



## **Responsible Sourcing Partnership Project**

**Strategic Objective: Providing strategic trade-related technical assistance to selected MSE industries**

Cooperative Agreement No. 512-A-00-07-00014-00

Third Quarterly Report for Fiscal Year 2009  
(April 2009 –June 2009)

Submitted to:  
USAID

Alexandre Alves, Cognizant Technical Officer  
Av. das Nações Quadra 801, Lote 3  
Setor de Embaixadas Sul, Brasilia, DF 70403-900  
Brazil

Aman S Djahanbani Director Regional Contracts Office  
Av. La Encaloda, Cdra. 17  
Monterrico Surco  
Lima 33. Peru

Submitted by:

TransFair USA  
1500 Broadway, Ste 400  
Oakland, CA 94612

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## Table of Contents

Executive Summary .....	3
Activities and Deliverables .....	4
A. Activities related to Project Startup and Monitoring .....	4
B. Results of RSP Project components .....	7
Component One: Expanding and improving the quality of supply .....	7
Component Two: Increasing producer capacity .....	12
Component Three: Raising the marketing capacity of Brazilian coffee growers .....	14
C. Results .....	20
Budget .....	20
Outlook .....	20
Annexes .....	22
Annex 1 .....	23
Annex 2 .....	24

## Acronyms:

ABD	Association Bio Dinâmica
BSD	Business Sustainability Development
CBD	Café Bom Dia
CCC	Consejo Consultivo de Café/ Coffee Advisory Council
CEC	Center of Excellence for Coffee
CQI	Coffee Quality Institute
FLO	Fairtrade Labeling Organization
FGV	Getúlio Vargas Foundation
GPS	Global Producer Services
M&E	Monitoring and Evaluation
RA	Rainforest Alliance
RSP	Responsible Sourcing Partnership
SCAA	Specialty Coffee Association of America
SEBRAE-MG	Brazilian Small and Medium Enterprise Support Agency, Minas Gerais
SEBRAE-SP	Brazilian Small and Medium Enterprise Support Agency, São Paulo
SKU	Stock Keeping Unit
TFUSA	TransFair USA
UFLA	Universidade Federal de Lavras/ Federal University of Lavras
USAID	United States Agency for International Development

## **Executive Summary**

### **Project Background**

The 2007-2010 Responsible Sourcing Partnership (RSP) project is an innovative public-private partnership among USAID, TransFair USA (TFUSA), Wal-Mart Stores, Inc. and SEBRAE-Minas Gerais that seeks to link Brazilian coffee farmers with mass market coffee consumers in the United States through Fair Trade Certified products. The RSP project furthers USAID/Brazil's goal to promote participation of Micro and Small Enterprise Brazilian coffee producers, including small rural producers, in the global market, using the following three working components:

- Component One: Expanding and improving the quality of supply
- Component Two: Increasing producer capacity
- Component Three: Raising the marketing capacity of Brazilian coffee growers

With cash and in-kind contributions from all partners totaling US\$1.9 million, the RSP project provides technical training and investment in farm and cooperative infrastructure to benefit more than 5,000 smallholder farmers in Brazil. At the end of the three year project, farmers and cooperatives will have the advanced skills necessary to meet market demand for high volumes of Fair Trade Certified coffee. Since implementation began in October, 2007, project initiatives have enabled significant advances in the Brazilian specialty coffee sector and continue to do so as the second year of project activities progresses.

### **Quarterly Report April 1, 2009 – June 30, 2009 (QIII 2009)**

This third quarterly report for fiscal year 2009 (QIII09), covers the implementation period of April 1 through June 30, 2009. Project highlights for the period include the completion of the Infrastructure Grant Program; attendance at the 2009 SCAA Trade Show and Convention; launch of direct training programs; and the launch of the second round of the grant program and preparation for the second Fair Trade Certified cupping competition in Brazil. Our producer partners are reaching the peak of the harvest season and while purchasing activities have not yet begun in earnest, they are hopeful for a strong U.S. market performance by Brazilian Fair Trade Certified coffee this year despite the on-going economic downturn.

Early in the third quarter TransFair USA and Wal-Mart Stores, Inc. finalized an agreement for Wal-Mart to take responsibility for the counterpart contribution committee to the project by Café Bom Dia. As a result of this agreement, Wal-Mart has agreed to make a US\$400,000 contribution to the project while continuing their agreed in-kind contribution. This represents a significant change in the structure of the project and results from a change in Wal-Mart's sourcing strategy. Café Bom Dia is no longer supplying coffee to the U.S. retailer and so is not able to continue to meet the technical,

grant making and purchasing commitments originally envisioned in Cooperative Agreement No. 512-A-00-07-0014-00. Wal-Mart's new commitment of cash and in-kind resources to the Responsible Sourcing Partnership Project takes up those commitments and ensures the continued implementation of project activities with no disruption of operations. The project is well on its way to meeting expected outcomes.

