera	SEM/Chemonics
	Otto Valle	SEM/Chemonics
	Miguel Navas	Cooperativa La Majada
	Gustavo Cuellar	Cooperativa La Majada
	Carlos Carballo	Cooperativa Ciudad Barrios
	Alirio Hernández	Exportadora El Volcán
C.A.F.E. Practices	Víctor Mencía	SEM/Chemonics
	Otto Valle	SEM/Chemonics

Increase in sales of certified coffee. The overwhelming success of the certification process resulted in much higher sales volume than originally anticipated: The target was exceeded by 119.4 percent. Ninety percent of that volume is Rainforest Alliance-certified, and the rest is fair trade. Inclusion of C.A.F.E. Practices-certified coffee would have raised the total even more, but because that certification was not included in the original targets, it is not included here.

Increase in sales of gourmet coffee. Work to increase sales was very successful, with the original target exceeded by 312.3 percent. That figure includes sales through the Cup of Excellence auction that QCP supported through subcontractor CLUSA.

Overall, the program produced sales of 89,509.5 quintals (68,824 60-kilo bags), generating more than $10.5 million in sales for Salvadoran producers, providing more than $1.6 million in additional value and income to growers under these programs.

Quality competitions for growers. Following training, the QCP sponsored several competitions where growers competed for recognition of their coffees. These contests proved highly effective at raising grower awareness of the potential to increase income and at spotlighting the regions where buyers can find the best-quality coffees in El Salvador.

The Cacahuatique Range competition in Ciudad Barrios identified quality coffee lots in an eastern region previously considered marginal. As a result of the program, the region has emerged as one that produces well-prepared, good-quality coffee.

The Alotepeque Range competition in La Palma, Chalatenango identified producers of the best qualities and quantified cup characteristics. The QCP partnered with PROCAFE to hold the event in this high-altitude northern region, identifying coffee that eventually achieved high ratings in the 2005 Cup of Excellence auction.

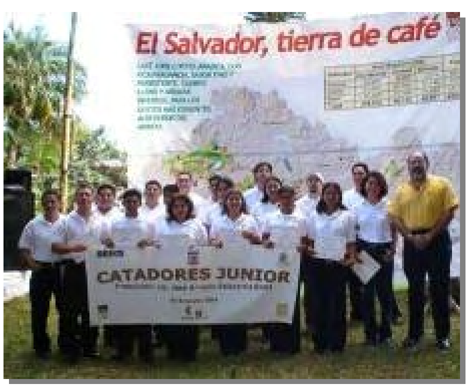
In early 2004, the QCP held the first of three events to pre-select coffees for the Cup of Excellence auctions. This first event showed growers how to participate in the Cup selection process. The QCP helped prepare for the 2006 Cup auction even though it was held after the program concluded.

Financial support for geographical locating software for PROCAFE. PROCAFE received a donated a server and software to establish a geographical locator of coffee producers and regions as part of a project about regional appellations and the promotion of specialty coffee.

Development project for a beneficiary. The program helped PROEXCAFE work with ECOM Trading and roaster Nestle to establish the Integral Sustainable Development Project for member cooperatives. The project established a health clinic, improved worker housing, raised the income of producers, and established a long-term relationship for the delivery of fair-trade coffee from small-scale producers at premium prices.

QUALITY ENHANCEMENT AND TRAINING

Cupper training at all levels of the supply chain. Cupper training was one of the most innovative and successful components of the entire program. The QCP originally planned only for high-level training (Star Cuppers), but there was so much demand for entry-level training that we added a Junior Cupper program. Exporters then requested training for mid-level cupping, so we added the Marketing Cupper program.



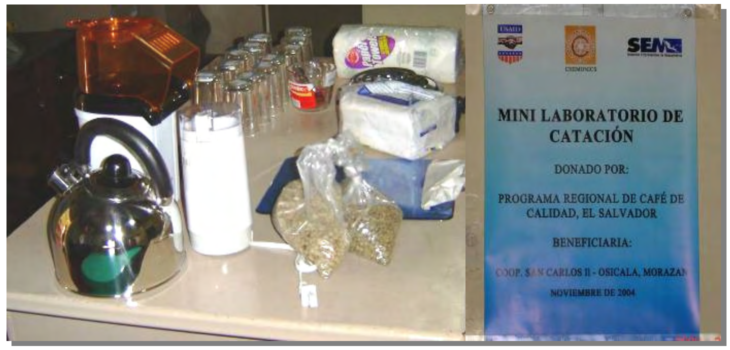
We trained 46 young people as Junior Cuppers, providing guidance on theory and practical methods in growing, harvesting, processing, and tasting coffee. The students are now active in coffee businesses at all levels of the supply chain.

The Marketing Cuppers course was designed for exporters charged with sales and customer service to overseas buyers. Participants improved their skills and gained a better understanding of the demands of the specialty-coffee sector.

We also trained 55 people to use the mini-labs that we provided to grower organizations.

Development of quality control: cupping laboratories. The program diagnosed existing cupping labs at the Cooperativa San José de La Majada, Cooperativa Ciudad Barrios, and PROEXCAFE and made suggestions for improvement. All three beneficiaries implemented the improvements, and La Majada became one of the best-equipped, most modern cupping labs in the region. The QCP also provided financial assistance to purchase state-of-the-art equipment for the cupping lab at the Salvadoran Coffee Council, helping the entire country's coffee sector to compete nationally and in international auctions.

Thirteen new mini-labs were installed at small-scale grower organizations, giving them the means to measure the quality of their own production for the first time. These labs allowed growers quickly determine the quality of their output and make quicker corrections in the milling process. Previously, first cuppings usually took place upon delivery to exporters, too late to fix any quality problems.



Technical assistance and training in wet and dry milling. Six mills received a diagnosis from the QCP on operations, pollution reduction, and safety, as well as specific plans for improvements in each.

The program also trained operators at Cooperativa Ciudad Barrios's 22 auxiliary wet mills to substantially improve product quality and to meet Rainforest Alliance requirements on reduced wastewater emissions.

Training in El Salvador. During its 23 months of operation in El Salvador, the QCP trained 1,780 people, 312 of whom were women, on future markets and hedging risks, milling for quality results, marketing techniques, supply-chain traceability, the effect of picking on cup quality, quality control in processing, safe handling of dangerous chemicals, fire prevention and first aid, proper roasting and grinding, and Starbucks, Rainforest Alliance, organic, and Cup of Excellence standards.

ENTERPRISE DEVELOPMENT

As a prerequisite to receiving QCP assistance, producer groups had to submit to a diagnostic of their legal and financial status and ensure that they followed democratic and transparent business models. Six groups received positive administrative evaluations.

Using the evaluations, the QCP recommended how to strengthen administrative and financial controls and each group's directors and managers received training on their responsibilities. The program revisited these items with the beneficiaries in 2006 to measure how well they had followed the recommendations. The program also helped produce strategic business plans for the six beneficiaries.

Specifically, the QCP provided software and training to Cooperativa La Majada and Cooperativa Los Ausoles for the SIGCafe system and gave the Specialty Coffee Association of El Salvador accounting software. The SACafé production-cost software (described in the regional section of this report), along with training in its use, was provided to in-country partners for distribution to growers throughout the country.

WORK-DAYS GENERATED

The El Salvador mission required the QCP to measure work-days generated, both per quintal and over the course of the project. According to the methodology used by PROCAFE, preparation of specialty coffee used 1,243,254 work-days, or an increase of 240,747 work days if the coffee had been treated conventionally (see tables 8 and 9).