For a second year Brazilian producers had a successful experience in the Fair Trade Certified Booth at SCAA. With support from SEBRAE-MG and TransFair to update marketing materials and plan for their show participation, representatives from nine producer organizations attended, making good connections with current and potential buyers and inspiring visits to Brazil by three Fair Trade licensees before the end of the quarter.

The project partners initiated a communications committee that has begun planning marketing and communications efforts for a new coffee launch planned for August. As the Brazilian harvest unfolded producers joined coffee expert Prof. Flavio Borem for on-site training in Post-Harvest Best Practices and partner SEBRAE-MG continued to support producers to maintain and achieve certification, shepherding two new organizations through the certification application process.

## **Activities and Deliverables**

Report three from the second year of the Responsible Sourcing Partnership project concentrates on project activities and results achieved during the period of April through June 2009.

### **A. Activities related to Project Startup and Monitoring**

Sections below describe monitoring and evaluation, and project management activities that will continue through the life of the project. All initial start-up activities were completed by the close of Q109 and on-going deliverables from activity 'A' will relate exclusively to project management and monitoring.

#### ***Annual Work Plan***

At the close of the third quarter, the project is still on track to meet its FY2009 goals except in the case of the Administrator training activity and the related supply chain management improvements. Both activities will start later than expected and therefore close later as a result of an unexpected cancellation by the consultant chosen to carry out the Administrator training program. The project team has proceeded with a process to recruit new training consultants and the activity should launch in the fourth quarter.

### ***Annual Diagnostic Survey***

As addressed in the QII09 report, the mid-line survey will consist of analysis of annual financial reports from the participating producer groups. The reports allow us to construct an objective view of the financial changes groups have experienced during their participation in the project. The annual financial reports are expected to be available in the fourth quarter as participating groups close out their current sales year. This information will then be aggregated to compare not only the individual group's impact over time but also the overall trend.

### ***Producer Engagement Activities***

The RSP project partners hosted three producer meetings in QIII09. The first was in preparation for participation in the Specialty Coffee Association of America (SCAA) trade show and conference. The meeting, discussed in detail in section 3.1 activity 2 below, prepared producers for what to expect at the show and how to best represent their organizations. Additionally, producers who had attended the show the previous year were encouraged to share their experiences and provide advice to their fellow producers.

Though a formal producer meeting was not on the calendar for April, the project partners took advantage of having producer representatives from ten of the participating producer organizations present at the SCAA conference to hold a mid-term producer meeting on April 17 the second day of conference. The objectives of the meeting were to present the Portuguese version of the 2009 edition of the Guide to the U.S. Coffee Market in hard-copy form; to introduce the function, purpose and latest discussions of TransFair USA's coffee advisory council (Consejo Colectivo de Café – CCC) where Fernando Cerqueira of RSP participating coop Coocafe holds a seat representing Brazil; to provide a forum for producers to share their initial reactions and experiences of the SCAA trade show and voice actionable recommendations for the remaining days of the show; and finally, to discuss the RSP project, including overall impressions of the results to date and upcoming activities.



**RSP Producer representatives and project partners at SCAA**

The introduction to the CCC was an important topic at the meeting. Participants were interested in engaging in the agenda and decisions of the council, in the hopes of bringing Brazil's collective needs to the forefront. The discussion focused on ways that producers could communicate their needs and ideas to ensure that Fernando Cerqueira's work on the CCC will benefit all of the Fair Trade Certified producer groups in Brazil. Producers, in conjunction with TransFair USA, have decided to use future RSP project producer meetings as an opportunity to exchange information on CCC related topics.

The final producer meeting of the quarter took place on June 17 at Expocafe, a large coffee industry exposition held in the municipality of Varginha in Minas Gerais, Brazil. Representatives from TransFair USA and FLO Liaison Officer Reinaldo Rodrigues were invited to join Juliano Cornelio at the SEBRAE-MG booth to participate in a meeting with Fair Trade Certified producer representatives about past successes and future plans for the RSP project. The agenda included time to discuss any producer concerns. The result was a constructive conversation around coffee pricing policies and clarification of



**The project partners receive questions during the producer meeting at Expocafe**

specific FLO coffee standards. This discussion identified a number of areas in which better communication between FLO and coffee producers was needed. The RSP local project management will ensure improved communications with the FLO Liaison Officer going forward.

### ***Media Coverage***

Important market linkages made during the producers' visit to the 2009 SCAA Trade Show and Conference were a featured subject of media attention this past May. Two on-line publications, the agro-business magazine, *Cafecultura* and the on-line resource, *Portal do Agronegocio*, picked up a story from Sebrae-MG's news service about partnerships forged in the Fair Trade Certified booth at SCAA.

*Folha Vargense*, a local newspaper in Varginha, carried a story on April 16 about the RSP participating group, Unipasv's experience at SCAA. In the article Unipasv members

Francisco Alves and Beatriz Souza discussed the important market impact of representing their organization at the show.

Manufacturer Pinhalense featured the RSP project's 2008 Fair Trade Certified Cupping Competition in its monthly newsletter *Pinhalense Hoje*. The special edition published in June, entitled "Premiados do Brasil" highlighted the competition winners and prominently featured the competition logo and the Fair Trade Certified mark. (See *Annex I*)

## **B. Results of RSP Project components**

The following sections outline the three program components with main achievements in QIII 2009 summarized for each.

### ***Component One: Expanding and improving the quality of supply***

*"Expanding and improving the quality of supply through investments in infrastructure and training and technical assistance in production, post-harvest handling and processing, especially related to organic conversion. Under this component, the team will focus on transferring best practices in production and quality evaluation techniques to producers and producer organizations through training and technical assistance. The team will achieve this goal through four key activities (1.1. to 1.4.)."*

#### **1.1. Upgrade Processing Methods and Infrastructure**

##### **Activity 1: Infrastructure Grant Program**

Two important goals were reached in the Infrastructure Grant Program during QIII. The first was the completion of the first round of grant projects and closing out of financial and narrative reporting by participating groups. The second was the launch of the second round of the Infrastructure Grant Program that will continue through the end of the calendar year.

The first round of the Infrastructure Grant Program concluded successfully in the beginning of April. Participating producer organizations submitted their final reports documenting their completed projects and received final payments of grant funds. All of the Grant Program projects were completed successfully and in accordance with the adjusted timetable described in the in the QI09 project report.

In June, the second round of the Infrastructure Grant Program was initiated. With new funding from Wal-Mart Stores allocated to the activity, TransFair USA began preparing a request for proposals (RFP) and other guidance documents for both producers and grant committee members. Lessons from the first round were incorporated into the program design with revisions to the reporting guidelines and the creation of standardized formats

that will streamline reporting for producer organizations. The revised RFP was sent to all twelve producer organizations.

Concurrently, members of the grant committee, who are responsible for the evaluation and selection of the proposals to be funded, were mobilized. The committee evaluates the merits of each proposal using a standardized scoring tool that emphasizes feasibility, sustainability and impact on coffee quality. The grant committee members for the 2009 round of grantmaking are; Beat Grüninger, Responsible Sourcing Partnership Local Project Manager, TransFair USA; Paulo Mindlin, Wal-Mart Stores, Inc; Juliano Cornélio, Sebrae-MG; Flavio Meira Borem, Universidade Federal de Lavras UFLA; André Carvalho, Center of Sustainability, Foundation Getúlio Vargas FGV. The committee will both review the proposals independently and also meet as a whole to discuss and select on the winning projects.

A total of nine completed proposals were submitted by the deadline and they received an initial review by the TFUSA project management team against eligibility requirements established by the RFP. All nine proposals received met the eligibility requirements and were sent on to the grant committee for initial evaluation and scoring. The first meeting of the committee will take place in early QIV.

Each of the proposals demonstrated significant analysis by the submitting producer organization to identify the constraints to quality improvement faced by their organization and members. When compared to the 2008 proposals, the current submissions show an increase in project sophistication, both in the artfulness of the proposal formulation and in the strength of the project proposed. A summary of each the proposal submitted can be found in *Annex 2*.

## 1.2. Production and Post-Harvest Processing

### Activity 1: Production and post-harvest processing training

Post-harvesting processing training began in earnest in QIII with both the Training of Trainers session and Direct Producer Training sessions getting underway. As presented in the QII quarterly report, the post-harvest best practices training consists of an initial training of trainers by an industry expert. The agronomists trained through that activity are producer members of participating Fair Trade Certified organizations or local experts who then provide between 15 and 20 field trainings sessions to members of producer organizations in their surrounding area.