TABLE 8. WORK-DAYS GENERATED

Coffee Type	Sales of Green Coffee (in quintals)	Work-Days (per quintal)	Total Work-Days — Premium Coffee	Total Work-Days — Conventional Coffee
Rainforest Alliance (ecologic)	44,062.5	12.40	546,375.00	493,500.00
Fair-trade (ecologic)	6,000.0	12.40	74,400.00	67,200.00
Organic (ecologic)	412.5	13.90	5,733.75	4,620.00
Specialty (gourmet)	39,034.5	15.80	616,745.10	437,186.40
Total work-days			1,243,253.85	1,002,506.40
Work-days generated by premium coffee			240,747.45	
The project generated 240,747.45 work-days attributable to premium coffee, which favorably reflects employment levels in coffee-growing areas. Assuming a daily worker salary of $4.00, this translates to an additional $962,989.90 paid to workers as a result of premium coffee.				

TABLE 9. WORK-DAYS (PER QUINTAL) BY TYPE OF COFFEE

Description	Conventional	Organic	Ecological[1]	Gourmet[2]
Agronomic Phase	4.3	6.4	3.9	2.3
Picking Phase	4.4	5.0	5.9	10.0
Milling Phase	2.5	2.5	2.5	3.5
Total Work-Days	11.2	13.9	12.4	15.8
1: Rainforest Alliance and Fair Trade certified coffees are considered ecological. 2: Specialty-quality coffee is considered gourmet.				

SUCCESSES WORTHY OF SPECIAL MENTION

All of the targets established for El Salvador were exceeded, and there were spectacular results in land area certified, sales of certified coffee, and increase in sales of price-differentiated coffee. Cooperativa Ciudad Barrios was transformed into the largest shipper of Rainforest Alliance-certified coffee in El Salvador after just three years of the QCP. This region of the country had been written off as unsuitable for the specialty-coffee sector, but the increase in value of coffee from the cooperative exceeds $300,000 annually. Producer groups and coffee buyers forged long-term relationships that did not exist before the program. Growers now benefit from transparent pricing schemes, and small- and medium-sized growers now see a better, more stable future in coffee.

The Quality Coffee Program owes a debt of gratitude to USAID/El Salvador and the Government of El Salvador, which, more than in any other country in the region, supported and participated in program activities with producers and overseas buyers. The Quality Coffee Program, managed by Chemonics International, met and exceeded program targets with help from many partners, including the president, vice president, minister of agriculture, and presidential commissioner for coffee; the Salvadoran Coffee Council, PROCAFE, and SEM; and, last not least, the leaders and members of our beneficiary groups.

D. GUATEMALA

The Guatemalan coffee industry lagged behind Costa Rica in identifying the opportunities of the specialty coffee sector, but its mix of small and large farms over a range of microclimates has made the country one of the most recognized suppliers of high-quality coffee in the world. The Guatemalan National Coffee Association (ANACAFE) is the strongest national institution in the region, with well-organized and financed programs and an effective marketing profile with buyers around the world. Still, the coffee-market shift was acutely felt in Guatemala, particular by small-scale growers and those at low altitudes. Most farms below 800 meters have ceased operations or transitioned to alternative products. Farms at higher altitudes — where the soil and climate are ideal — did not prosper but were able to survive the coffee crisis.

The QCP decided to work with the Federation of Coffee Cooperatives of Guatemala (FEDECOCAGUA) and, at the request of Green Mountain Coffee Roasters, with an independent group of small producers at El Baluarte, which needed to raise quality to buyers' standards. FEDECOCAGUA, a federation of 135 small-grower cooperatives throughout Guatemala, is a pioneer in the fair trade movement, but lacked adequate access to many specialty-coffee buyers because of past quality problems. The QCP identified 10 cooperatives in three regions with a need for help and a high potential for success, with members interested in changing their procedures and willing and able to invest in improved facilities. The program hired technical experts in the target regions — Huehuetenango in the west, Acatenango in the central highlands, and Esquipulas in the east — to improve the quality of cherries arriving from the farms and processing practices at wet mills. The program trained 52 people in wet-milling procedures and 28 people in cupping.

As the program began, producers from five cooperatives received training in introductory coffee tasting at the QCP cupping laboratory; as a result, many set up mini-labs at their mills. The program recommended how to redo the entire cupping laboratory at FEDECOCAGUA's headquarters in Guatemala City and, after opening the new lab, installed a cupping lab database that allows the group to input and track every sample tested in the lab — approximately 50,000 per season.

The database measured the percentage of good and defective samples received at the central cupping lab, isolating the most common defects so the wet mills could take remedial actions.

Table 10 shows the dramatic results of this effort over two years. The proportion of defective beans dropped from 32.11 percent to 7.67 percent, allowing producers to earn substantially higher prices and FEDECOCAGUA to improve its reputation as a quality supplier. With this new emphasis on quality, Starbucks made its first direct purchase from the federation in 2005.

TABLE 10: DAMAGED COFFEE FROM COOPERATIVES

	2003/2004			2004/2005		
Cooperative	Quintals received	Quintals damaged	% of coffee damaged	Total quintals received	Quintals damaged	% of coffee damaged
San Jose Obrero	1,953.48	0	0	4,669.86	492.63	10.55
Tajumuco	14,208.84	896.11	6.31	11,703.41	465.80	3.98
Hoja Blanca	3,152.19	104.48	3.31	2,445.80	382.27	15.63
Peña Roja	5,395.24	1,320.75	24.48	6,901.48	842.79	12.21
Cafetales	8,482.47	4,331.97	51.07	9,402.36	730.85	7.77
Chamagua	9,438.02	4,558.87	48.30	12,071.02	245.68	2.75
Trifinio	12,779.25	9,251.13	72.39	7,700.15	907.12	11.78
Acatenango	5,470.37	410.63	7.51	13,209.13	1,650.76	12.50
2 de Julio	4,789.09	210.12	4.39	8,302.84	146.14	1.76
TOTAL	65,668.95	21,084.06	32.11	76,406.05	5,863.68	7.67

In fact, these results would have been even more dramatic but for two of the three cooperatives where percentage of damaged beans rose; their volume increased beyond their capacity to properly process coffee.

According to Gerardo de Leon, director of marketing at FEDECOCAGUA, the QCP was the first program to produce such large benefits for the federation. They were so happy with the results that they convinced ANACAFE to provide the financial support to keep the QCP technicians on the job and expand to include more cooperatives.

The buyers of the coffee from El Baluarte reported satisfaction with the improved quality, which further cemented their relationship with these small-scale growers.

In addition to these quality improvements, the QCP brought the Marketers Tours de Café (described in the El Salvador section) to visit beneficiaries in Guatemala in January 2005. The program also helped cover the cost to bring overseas speakers to Guatemala's National Coffee Congress in September 2005.

E. HONDURAS

Honduras has the greatest potential for specialty coffee, with large areas of ideal altitude, soil, and climate, as well as the worst qualitiy and reliability, with a dysfunctional internal marketing system.

Honduras is a large country by Central American standards, with coffee zones spread over diverse areas. Most growers are very small-scale and most of their organizations experience chronic mismanagement and struggle financially. Although the Honduran government has made considerable strides in recent years by improving and extending the highway infrastructure into coffee-producing zones, the sheer quantity of small-scale growers and the relatively long distances between producing zones and processing centers has created a trading system dependent on intermediaries, often called coyotes, between growers and exporters.

The coyote is quality coffee's worst enemy: his business relies on blending good coffee with bad to sell barely acceptable quality at the lowest possible cost. Starbucks reports receiving one of the nicest coffees they have seen in Central America from Honduras several years ago, but efforts to get a repeat delivery proved impossible, leading them to believe they got the good lot by accident. The generally poor quality of coffee shipped from Honduras has given this origin the worst reputation in the region and causes its coffee to earn the lowest market prices of any Central American country. As a result, good-quality Honduran coffee is smuggled to neighboring countries so it can fetch higher prices.

Honduras is the only country in the region to produce more coffee today than 20 years ago, when USAID programs spurred coffee production. Insufficient investment in processing infrastructure has stymied quality; most producers cannot dry their coffee, so it enters the supply chain as wet parchment that then degrades and develops mold, damaging its flavor.