#### ***Training of Trainers***

The initial phase of the Post Harvest Processing Training was completed in mid-June with the execution of the three-day, classroom based training of trainers (TOT) session. The training was held at the Federal University of Lavras (UFLA) and was attended by

Cláudio Baquião Filho of Coopervitae and Eliezer Reis Jorge of Associação Dos Costas. Agronomy expert, Professor Flavio Borem provided 25 hours of training in coffee agronomy, including: plant and bean anatomy, fundamentals of coffee quality, coffee processing, drying and storing, indicators of coffee quality in post harvest-handling – and worked with the trainers to develop a curriculum and work plan to be executed during the field trainings. The classroom training prepared them with the post-harvest handling techniques specific to their region. At the end of the three days, Claudio and Eliezer each left the training with a curriculum plan for the field trainings and a copy of Professor Borem’s reference book, *Pós-Colheita do Café*.

Professor Borem teaches quality management by introducing his students to a physical sensory experience that won’t soon be forgotten. On the second day of training, Professor Borem brings prepared coffee to class. In one thermos is high quality, specialty coffee that students taste and enjoy. Then he serves low-grade, common coffee from the local market. The contrast between the two drinks is stark and creates a strong and memorable sensory reaction. The result is a strong demonstration that coffee can be improved through different techniques in production and processing.

### ***Direct Producer Training***

As part of their learning agreement with the project, each trainer is responsible for training three producer organizations after they complete the TOT program with Prof. Borem. The field trainings are attended by between 15 and 20 producers per session and all sessions are planned to be completed by mid-July. The first field training conducted by each trainee agronomist was observed by Prof. Borem. The professor was there to provide any needed support to the trainer and also to help tailor the training to the specific conditions faced by farmers in the region. The professor also met with producer group leaders to get feedback on the trainers performance in their first training sessions and then met with the trainers to communicate those comments and to provide suggestions for strengthening future trainings. Both trainers attended one another’s first trainings to learn from each other and from Prof. Borem.

By the close of QIII09 each trainer completed trainings in one of their three assigned producer organizations. The initial reports from those trainings have been very positive, as much from the producer organizations as from the trainers and Prof. Borem. All parties are invested in the activity and are motivated to work toward its success.

Beyond the direct training sessions implemented through this project, the trainers are equipped to serve as an ongoing resource for the groups they trained. Both agronomists established a strong working relationship with Prof. Borem and have been encouraged by the project and directly by the professor to contact him with any future questions. The producer

“At the start of each training, I looked for the producers who were most skeptical and watched them. By the end of training they were the ones asking the most questions and were most interested in the new techniques. The first step was taken; the journey is long, but we are on the right path.”

- *Trainer Eliezer Reis Jorge, in his evaluation of the trainings at Unipasv*

groups as well have established a relationship with their local agronomist and have been encouraged to contract him as needed in the future.

As an additional benefit of this activity, the agronomists were guided through the contracting, invoicing and reporting process as contractors to the RSP Project, and now possess the skills to contract independently with the groups in the future.

The Post Harvest Processing Training of Trainers and Direct Training activities were conducted in the state of Minas Gerais only during the third quarter. It was originally planned that producer groups from the three project regions would send local agronomists to Minas Gerais to participate in the ToT program and the initial Direct Training sessions supervised by Prof. Borem. Unfortunately, a number of groups found it difficult to travel to Minas and have requested an alternative strategy for receiving training. In response to these requests, Prof. Borem has agreed to conduct one-day Post Harvest Processing Best Practices workshops for groups in Sao Paulo and Espirito Santo. This workshop, which was conducted for Minas Gerais groups at the 2008 Expocafe event, laid the foundation for the successful direct training in Minas completed in QIII, and it is anticipated that it will mobilize commitment by groups in each of the other states to invest in further direct training to improve the value of their coffee.

### 1.3. Quality Evaluation Practices

In the third quarter, the project team continued to organize and prepare for cupper training and coffee quality evaluation activities to be carried out in QIV and early in FY2010.

The Coffee Quality Institute (CQI) has continued pursuing their pilot program of quality evaluation linked to Fair Trade Certified coffee. Brazil remains a country of interest for CQI to develop local capacity to carry out coffee quality assessment and TransFair USA is working with the organization to bring the pilot to life. TransFair USA project staff



**Trainer Eliezer Reis Jorge demonstrates post-harvest handling best practices at Unipasv**

have reached out to Silvio Leite, coordinator of CQI's Brazil Cup of Excellence and coordinator of the 2008 Brazilian Fair Trade Certified Cupping Competition. The initial conversations confirmed his interest in coordinating Q-certified cuppers in the coffee evaluation process. Talks coordinating both CQI's institutional objectives and in-country resources and logistics will continue into the fourth quarter.

Planning for a second round of cupper training is also well underway and will be conducted in advance of the 2009 competition. This cycle of training will address the needs of both new cuppers and experienced cuppers who completed previous training sessions. The overall objective of this activity is two-fold, first to again prepare the groups to evaluate and select the best samples to compete in the national round of the competition and second in the long term to help the groups better understand their coffee for internal quality improvement and sales resources.

The cupper training sessions will be organized geographically, grouping producers into classes by proximity to a central training site. The separate trainings will ease travel time for the trainees, allowing more cuppers to participate. The division also provides a natural homogenization of skill levels since groups from Sao Paulo joined the program after last year's cupper program was complete.

SCAA's internationally recognized standards for evaluation will again form the backbone of the training curriculum, in both the theoretical and practical components. The training will ensure that cuppers have a solid understanding of quality parameters, green coffee sample preparation standards, and the use of the SCAA scoring tool. They will also gain practical experience in roasting and preparing cupping samples to SCAA standards, developing sensory analysis skills, identifying cup defects and communicating coffee attributes. The skill level of the group will be considered when preparing the level of complexity of curriculum for each of the three regions and training will be carried out by experts from various commercial partners.

#### 1.4. Organic Market Access

The evaluation and training in organic coffee production was completed in QIII with the organic technician's visit to the third and final group, Coopfam. A total of 51 producers received direct training in organic production best practices and each of the three participating producer organizations received a set of recommendations for improving organic coffee productivity. This portion of the activity served to identify the specific needs and principal challenges faced by the producer members in each organization. With a better understanding of where each group needs specific assistance, the project will work with the groups to identify solutions.

The needs profile of Coopfam varies from that of Copervitae and Coopool (detailed in the QII09 quarterly report). Coopfam is an older, more established cooperative with the goal of successful organic production at the forefront of the cooperative's mission. In contrast to the other two organizations, organic producing coops, Coopfam has an agronomist on

staff and is able to systematically attend to member needs in the areas of advice and technical assistance.

Though problems of quality and productivity are not as stark on Coopfam's member farms, all three organizations have identified improvements they would like to make in their organic production practices. The consultant identified three issues that all three groups need to address; plant nutrition, intercropping and agro-forestry management.

The proposed interventions currently exceed the capacity of the RSP Project to address them comprehensively so in the fourth quarter alternate solutions will be explored.

### ***Component Two: Increasing producer capacity***

*“Increasing producer capacity through organizational strengthening in key operational and strategic areas, including financial management, operations, and marketing (2.1-2.4).”*

#### **2.1. Business Management Capacity Improved**

##### **Activity 1: Administrator Training**

After extensive preparation and the competitive recruitment of a consultant to conduct the administrator training the project team faced an unexpected setback: due to a last minute scheduling conflict our chosen consultant backed out of the training.

Since it was not possible to reschedule, the original RFP was reissued and new proposals are being evaluated. It is anticipated that administrators will participate in the classroom training portion of this activity – focusing on business administration skills and systems – during the fourth quarter with on-site technical assistance visits extending into the first and second quarters of FY2010.

#### **2.2. Governance and Board Development**

##### **Activity 1: Governance Training**

During QIII09 consultant Andrea Salerno met once a month with each of the Espirito Santo based producer groups, Pronova and Coofaci. The focus this quarter was on working with each group's recently-formed internal member committee to begin addressing the most demanding governance issues they face and implementing the strategies outlined in their respective, self-designed work plans.

At Coofaci, meetings focused on leadership, understanding the current management structure and communications. Committee members consistently attended all three meetings this quarter. Meetings with Coofaci's leadership focused on finalizing contracts

between Coofaci and several collaborating organizations who will support them in various internal development activities.

For Pronova, QIII focused on building up the newly formed member committee, which is composed of both individual members from core sub-units of the cooperative as well as representatives from communities that belong to the organization as a single member. This hybrid structure that includes individual memberships and joint memberships has allowed people living in distant communities to benefit from working with Pronova but it has also created unique governance issues. Thus far, Pronova members have responded well to the support provided by the consultant and all three of their committee meetings had consistently high attendance. The committee's work this period focused on training community leaders in a variety of capacities including relaying important cooperative information and community demands between the cooperative board and the communities in which they live. At the first producer committee meeting, the committee members were introduced to the cooperative board and its staff and were given an explanation of the board's specific functions. Additionally, committee members received leadership training and gathered information from their communities regarding interest in organic assistance and other group initiatives.

The high attendance and commitment of the committee members at both organizations is noteworthy as Brazil is currently in the peak of their coffee harvest season. The participation at such a busy time is an indicator of the benefit the producers see in the activity.