The QCP faced considerable challenges finding beneficiaries that met our prerequisite of a reasonable financial condition under transparent governance. Only a small fraction of the inspected cooperatives passed the initial test, and we were forced to suspend activities with more than half of those beneficiaries after discovering improper practices midway through the project.

Most of the program's results came toward the end of the project, when the Honduran Coffee Institute (IHCAFE) underwent a change in management. The QCP publicized the benefits of producing for the specialty market and showed small- and medium-scale growers how they could access this market. Faced with specialty buyers' view that Honduras was an unreliable source of good-quality coffee, the program worked with IHCAFE to create a database on coffee qualities available directly from growers before the coffee disappeared into the coyote system. In 2005, the program borrowed an idea from a German development program in one community and sponsored producer competitions in 14 communities across Honduras identified as having the potential to produce quality coffee based on altitude and climate.

Growers were invited to bring samples of coffee to be roasted and cupped in portable labs provided by IHCAFE. While samples were prepared for the judges, the program explained the benefits of producing specialty coffee, trained on how to produce top-quality coffees and how to find buyers willing to pay premiums. Since neither the program nor IHCAFE could buy the winning coffees, prizes of fertilizer and farm implements were awarded to the three highest scorers at each event.

The technicians recommended that the highest scorers should compete in the Cup of Excellence auction, which has brought premiums of up to 300 percent over regular market prices.

These competitions generated far more interest than predicted by even the most optimistic among us, with more than 700 producers participating in 14 events. The competitive juices were flowing and we often heard the comment "wait until next year" from those who fell short in the scoring.

A secondary goal of the competitions was to provide buyers with information on the identities and locations of the best coffees. Because the equipment and judges traveled in a group of four-wheel-drive vehicles, we dubbed this effort the "Quality Caravan." IHCAFE collected samples that were distributed to overseas specialty-coffee buyers to change buyers' ideas of what Honduras has to offer.

The program proposed an internal auction system to promote price transparency and establish a direct link between growers and exporters willing to pay premium prices for high-quality coffee. Unfortunately, we were unable to generate any interest from USAID/Honduras toward this or other coffee work during the life of the project.

We implemented the Star Cupper program with IHCAFE as the highest level in a three-year cupper-training program at the Honduras National Cupping School.

The program selected four cooperatives as beneficiaries in 2003. They were located in diverse parts of the country — Choluteca in the south, Santa Barbara in the north, and two in the central regions of La Paz and Intibuca. As part of our initial strategy to design a technical assistance program in 2003, each cooperative was subjected to a financial and administrative diagnostic. We looked at each organization's legal structure, administrative procedures, internal controls, and accounting. The groups provided facilities, office supplies, local travel, and lodging for the consultant. By early 2004, the weaknesses in each group were identified and explained to its leaders and a work plan was developed. We required regular follow-ups to ensure that recommendations were followed. The consultant met with the boards of directors and managers periodically, reviewing problems, recommendations, and accomplishments.

Besides administrative support, the program also trained in better milling processes and improved facilities with funding from IADB and the Honduran government (see Table 11).

TABLE 11. WET-MILL TRAINING AND REMODELING

Cooperative	People trained in wet milling	Wet mills built or remodeled
COCASJOL	6	
COARENE	7	
COCASAM	12	
COHORSIL		1
Empresa Café orgánico de Márcala	32	10*
Star Cuppers	10	
TOTAL	**67**	**11**
* One built and nine remodeled		

The program also attempted to provide marketing support to each group (except COCASAM, which already had a long-term sales contract with an overseas buyer). Coordination proved impossible from the QCP office in Guatemala, so this work was handled jointly with COHORSIL. A proposed umbrella marketing organization, El Líder, was to be organized by several beneficiaries, but by late 2004, it became apparent that it would not be legally formalized and that improper procedures may have occurred. The QCP terminated work with COCASJOL and COARENE on November 1, 2004.

At the request of USAID/Honduras, the program supported coffee-policy reform, recommending regionalization (appellations) based on the experiences of Costa Rica and Guatemala. Honduras suffers from the heavy hand of politicians with a record of implementing poorly considered rules and regulations that often hamper coffee activities. For example, there is a law that requires private coffee debts with local banks to be paid through a levy on all Honduran coffee exports. Not surprisingly, a large quantity of Honduran coffee is now smuggled to avoid paying this unique tax. To improve coffee policy, a QCP consultant proposed modifications to the coffee law in early 2004.

F. NICARAGUA

Nicaragua is another Central American country where civil war and nationalized exports nearly destroyed the coffee industry. Production declined in the '70s and '80s, leaving Nicaragua as the second smallest exporter in Central America, with only Panama shipping less. Specialty-coffee activities actually started with small-grower cooperatives because of interest from social-activist groups in Europe and the United States. The country was recognized as a quality origin in 2001 when the members of the U.S.-based Roasters Guild, a professional organization of specialty-coffee roasters, awarded Nicaragua top honors as a new origin.

The QCP operated in Nicaragua from December 2003 until August 2005 with regional funding augmented by a bilateral contribution from USAID/Nicaragua. The program initially intended to concentrate work with CAFENICA, the largest federation of cooperatives in the country, but by February 2004 was unable to reach an agreement with the federation that accommodated our financial and administrative prerequisites. We then selected seven independent cooperatives as beneficiaries after they met our requirements.

The program also indirectly supported a group of producers working with GTZ and Exportadora Atlantic in the Bosawas region of northeastern Nicaragua. The QCP did not provide direct support as activities were focused more on ecological issues in the nearby Bosawas Reserve, not high-quality specialty coffee.

TABLE 12. BENEFICIARIES

Name	Location	Number of Member Groups	Members	Manzanas of Coffee	Volume (qq Gold)
UCA-SJRC	San Juan de Rio Coco. Madriz	9	438.00	1,600.00	5,250
Cooperative CORCASAN	San Juan de Rio Coco. Madriz	socios	400.00	1,200.00	12,000
Cooperativa El Polo	San Sebastián de Yali. Jinotega	socios	186	500.00	12,000
Cooperativa El Gorrion	San Sebastián de Yali. Jinotega	socios	250	700.00	12,000
Cooperativa Flor de Pino	San Rafael del Norte. Jinotega	socios	120	1,500.00	6,750
SOPPEXCCA	Ciudad de Jinotega	12	450	1,350.00	0
UCAFE	Dipilto. Nueva Segovia	6	167	397.00	4,875
Projecto GTZ – Atlantic – Bosawas	Waslala, Cua Bocay, Wiwili	5	205	1,740.00	0
TOTAL			2,216	8,987	52,875
				Containers 375 QQ	141.0

Sales from SOPPEXCCA are not included in Table 12 because they did not request marketing support, having previously established direct connections with specialty buyers. Figures from the Bosawas project were not included because they did not meet the definition of specialty-coffee.

Subsequent to this, the QCP subcontracted with Lutheran World Relief, Catholic Relief Service, and World Relief to build on the program's work in Nicaragua. Table 13 outlines the QCP's targets in Nicaragua.

TABLE 13. NICARAGUA PROGRAM TARGETS

Components	Unit	LOP Target
Market Development		
1. Agreements directly with buyers or through exporters	Agreement	8
2. Production area certified[a]	Manzana	500
3. Increase in quality-coffee exports[b]	Container	50
4. New market-information system[c]	Web site	1
Enterprise Developoment		
5. Administrative/financial diagnostics	Diagnostic	12
6. Training in business processes	Event	8
Quality Enhancement		
7. Develop producer-group cup profiles	Profiles	20
8. Installation or improvement of quality-control laboratories	Labs	15
9. Cuppers trained at all levels	Cuppers	60
10. Regional quality standards[d]	Framework	1
11. Construction or improvement of wet and dry mills	Mill	12
a. Rainforest, Utz Kapeh, and fair trade b. Actual sales or signed contracts; 1 container = 250 69-kilogram bags (or 375 quintals) c. One system at regional level d. One framework at regional level		

When considering that the program would only be operating in Nicaragua for 21 months, we concentrated on improving the supply chain where producers sold to local exporters. The QCP successfully involved several exporters to compete for the right to purchase coffee. The program required cooperatives to retain ownership of their coffee, even when in exporters' dry mills; they could supervise the milling process at their sole discretion. Additionally, the cooperatives made the final decision on when to sell their coffee, with exporters informing them of the best bids.

This system was presented to EXCAN, the exporters association, and was embraced by local exporters Exportadora Atlantic, CISA Exportadora, and Cooperative Business International (CBI). London-based Continental Trade and Commodity Services Ltd. (CTCS) also agreed to purchase coffee under this system as the program neared conclusion in 2005.

An additional strategy was to group the beneficiaries on location and proximity to each other. SOPPEXCCA, Flor de Pino, El Gorrion, and El Polo were grouped into the Jinotega region, while UCA Rio Coco, CORCASAN, and UCAFE were grouped in the Las Segovias region. These groupings will help the cooperatives in the future as they consider branching into exporting.

MARKETING

Contracts were negotiated with Atlantic, CISA, and CBI to purchase at least 20 containers of beneficiaries' coffee, achieving premiums of $5 to $20 per quintal for producers. World Relief negotiated the sale of 45 containers of coffee for Starbucks through U.S. trader Holland Coffee Inc.

Buyers visited beneficiaries in coordination with various trading companies, including CTCS, the Specialty Coffee Association of Japan, Green Mountain Coffee Roasters, Starbucks, and Café Crem of Spain.

Eight of 12 coffee samples sent to the SCAA Convention in Atlanta qualified to participate in the specialty-coffee event.

In December 2004, the QCP sponsored seven Nicaraguan cuppers to visit the Starbucks Quality Control Lab in Costa Rica, four of whom were from beneficiaries. The cuppers learned about the characteristics of the coffee sought by this important buyer.

The QCP helped Coop El Gorrion and El Polo obtain export licenses and FDA registration, enabling them to access the fair trade market in the United States.

Green Mountain Coffee Roasters published a promotional pamphlet for UCA San Juan de Rio Coco, cementing a long-term relationship between the cooperative and the roaster.

QCP beneficiaries signed numerous agreements. UCA San Juan de Rio Coco signed agreements with CBI and Atlantic covering the sale of fair-trade and organic certified coffees. Coop El Gorrion signed with Atlantic and CBI for sales of fair-trade coffee to Starbucks and for specialty quality to Green Mountain Coffee Roasters. Coop El Polo signed with Atlantic for fair-trade certified coffee, and Coop Flor de Pino signed with CBI to sell specialty coffee to Green Mountain Coffee Roasters. Corcasan signed two agreements, one with CISA for specialty coffee to Starbucks and one for double-certified Rainforest Alliance/organic coffee.

Marketing targets and achievements can be seen in Table 14.

TABLE 14. MARKETING TARGETS AND ACHIEVEMENTS

Component	Unit	LOP Target	Achieved to Date	% Achieved
Market Development				
1. Agreements directly with buyers or through exporters	Agreement	8.00	8.00	100%
2. Production area certified	Manzana	500.00	4,357.25	871%
3. Increase in quality-coffee exports	Container	50.00	95.90	190%
4. New market-information system	Web site	1.00	1.00	100%

CERTIFICATION

Seventy-eight percent of coffee sold from Nicaraguan had one or more types of certification. Fair-trade certified coffee accounted for just under half of all sales; fair trade combined with another seal, either organic or Rainforest Alliance, composed two-thirds of all sales. Only 20 percent of coffee was sold on cup merit without certification. Under the QCP's assistance, the first-ever double label "organic Rainforest Alliance" coffee was sold at an average price of $137 per quintal. The shipment of 1,730 quintals generated a premium of $237,010 over generic quality-coffee values.

Two of QCP's beneficiary cooperatives applied for more than one certification. Table 15 shows production area and certifications by co-op.

TABLE 15. CERTIFICATION BY BENEFICIARY

Cooperative	Total Certification		Highest Level of Certification							
			Rainforest Alliance		OCIA (organic)		IMO – Naturland (organic)		FLO	
	Area (Mz)	Producers	Mz	Prod	Mz	Prod	Mz	Prod	Mz	Prod
CORCASAN	804.25	53	804.25	53						
UCA Rio Coco	979.00	438							979.00	438
El Gorrion	1,636.00	309							1,636.00	309
El Polo	808.00	180							808	180
Flor de Pino										
Total Nicaragua (mz)	4,227.25	980	804.25	53					3,423.00	927
Total Nicaragua (ha)	2,970.07		565.07						2,405.00	

Double certification is rewarded with even higher premiums. Table 16 shows secondary certification by producer group.

TABLE 16. SECONDARY CERTIFICATION UNDER DOUBLE CERTIFICATION PLAN

Cooperative	Total Certification		Global Certification (Double Certification)							
			Rainforest Alliance		OCIA (organic)		IMO – Naturland (organic)		FLO	
	Area (Mz)	Producers	Mz	Prod	Mz	Prod	Mz	Prod	Mz	Prod
CORCASAN										
NOP USA	795.08	66					795.08	66		
Europa	189.43	5			189.43	5				
UCA Rio Coco	1,429.28	758			979.00	438	450.28	320		
Total Nicaragua (mz)	2,413.79	829			1,168	443	1,245	386		
Total Nicaragua (ha)	1,695.93				820.94					

The QCP analyzed the cost-benefit ratio for certification and found that the lowest unit cost was just over $1.51 per quintal and the highest was $8.55 per quintal. This gives an idea of the premium that a certified coffee must bring for growers to make a profit.

QUALITY ENHANCEMENT AND TRAINING

Quality remains the primary obstacle to the specialty market. The QCP measured cuppers' natural ability to detect coffee's primary flavors and train them in entry-level, intermediate, or advanced cupping. Traditionally, coffee was cupped only on delivery to exporters, when it was too late to correct any damage. By moving cupping labs closer to producing areas, problems can now be corrected quickly, thereby reducing any damage to the coffee. Similarly, growers now know they must pick and deliver their coffee quickly to preserve its inherent qualities. The wet mill can make or break quality coffees, so proper training of mill operators is essential to maintain value and reduce losses. Additionally, cupping labs and wet and dry mills need reliable, appropriate equipment. The QCP worked on all of these components, as seen in Table 17.

TABLE 17. QUALITY-ENHANCEMENT COMPONENTS

Component	Unit	LOP Target	Achieved to Date	% Achieved
Quality Enhancement				
7. Develop producer-group cup profiles	Profiles	20.0	21.0	105%
8. Installation or improvement of quality-control laboratories	Labs	15.0	12.0	80%
9. Cuppers trained at all levels	Cuppers	60.0	110.0	183%
10. Regional quality standards[d]	Framework	1.0	1.0	100%
11. Construction or improvement of wet and dry mills	Mill	12.0	54.0	450%

Cup profiles communicate exact flavor characteristics to sellers and buyers. The QCP could develop profiles only after training enough cuppers to be able to use the information in them. Beneficiaries now have the labs and cuppers to make this tool useful for future marketing and operational communications.