With the help of the consultant, Pronova continues to address the special circumstances of their associations with representative membership. Through working together on the governance committee, many Pronova members have increased communication with the outlying associations. Pronova's committee, with support from the consultant, is continuing to craft an effective strategy to further involve the cooperative's associations with representative membership.

Under contract with Sebrae-MG, Andrea Salerno has begun a second year of governance training with the producer groups in Minas Gerais, including Coocaminas, Coopfam, Associação dos Costas, Coopervitae, Unipasv and Unipcafem. The work is a continuation of the trainings she provided in 2008, and focuses on strengthening the organizational structure and promoting the business plans of each individual organization.

### 2.3. Supply Chain, Quality MIS and ICS Management capacity increased

#### Activity 1: Analysis of Existing Systems

Evaluation of supply chain and inventory management systems within partner cooperatives has proved more challenging than anticipated at the start of the quarter. The initial evaluation completed in the second quarter identified a number of areas where

interventions might increase business efficiency but also made clear the need to find qualified local technical assistance as well as staging interventions to build on improved capacity resulting from the administrator training. With the unexpected postponement of that training, the approach to this activity must be re-evaluated and the timing re-considered.

#### 2.4. Certification Compliance and Outreach

##### Activity 1: Certification Compliance Management Training

In QIII, Sebrae-MG and consultant Vanusia Nogueira continued to work with groups seeking Fair Trade Certification. Ms. Nogueira successfully assisted two groups in southern Minas Gerais through the application and inspection process.

TransFair USA facilitated communication between Coopervitae and FLO-Cert the certification division of the Fairtrade Labeling Organization. When the association Sampaio disbanded, a number of their members joined Coopervitae. Their process of exiting the system left several loose ends that FLO-Cert tied up in June. To ensure that none of the issues that arose affected Coopervitae, TransFair USA monitored and ensured effective communication and closure of the outstanding issues.

##### Activity 2: Membership Development Campaigns

During the third quarter, the project team worked with each participating producer group to identify those groups with interest in assistance to increase the number of members in the group. Individualized strategies and workshops are in development.

#### ***Component Three: Raising the marketing capacity of Brazilian coffee growers***

*“Raising the marketing capacity of Brazilian coffee growers who will undertake to improve the reputation of Brazilian coffee and the awareness of Fair Trade’s impact. These efforts will take place through producer-driven marketing initiatives that not only support the sale of their most lucrative products (Fair Trade and organic) but also educate consumers in Brazil, Japan, and the U.S. that Brazilian coffees can offer high quality and great value (3.1 – 3.3).”*

#### 3.1. Leveraging Partner Experience

##### Activity 1: Marketing Strategic Planning

Toward the end of calendar year 2008, Wal-Mart Stores Inc. re-organized their Brazilian coffee supply chain, ending their business with Café Bom Dia and re-aligning coffee purchasing through Sara Lee. The change in the supply chain was rolled out over many months with a number of retail coffee SKUs remaining in stores well into 2009.

TransFair USA and the Fair Trade Labeling Organization (FLO) provided significant support to the process ensuring that Sara Lee completed the application and evaluation for Trade Certification in record time. By early April the transition was complete and in parallel with the commitment to increase their resource allocation to the RSP Project Wal-Mart and TransFair began a renewed process of marketing strategic planning.

The most significant new outcome of the planning process was the creation of a new project sub-committee tasked with coordinating communications, public relations and planning for project promotion and marketing. The committee is made up of representatives from each project partner and began meeting at the end of the third quarter to prepare for the launch of new coffee SKUs through the re-oriented supply chain that will occur in August.

#### Activity 2: Fair Trade Certified Cupping Competition

The project partners have continued planning for the second Fair Trade Certified Cupping Competition. While at SCAA, partners took the opportunity to meet and discuss preliminary arrangements and also to talk with other relevant implementing partners and contributors. TransFair USA staff met with Silvio Leite, technical coordinator and head juror in the 2008 competition. He once again expressed his enthusiasm for the event and his willingness to participate. TransFair USA staff also began reaching out to key licensees to discuss participation of the panel of jurors for the international round. Though travel budgets are more limited than last year, potential jurors that were contacted expressed interest and determination to participate again.

As detailed in section 1.3 of this report, quality evaluation training, the first phase in producer preparation for the competition is prepared to launch. Producers continue to talk about their expectations for success at this year's competition.