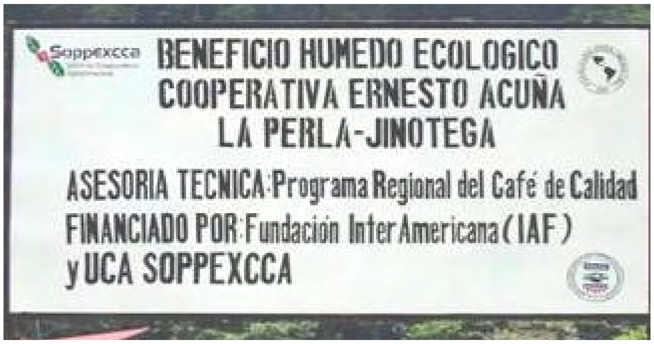
The program rehabilitated two professional cupping labs at Cooperativa El Gorrion and CORCASAN that had fallen into disrepair, and provided 10 new mini-labs to organizations that lacked this vital equipment. Only SOPPEXCCA had a professional cupping lab in good working order and thus did not need our support. The concept of the mini-lab evolved in the QCP from an extremely low-cost package ($300) with a short service life into a more expensive ($950) set of machines that would provide years of use. Nicaragua benefited from this evolved thinking as the last sets of mini-labs were delivered to beneficiaries in July and August 2005. Each of the last QCP mini-labs contained a manually operated sample huller to remove parchment from coffee beans, a manually operated gas-fired sample roaster, a battery-operated home grinder, a small scale to determine uniform weight of samples, 15 uniform glasses to assess sample strength, five cupper spoons, a metal teapot to heat water to a uniform temperature, a gas burner and two tanks of cooking gas, a shelf to keep samples clean and organized, and a wood cupping table. To receive a mini-lab, a beneficiary must have a QCP-trained cupper on staff.

As mentioned earlier, the cooperatives were grouped with a view toward becoming exporters in the future. The mini-labs will be used to check the quality of all arrivals and daily mill runs. A professional cupping lab will ensure the best quality coffees are exported, so Cooperativa El Gorrion will share its professional lab with Coop El Polo; SOPPEXCCA with Cooperativa Flor de Pino, and CORCASAN with UCAFE Dipilto.

The QCP trained cuppers at all levels, with 14 graduates from attaining star cupper status. QCP also trained entry-level cuppers in a 16-week junior cupper program that graduated six women and 14 men. Two of the men were recently elected president of their cooperatives.

TRAINING IN MILLING AND CUPPING

The QCP designed a new eco-friendly wet mill in La Perla, Jinotega, for the Ernesto Acuna Cooperative. Its 25 members formerly pulped coffee on farms, dumping the pulp and wastewater into nearby rivers.



The program also helped modify the 53 wet mills of CORCASAN members in the zone of San Juan de Rio Coco to bring them into compliance with the Rainforest Alliance's ecological standards.

We trained 11 wet-mill managers, 10 star cuppers, and 25 junior cuppers on improved processing techniques.

In supporting producer groups, the QCP tracked the percentage of defective beans in mill output and analyzed the yield on coffee delivered in parchment to exporter dry mills. The results in Table 18 reflect the percentage of sound and damaged beans in mill output.

TABLE 18. SOUND BEANS

Cooperative	% Sound Beans	% Slight Damage	% Dirty Cup	% Defective Beans or Cup
El Polo	80.06	7.19	8.58	4.17
Flor de Pino	76.12	9.00	10.38	4.50
El Gorrión	75.92	9.20	10.38	4.50

The percentage of sound beans was rather low in all cases, indicating that arrivals need tighter quality controls or that machinery was not property adjusted. One of the costs associated with quality coffee is that the ratio of sound beans to slightly damaged beans will get worse as the coffee is cleaned more. Dirty cup and defective beans are the result of poor handling on farms or in wet mills.

Farmers' custom of delivering coffee in wet parchment to exporters should be discouraged, as it is detrimental to coffee quality. Farmer income is considerably reduced and exporters need to build in a margin of error in pricing since it is extremely difficult to determine actual yield until coffee is dry. Studies in super premium countries, such as Costa Rica, indicate that the timely drying of coffee after wet milling may have a significant effect on ultimate cup quality.

Theft can be reduced if the mills adopt a system of controls at each step (from cherry to wet parchment to dry parchment to green coffee). While the QCP emphasized this in its trainings in all countries, it was hard to get the mills to adopt such a system.

ENTERPRISE DEVELOPMENT

The program selected six cooperatives as beneficiaries in 2003, all located in the high-quality region of northern Nicaragua. In designing technical assistance programs in 2003, each cooperative was subjected to a financial and administrative diagnosis that analyzed its legal structure, administrative procedures, internal controls, and accounting. By early 2004, the weaknesses in each group were identified and explained to its leaders, and we worked with them to develop a work plan to address any problems.

A QCP consultant met with boards of directors and managers periodically to review problems, recommendations, and accomplishments. The minutes of these meetings were included in the record book of the board of directors and supervisory committee of each cooperative. If and when recommendations were not adopted, the consultant would meet with the supervisory committee to advise them of their legal obligation to ensure remedial action was taken.

The QCP analyzed and organized financial statements, recommended modern management techniques, implemented internal controls, and trained staff in accounting and financial administration.

Of the six beneficiaries, the consultant had concerns about management at UCA San Juan de Rio Coco, suspecting that they were resistant to the administrative controls we had recommended. The program decided on an early termination of activities with this cooperative in 2005.

Of the country-specific targets for Nicaragua, the QCP achieved only seven of 12 administrative diagnostics. Because the program had only seven beneficiaries, it was simply impossible to meet this goal. However, the total program indicator for this activity was met and exceeded by the QCP.

During the 21 months of operation in Nicaragua, the QCP trained 61 people in futures markets and risk-hedging, coffee milling, marketing, supply-chain traceability, business plans, operating plans, financial statements, quality control in processing, using SACafé software, fire prevention and first aid, roasting and grinding, and Starbucks, Rainforest Alliance, organic, and Cup of Excellence standards. We provided SIGCafe management-control software to Cooperativa El Gorrion and SOPPEXCCA.

Today, the QCP's beneficiary cooperatives are taking their first steps toward a competitive, corporate, long-term view of business that will organize them and see their responsibilities to members and employees in a whole new way.

CONCLUSION

Table 19 lists all country-specific indicators. The program fell short on two indicators: the number of administrative/financial diagnostics and the number of quality-control laboratories installed or improved. The program worked with only seven beneficiaries due the timeframe so it was impossible to achieve all 12 diagnostics. The number of coffee labs fell short because the original mini-labs had a very short lifespan, so we decided to produce a smaller number of more expensive, higher-quality mini-labs.

Having used exporters and traders as a tool for the program, members were able to negotiate better terms and increase volume without excessive risk. Nevertheless, the cooperatives should work on becoming exporters, because vertical integration usually results in higher incomes.

TABLE 19. NICARAGUA PROGRAM ACCOMPLISHMENTS

Components	Unit	LOP Target	Achieved to Date	% Achieved
Market Development				
1. Agreements directly with buyers or through exporters	Agreement	8.00	8.00	100%
2. Production area certified[a]	Manzana	500.00	4,357.25	871%
3. Increase in quality-coffee exports[b]	Container	50.00	95.90	190%
4. New market-information system[c]	Web site	1.00	1.00	100%
Enterprise Development				
5. Administrative/financial diagnostics	Diagnostic	12	7	58%
6. Training in business processes	Event	8	8	100%
Quality Enhancement				
7. Develop producer-group cup profiles	Profiles	20	21	105%
8. Installation or improvement of quality-control laboratories	Labs	15	12	80%
9. Cuppers trained at all levels	Cuppers	60	110	183%
10. Regional quality standards[d]	Framework	1	1	100%
11. Construction or improvement of wet and dry mills	Mill	12	54	450%

a. Rainforest, Utz Kapeh, and fair trade

b. Actual sales or signed contracts; 1 container = 250 69-kilogram bags (or 375 quintals)

c. One system at regional level

d. One framework at regional level

G. PANAMA

Coffee is not an important part of Panama's economy, with production limited to the Boquete region near the Costa Rican border. The Specialty Coffee Association of Panama (SCAP) governs major participants and is an effective organization, considering the size of the Panamanian coffee industry. The government oversees coffee through the Ministry of Agriculture.

The QCP stumbled initially due to miscommunication with the Ministry of Agriculture and USAID/Panama. The Ministry apparently expected us to work with native Indian groups who planted coffee at extremely low altitudes, which was out of the scope of the task order. After a new administration took office in Panama, the QCP organized its activities in high altitudes in 2004.

Technical assistance in wet milling and cupping was provided to four producer groups: Productores de Renacimiento, Cooperativa Boquete, Grupo Ngobe Bugle, and Cooperativa La Esperanza de los Campesinos. The QCP provided Cooperativa Boquete with a technical study on expanding their wet mill, and trained 19 cuppers from all four groups and SCAP. Four people completed star cupper training, and the program provided financial support so that SCAP and a U.S. Peace Corps volunteer who worked with the Ngobe Bugle Indians could attend the 2005 SCAA convention in Seattle. Per an agreement with SCAP, sales of Panamanian coffee attributable to program efforts would be tracked, but the program never received verifiable data and cannot claim any sales as program achievements.

CONCLUSIONS, CHALLENGES, AND LESSONS LEARNED

In early September 2005, the Quality Coffee Program convened a meeting in Managua to discuss its successes, challenges, and lessons learned. Representatives from every country involved, except Costa Rica, the Dominican Republic, and Panama, applauded the program's accomplishments and discussed the challenges of giving — and receiving — support.

Over its life, the QCP reached thousands of small-scale coffee growers, far more than any other recent program. These growers learned how to strengthen their businesses and raise their standards of living.

The program was not without its limitations. Two full production cycles was simply not enough time for the program to reach its potential. The QCP operated for only two crop cycles, and the first was spent organizing the team, selecting beneficiaries, preparing the work plan, and starting basic training, leaving only one season to apply theory to reality. As a result, the project ended just when momentum got going.

Additionally, country teams were often uninformed about what others were achieving. Though the program was designed to respect each country's unique systems, all could have benefited from greater exchange of information across countries.

Perhaps the greatest influence on the outcome of this project was its regional approach, which provided both benefits and obstacles. On the one hand, the project tailored its efforts in each country. When work in one country yielded encouraging results, it could be applied to similarly situated countries.

On the other hand, Central America is not a single entity — it is comprised of individual countries that treat the coffee industry in markedly different ways. There were competing priorities among local governments, coffee associations, and USAID missions, and it is quite difficult to unify these actors in a single regional approach, no matter how flexible it may be.

As an example of the radically different challenges facing the countries involved in this project, Costa Rica has an outdated law on the books that artificially depresses coffee prices, forcing mills to sell short — ultimately leading to bankruptcies and closings. The Dominican Republic is not seen as part of Central America, and the expense of travel to and from the country severely restricted its participation in the program. And in Panama, coffee makes up only a very small part of the economy, with production limited to one small region near the Costa Rican border.

The QCP initially planned to provide equal services in each country, but it became clear that certain countries had stronger potential to benefit from the program. Additionally, the USAID missions in El Salvador and Nicaragua gave additional funds to the program, which contributed to their impressive results; other countries were either unwilling or unable to contribute financially or technically. The disparity in results may give the impression that the program focused on certain countries by choice, rather than by necessity.

LESSONS LEARNED

SELECTION OF BENEFICIARIES SHOULD BE PERFORMANCE-BASED

The QCP was intended to benefit small-scale grower cooperatives, which it did in many cases, but there are many small- and medium-sized independent growers who are economically and technically challenged, too. Such growers were helped only indirectly through our in-country partners with extension services. Future programs could be more effective if support were not limited to a certain category of beneficiaries (in this case, cooperatives) but rather determined by leveraged beneficiary inputs.

The cooperative structure itself was challenging in that the continual rotation of boards of directors and administrators, intended to foster democratic participation, required never-ending training. Cooperatives' lack of understanding of management tools and legal responsibilities made implementation very difficult. A series of new legal structures being implemented in the different countries, however, may provide better alternatives to the traditional cooperative structure.

BENEFICIARIES SHOULD COMMIT TO TRANSPARENCY AND OPEN ACCESS

The program saw the best results with groups that held a philosophy that accepts transparency and open access. Requiring diagnostics and commitment from cooperative leaders successfully filtered out dysfunctional organizations, allowing the program to focus on groups with a higher chance of long-term success. When we relaxed our standards in order to increase the number of beneficiaries, we subsequently discovered that results were much less impressive. In a majority of such cases, we were forced discontinue work. Groups that met our initial diagnostic requirements showed much higher rates of success in other areas of the program. These requirements foster integrity and strong administrative standards and should be used as criteria in selecting and retaining groups to receive future USAID assistance.

Resistance to transparency was a trademark of organizations suffering from mismanagement and questionable business practices, while a culture of openness was usually the first indication that a group would be receptive to new systems and suggested reforms. The most difficult component to implement under this program was business enterprise, partly because of the lack of professional managers and accountants in rural Central America, but also because the leaders of some organizations were not interested in financial controls or transparency to stakeholders.

PROGRAMS SHOULD NOT BE ESTABLISHED FOR SHORT TIME PERIODS

The program was funded for only two full production cycles (prior to the final extension through March 2006) and was just catching its stride when it had to shut down. A disproportionate amount of time was spent organizing and hiring experts in relation to the amount of time the program provided training; this was the main complaint from beneficiaries and host-government authorities. The problem is compounded with coffee because its annual cycle is set by the harvest, which occurs in the first and fourth quarters of each year, which means training must be scheduled accordingly. Organizational work can take 12 to 18 months, while end-of-project preparations begin six months before the end date. This leaves almost no time for real program work.

ANNEX A: OVERALL REGIONAL INDICATORS AND DELIVERABLES FOR THE QUALITY COFFEE PROGRAM

Annex A: QUALITY COFFEE PROGRAM

Overall Regional Program Indicators And Deliverables: through March 31, 2006 [1]

No.	Indicator Description	Unit	Deliverables: LOP target	1st Qtr 2006	Total to Date	% Completed
	Marketing and Sales					
1	Change in volume of export sales (certified & differentiated {premium-priced} coffee)	containers	273	110	417	152.7%
		60-kg bags[2]	78,583	31,711	121,604	154.7%
		quintals[3]	102,500	41,363	158,615	154.7%
2	New buyers purchasing premium coffees	buyers	10	1	16	160.0%
3	Countries with brand-promotion programs	countries	1		1	100.0%
4	Country coffee auction systems supported [4]	countries	4		4	100.0%
5	Promotional activities implemented [5]	countries	2		5	250.0%
	Quality Enhancement					
6	Change in quality-grading scores for QCP groups	points	-	-	-	-
7	Cuppers achieving QCP calibration standards	Q graders [6]	15		22	146.7%
		star cuppers	15		95	633.3%
8	Training courses in quality evaluation (various levels)	courses	20	1	42	210.0%
9	Persons trained in quality evaluation (various levels)	persons	520	26	732	140.8%
10	Wet mills built/modified or operations improved	mills	32		84	262.5%
11	Producer-group cup profiles	profiles	30		51	170.0%
12	Persons trained in quality in wet mills	persons	250	26	338	135.2%
12a	Printed wet-milling instructional handbook	manuals	0		5,000	-
12b	Training video in wet milling for specialty markets	master videos	0		1	-
13	Quality-control laboratories established or improved	labs	30	3	43	143.3%
14	Presence of regional quality standards	sets of stds	1		1	100.0%
	Business Development					
15+e	Groups with business plans	groups	16	1	16	100.0%
16	Groups with transparency/traceability systems	groups	5		9	180.0%
17	Market-intelligence systems created	Web sites	1		1	100.0%
18	Group administrative/financial assessments	assessments	20		30	150.0%
	Certification [7]					
19	Growers producing certified coffee	growers	500	135	1,115	223.0%
20	Area of new certifications	manzanas	1,200	2,201	8,107	675.6%
21	Volume of coffee certified [8]	metric tons	7,000	1,721	6,561	93.7%
		60-kg bags[2]	116,667	28,686	109,358	93.7%
		quintals[3]	152,174	37,417	142,641	93.7%
22	Volume of certified coffee exported	metric tons	1,058	1,040	1,665	157.4%
		60-kg bags[2]	17,633	17,333	27,748	157.4%
		quintals[3]	23,000	22,613	36,193	157.4%
	Institutional and Policy					
23	National and regional advocacy groups strengthened	groups	5		5	100.0%
24	Policy-change recommendations	policies	3		4	133.3%

[1] Working Document/Indicator Reference Sheet developed by QCP and USAID, including El Salvador extension 2005/2006.