#### Activity 3: Media and Marketing Training to the Producer Groups

In concert with the marketing materials that Sebrae-MG and Sebrae-SP developed for the producer groups to take to SCAA (described in the QII09 quarterly report), Sebrae-MG hosted a marketing training session to prepare producer representatives to participate fully in the trade show. The first component of the training was oriented at peer experience sharing, as many of the producers would be attending their second SCAA. The training built off of past experiences to tailor the conversation towards specific questions that arose last year. The peer to peer sharing helped first time attendees understand what to expect and served to orient all participants to the upcoming event.

The remaining training modules addressed the purpose of participating, differences between participating in national and international events, doing business abroad, marketing and strategies of negotiation, communication and promotion, etc. Once at the show, producers reflected on the benefit of having received the orientation to the task at

hand. The training prepared producers for the fast-paced environment of the trade show and enabled them to take the greatest advantage of the opportunities the show presented.

### 3.2. Impact Marketing

#### Activity 2: Creation of Impact Marketing Materials

No new impact marketing materials were completed in the third quarter.

### 3.3. Marketing Missions

#### Activity 1: Participation in SCAA Annual Trade Show

The Specialty Coffee Association of America's (SCAA) annual trade and convention is the coffee industry's largest annual event. The trade show attracts over 8,000 coffee professionals from all corners of the industry and the globe. The purpose of the annual gathering is for members of the coffee industry to share knowledge and experiences, network, meet face to face with business contacts, negotiate future contracts and buy and sell coffee.

Nine Fair Trade Certified producer organizations sent representatives to participate in the 2009 SCAA annual trade show and conference held in Atlanta, Georgia, USA April 17-19. As in 2008, Project partners facilitated producer participation in the event and hosted them at TransFair USA's Fair Trade Certified booth. One of our new producer partners from Sao Paulo state, Association Rio Claro attended the show for the first time. Their participation was made possible by a grant from project supporter Pinhalense to cover direct travel expenses.

The Fair Trade Certified booth was the largest at the show and one of the most visible providing producers with excellent access to foot traffic and a centralized location to schedule meetings and reconnect with industry partners. Inside the booth, producers had space to display their marketing materials and coffee samples and to reach out to buyers who came to the booth. The producers had access to meeting space and to buyers interested in Fair Trade Certified coffee. Many Fair Trade Certified licensees participate in the show and visit the Fair Trade booth, giving the producers access to interested buyers.

Many meetings took place at the show, some of which the project partners had coordinated previously and others that took place spontaneously from licensees approaching the booth or a TransFair USA staff member. Because of the supply demands of some of the largest licensees, several meetings took place with all the Brazilian producers or in small groups. All nine representatives took part in a business meeting with McDonalds and TransFair USA CEO, Paul Rice. The producers were able to talk

about available volume and quality and also share their stories as participants in the Fair Trade system. They also met collectively with coffee buyers from Green Mountain Coffee Roasters (GMGR) to strengthen relationships and discuss future negotiations.

Other meetings took place either in the booth or in a separate meeting room reserved for just that purpose. The Organic Products Trading Company (OPTCO) met with the organic producing Fair Trade organizations, Coopfam and Copervitae while at the show. TransFair USA staff was present to support meeting logistics and to provide translation. The meeting focused on past and future sales of coffee sold under the Café Feminino label –coffee that was produced by women. OPTCO/Café Feminino also talked about their planned April 2009 visit and worked out expectations and objectives for the trip.



**RSP Producers and Partners in the Fair Trade Certified booth at SCAA**

In addition to meetings in the booth, producers were introduced to TransFair USA licensees during guided floor tours. Small groups of producers were guided by Portuguese speaking TransFair USA staff to tour the show floor and meet Fair Trade Certified coffee buyers. The reduced group size facilitated conversations with buyers in which business cards were exchanged and buyers requested samples to be sent. The exchanges were positive and resulted in good potential business for the producers.

Because the time on the trade show floor is very busy, the TransFair USA reception, held off-site April 18, also proved a productive place for producers to meet with potential buyers, and exchange contact information.

In conjunction with the SCAA trade show and conference, TransFair USA hosts the Fair Trade Producer Forum. This year the event took place on April 16 and the Brazilian producers, along with approximately 150 other Fair Trade producers, were in attendance. The forum is a day-long event, open only to Fair Trade Certified producers. The purpose is to provide information about the current issues that exist in Fair Trade and provide a space for producers to talk about the topics that are most relevant to them without other members of the supply chain present. The issues on this year's agenda included updates on the work of the Coffee Quality Institute, Starbucks' new producers support initiatives,

financial risk in Fair Trade and access to finance. Presentations were made by leaders in the coffee industry. Simultaneous Portuguese translation was provided throughout the day to ensure effective participation and communication among producers from English, French, Spanish and Portuguese speaking coffee origins. Producers receive forum packets with information about the forum agenda and presenters, the SCAA trade show and conference, and other useful documents about the coffee industry and Atlanta were assembled by TransFair USA and were translated and distributed in Portuguese for the Brazilian producers.