[2] 60-kg bags used for statistical purposes. CADR ships in 69-kg bags, so actual shipments are converted to statistical units of 60-kg bags.

[3] A quintal = 100 Spanish lb or 46 kg net (approx. 375 quintals per container).

[4] Cup of Excellence and/or Q auctions.

[5] Includes Rainforest Alliance buyer tours, Marketers Tour de Café, Honduras Quality Caravans, and El Salvador Harvest Tour 2006.

[6] Star Cuppers who passed CQI/SCAA tests to achieve level of Q Grader, as reported by CQI.

[7] Rainforest Alliance, Starbucks C.A.F.E. Practices, Q Auctions, organic and/or fair trade.

[8] Certification is by farm area, not volume. To arrive at reported volume, area certified was multiplied by national average production per unit of area.

ANNEX B: QCP PRINCIPAL PRODUCER-GROUP CLIENT

Annex B: QCP Principal Producer-Group Clients

through March 31 , 2006

	PRODUCER GROUP	No. of Members	Export Volume	Buyer Contacts	Buyer Visits	Value-Added Mechanism [3]	SALES[1] LOP Target	FY 05/06	Total	60k bags	Quintals[2]
EL SALVADOR							**174**	**110**	**238**	**68,624**	**89,509.5**
	Coop La Majada	600	117,400	14	11	RA + SCP	50	32	55	15,899	20,737.5
	Coop Ciudad Barrios	600	78,200	10	6	RA	30	24	51	14,519	18,937.5
	Exportadora El Volcan	115	150,000	11	5	FT + RA + SCP	20	13	25	7,166	9,346.5
	Coop Las Lajas (El Volcan)	250	16,000	1	1	RA	16	0	16	4,571	5,962.5
	PROEXCAFE	350	15,000	18	8	FT + RA + SCP	48	25	58	16,905	22,050.0
	BEXCAFE	45	35,000	2	1	SCP	10	10	22	6,325	8,250.0
	Coop Los Ausoles	120	90,000	3	2	SCP	0	5	5	1,438	1,875.0
	Coop El Jabali	220	15,000	2	1	FT	0	1	1	316	412.5
	Various	n/a	n/a	n/a	n/a	Cup of Excellence	0	0	5	1,486	1,938.0
GUATEMALA							**42**	**0**	**81**	**24,587**	**32,070.0**
	Fedecocagua [4]	23,000	210,000	24	5	FT + OR + SQ	32	0	72	22,000	28,695.0
	Coop Baluarte	180	3,000	5	2	FT	7	0	6	1,725	2,250.0
	ForesTrade	300	3,000	n/r	n/r	FT + OR	3	0	3	863	1,125.0
HONDURAS							**20**	**0**	**10**	**2,806**	**3,660.0**
	Marcala Organic (FUNDER)	80	2,500	4	2	FT + OR	4	0	4	1,150	1,500.0
	COHORSIL	160	30,000	4	2	FT + OR + RA	8	0	2	575	750.0
	La Coordinadora	500	12,000	1	1	FT + OR	8	0	0	0	0.0
	Various	n/a	n/a	n/a	n/a	Cup of Excellence	0	0	4	1,081	1,410.0
NICARAGUA							**40**	**0**	**89**	**25,588**	**33,375.0**
	UCAFE Dipilto	180	2,000	12	4	FT + OR	2	0	2	575	750.0
	UCA Sn Juan de Rio Coco	280	3,000	12	6	FT + OR	5	0	7	2,013	2,625.0
	COMPRACOM	80	1,000	2	1	FT/O	0	0	1	288	375.0
	Coop El Gorrion	200	5,000	12	2	FT	5	0	4	1,150	1,500.0
	CORCASAN	300	6,000	12	6	FT + OR	3	0	13	3,738	4,875.0
	Coop El Polo	300	5,000	12	6	SQ	5	0	7	2,013	2,625.0
	Coop Flor de Pino	200	3,000	12	3	SQ	0	0	2	575	750.0
	Coop 5 de Julio	#	#	n/r	n/r	SQ	0	0	2	575	750.0
	PAC/Ocotal	#	#	n/r	n/r	SQ	0	0	6	1,725	2,250.0
	AldeaGlobal Jinotega	#	#	n/r	n/r	SQ	0	0	4	1,150	1,500.0
	Esperanza Group	#	#	n/r	n/r	SQ	20	0	37	10,638	13,875.0
	PAC/Matagalpa	#	#	n/r	n/r	SQ	0	0	4	1,150	1,500.0
PANAMA							**8**	**0**	**0**	**0**	**0.0**
	Coop Boquete			n/r	n/r	SCP	4	0	0	0	0.0
	ARPE			n/r	n/r	SCP	4	0	0	0	0.0
						TOTALS	**284**	**110**	**417**	**121,604**	**158,614.5**

[1] in containers with estimated load of 250 69-kg bags (or 375 quintals) each; reported quantity in 60k bags and quintals are actual deliveries
[2] in quintals (1 quintal = 100 Spanish lb or 46 kg); reported quantity is actual weight of deliveries
[3] RA=Rainforest Alliance, FT=fair trade, OR=organic, SCP= Starbucks C.A.F.E. Practices, SQ=specialty quality without 3rd party certification, *= certification pending
[4] FEDECOCAGUA reports 2 additional containers sold through Q Auction, data eliminated to avoid duplication with CQI reports
(#) Faith-based organizations reported sales under subcontracts with the QCP

ANNEX C: QCP MARKETING RESULTS THROUGH MARCH 31, 2006

Annex C: QCP Marketing Results through March 31, 2006

	PRODUCER GROUP	BUYER NAME	SALES Container	60-kg bags	Quintals	PREMIUM USD per quintal	TOTAL VALUE (USD) Premium	Total
EL SALVADOR			**237.4**	**68,624**	**89,509.5**		**$1,613,405**	**$10,525,128.00**
	Coop La Majada	Kraft	3	949	1,237.5	$15.00	$18,563	$105,187.50
		CTCS/Starbucks	52	14,950	19,500.0	$14.00	$273,000	$2,281,500.00
	Coop Ciudad Barrios	Kraft	51	14,519	18,937.5	$15.00	$284,063	$2,229,071.25
	El Volcan	Kraft	20.4	5,865	7,650.0	$15.00	$114,750	$887,580.00
		Volcafe Specialty	1	294	384.0	$23.00	$8,832	$42,701.25
		Starbucks	3	863	1,125.0	$12.00	$13,500	$125,062.50
		Dallis Coffee	1	288	375.0	$10.00	$3,750	$37,500.00
	Coop Las Lajas	DR Wakefield/GALA	15	4,428	5,775.0	$30.00	$173,250	$594,082.50
	PROEXCAFE	Nestle/ECOM	28	8,079	10,537.5	$7.00	$73,763	$1,241,512.50
		Starbucks/ECOM	3	863	1,125.0	$12.50	$14,063	$132,562.50
		ECOM	12	3,479	4,537.5	$7.00	$31,763	$293,485.50
		Kraft	15	4,485	5,850.0	$15.00	$87,750	$698,580.00
	Bexcafe	Starbucks/ECOM	22	6,325	8,250.0	$10.00	$82,500	$937,125.00
	Coop Los Ausoles	Starbucks/ECOM	5	1,438	1,875.0	$10.00	$18,750	$233,437.50
	Coop El Jabali	Muyshondt Avila (NKG)	1	316	412.5	$20.00	$8,250	$57,750.00
	Cup of Excellence 2004	Various	3	1,012	1,320.0	$135.00	$178,200	$322,080.00
	Cup of Excellence 2005	Various	2	474	618.0	$370.00	$228,660	$305,910.00
GUATEMALA			**81**	**24,587**	**32,070.0**		**$571,145**	**$4,237,722.69**
	FEDECOCAGUA	Coffee America	15	4,744	6,187.5	$9.64	$59,638	$772,396.39
		CTCS	1	316	412.5	$50.50	$20,831	$51,562.50
		Blaser & Wolthers	10	3,163	4,125.0	$15.12	$62,370	$548,872.50
		Volcafe Specialty	7	2,105	2,745.0	$18.04	$49,517	$371,238.79
		Royal Coffee	17	4,888	6,375.0	$18.09	$115,313	$886,912.50
		DR Wakefield	6	1,898	2,475.0	$21.45	$53,100	$324,268.13
		Ecom - Atlantic Specialty	4	1,236	1,612.5	$24.35	$39,259	$219,084.38
		AMCOF	4	1,265	1,650.0	$11.55	$19,058	$221,100.00
		Armenia Coffee	5	1,495	1,950.0	$30.38	$59,246	$297,900.00
		Balzac Bros. Coffee	2	575	750.0	$2.78	$2,081	$78,937.50
		Planet Coffee	1	316	412.5	$29.05	$11,983	$62,700.00
	Coop Baluarte	Cafcom/Green Mountain	6	1,725	2,250.0	$20.00	$45,000	$261,000.00
	ForesTrade	Royal, OPTCO	3	863	1,125.0	$30.00	$33,750	$141,750.00
HONDURAS			**10**	**2,806**	**3,660.0**		**$255,000**	**$599,693.23**
	FUNDER	Volcafe Sp/Allegro	1	288	375.0	$41.00	$15,375	$45,375.00
		HACOFCO	1	288	375.0	$41.00	$15,375	$45,375.00
		Royal Coffee	1	288	375.0	$41.00	$15,375	$45,375.00
		CTCS	1	288	375.0	$41.00	$15,375	$45,375.00
	COHORSIL	CTCS	1	288	375.0	$41.00	$15,375	$45,375.00
		Becamo/Kraft	1	288	375.0	$5.00	$1,875	$37,875.00
	Cup of Excellence 2005	Various	4	1,081	1,410.0	$125.00	$176,250	$334,943.23
NICARAGUA			**89**	**25,588**	**33,375.0**		**$750,604**	**$3,696,990.10**
	Ucafe Dipilto	Atlantic	2	575	750.0	$22.00	$16,500	$93,477.89
	UCA S Juan Rio Coco	CBI/Volcafe Sp	7	2,013	2,625.0	$30.00	$78,750	$348,172.62
	COMPRACOM	CBI/Volcafe Sp	1	288	375.0	$30.00	$11,250	$49,738.95
	Coop El Gorrion	CTCS	4	1,150	1,500.0	$30.00	$45,000	$198,955.78
	Corcasan	CISA/Starbucks	13	3,738	4,875.0	$30.00	$146,250	$646,606.30
	Coop El Polo	Atlantic/Starbucks	7	2,013	2,625.0	$30.00	$78,750	$348,172.62
	Coop Flor de Pino	Atlantic	2	575	750.0	$35.85	$26,888	$103,865.94
	Coop 5 de Julio	Esperanza/Starbucks	2	575	750.0	$17.47	$13,103	$72,000.00
	PAC/Ocotal	Esperanza/Starbucks	6	1,725	2,250.0	$17.47	$39,308	$216,000.00
	AldeaGlobal Jinotega	Esperanza/Starbucks	4	1,150	1,500.0	$17.47	$26,205	$144,000.00
	PAC/Matagalpa	Esperanza/Starbucks	4	1,150	1,500.0	$17.47	$26,205	$144,000.00
	Esperanza Group	Starbucks	37	10,638	13,875.0	$17.47	$242,396	$1,332,000.00
			-------------	-------------	-------------		-------------	-------------
TOTAL			**417.4**	**121,604**	**158,614.5**		**$3,190,154**	**$19,059,534.02**

ANNEX D: DELIVERABLES AND RESULTS IN EL SALVADOR (LIFE OF PROJECT)

Annex D: Deliverables and Results in El Salvador

Life of Project (inluding current extension)

	Activity	Unit	LOP Target	Achieved to Date	% of LOP
	Quality Enhancement				
1	Develop quality-control laboratories	labs	13	13	100.0%
1a	Enhancement of cupping laboratories [1]	labs	3	3	100.0%
2	Quality training (levels)	cuppers	80	89	111.3%
3	Certification of cultivated areas [2]	manzanas	700	2,201	314.4%
4	Sales contracted at differentiated prices [4]	metric tons	1,955	2,335	119.4%
		quintals[3]	42,500	50,750	119.4%
4b	Technical assistance in preparation of export lots	containers [3]	10	16	160.0%
5	Regional quality standards	frameworks	1	1	100.0%
6	Wet and dry milling facilities (new or improved)	m	20	28	140.0%
	Marketing				
7	Develop National Marketing Plan [5]	plans	1	1	100.0%
7a	Consolidate National Marketing Plan [5]	plans	1	1	100.0%
b	Promotional & marketing plans under National Marketing Plan guidelines	beneficiaries	3	3	100.0%
8	Increase quality-coffee exports	metric tons	575	1,796	312.3%
		quintals[3]	12,500	39,035	312.3%
9	Create market-information mechanism	Web sites	1	1	100.0%
	Improved Business Practices				
10	Promote National Association for Specialty Coffee	new assoc.	1	1	100.0%
11	Producer group admin./financial diagnostic for elaboration & implementation of business plans	business plans	8	11	137.5%
11a	New business plan	beneficiaries	1	1	100.0%
11b	Follow-up on producer-group admin./financial diagnostic & implementation of business plans	business plans	4	4	100.0%

[1] Labs at Consejo Salvadoreno del Café (CSC), Proexcafe, and Coop. Ciudad Barrios

[2] Certifications w ith Rainforest Alliance, FLO (fair trade), or Starbucks C.A.F.E. Practices

[3] A quintal = 100 Spanish lb or 46 kg

[4] Not including Q auction for 2187quintals, w hich, if included, w ould total 52,937quintals

[5] National Marketing Plan subcontracted w ith Coffee Solutions Inc., officially launched by CSC in March 2006.

ANNEX E: DELIVERABLES AND RESULTS IN NICARAGUA

Annex E: Deliverables and Results in Nicaragua

through September 30, 2005

	Activity	Unit	LOP Target	Achieved to Date	% of LOP
	Market Development				
1	Agreement with buyers (direct or through exporters)	agreements	8	8	100.0%
2	Certification of cultivated areas [1]	manzanas	500	4,357	871.4%
3	Increase quality-coffee exports	containers [2]	50	93	186.0%
4	Create market-information mechanism [3]	Web sites [3]	1	1	100.0%
	Enterprise Development				
5	Producer-group admininstration/financial diagnostics and business plans	producer groups	12	7	58.3%
6	Training in business processes	events	8	8	100.0%
	Quality Enhancement **Develop Producer Group**				
7	Develop producer-group cup profiles	profiles	20	21	105.0%
8	Develop or improve quality-control laboratories [4]	labs	15	12	80.0%
9	Cuppers trained in quality at all levels	cuppers	60	110	183.3%
10	Regional quality standards [5]	frameworks	1	1	100.0%
11	Wet and dry milling facilities (new or improved) [6]	mills	12	54	450.0%

[1] Total area certified, of which 2414 manzanas received "double certification" (eg. fair trade and organic). Total certification by agency: Rainforest Alliance, 804 mz; FLO (fair trade), 3,423 mz; various organic certifiers, 2,414 mz.

[2] Actual sales contracted: 1 container = 250 69-kg bags or 375 quintals

[3] One Web site developed at regional level

[4] Additional labs scheduled for delivery in 3Q 2005 after training staff.

[5] Regional standards in process for delivery 2Q 2005

[6] Includes 1 new mill and 53 mills upgraded to Rainforest Alliance standards