**TransFair USA's Producer Forum addressed topics of specific importance to coffee producers**

During the RSP project producer meeting (described in *Section A* above), participants were asked about their experience at the show and their overall impressions. Responses were very positive, citing the sense of community that they felt by being there together and helping one another. Producers attending for the first time were able to benefit from other's experience and contacts. Those producers with more relationships in the industry introduced their fellow producers and helped to spread the general word of high quality Brazilian coffee. The RSP project is helping to create a positive dynamic of community and a sense of shared experience that is beneficial for every producer.

Upon returning to Brazil, Sebrae-MG hosted a debriefing meeting to further understand the producers experience and to follow up on any issues that came up as a result of the event. Being at SCAA helped them to understand the expectations of the buyers and the coffee community at large. They also came away feeling that they were part of a much larger coffee community and were supported by the RSP project partners. They see that they have the marketing and sales support from the whole TransFair USA team. An overarching sentiment was the need for producer organizations and their partners to work together and strengthen the brand that is Brazilian coffee and to promote the image externally.

#### Activity 2: US Sales Tours

Representatives of Brazilian FTC coffee organizations met with hundreds of other producers and a large percentage of the US coffee industry at the SCAA trade show and conference but no additional sales visits were conducted while they were in the Atlanta area largely because further visits were not deemed necessary at the time.

No additional US sales visits are planned for this fiscal year.

### Activity 3: In-bound Industry Missions

The project partners supported visits from three Fair Trade Certified coffee buyers this quarter. Ensuring that the producer groups have the support they need to successfully receive their visitors and helping our U.S. partners get the most out of their visits, addresses the project goal of promoting market linkage.

The first visit was made by the Organic Products Trading Company or OPTCO. OPTCO has an established relationship as a supporter of Fair Trade Certified producer organizations and has worked extensively with TransFair USA on partnerships with coffee cooperatives around the world. The green coffee importer is an industry leader in its commitment to the producers it sources from and their dedication to securing a responsibly sourced, quality product. OPTCO met with several Brazilian producers at SCAA and followed up that encounter with a visit in May. Their specific interest is in high-quality organic coffee and they work with the Café Femenino program to source coffee produced by women farmers. Coopfam has sold to OPTCO and Café Femenino in the past and the objective of the visit was to strengthen the relationship and build the partnership further.



**Luis Adauto and Ben Corey-Moran**

In June, Coopfam also received a visit from representatives of the U.S. coffee roaster, Thanksgiving Coffee Company and their client, Urth Caffe. Both companies have a strong commitment to both quality and responsible sourcing. They have purchased coffee from Coopfam in the past and made their first visit to the cooperative to establish a trade relationship that will benefit all parties. Thanksgiving Coffee Company has a history of establishing long-term relationships with the coops they source

from and fostering the development of coffee quality and institutional capacity. Some of the producers they source from have been selling to Thanksgiving for ten years. Both Luis Adauto, President of Coopfam and Ben Corey-Moran, Director of Coffee and Coffee Development for Thanksgiving Coffee Company were eager to establish a similar relationship between their two organizations.

Urth Caffe buys very high quality green coffee which is then roasted by Thanksgiving Coffee Company. Urth Caffe seeks out the best coffees they can find and, like Thanksgiving, works to maintain strong relationships with the producers.

The relationship established during this visit is beneficial for Coopfam, not only from the direct sale that ensued, but also because it was the beginning of an important alliance. The guaranteed demand for quality coffee will incentivize the increase in quality within the coop.

“[The RSP project is] doing really good work—one of my strongest impressions is how together the cooperative is, and how easy it is to work dynamically with each other. That speaks to the capacity that you've helped to build, test, and support.

I'm really looking forward to this year, and think that we'll be bringing in a significantly larger volume of coffee [from Brazil] than I expected, because of quality.”

*Ben Corey-Moran, Director of Coffee & Coffee Development Thanksgiving Coffee Company*

TransFair USA staff facilitated the visit by providing logistical support and translation assistance.

### **C. Results**

#### **Budget**

Total expenditures for the third quarter of FY2009 equaled US\$157,121.05. While a significant portion of this spending went to SCAA there was also excellent progress in training and technical assistance and as part of Wal-Mart’s counterpart contribution, a final expenditure on the completed infrastructure grants. Spending is in line with the annual budget for the period.

#### **FY 2009 Q3 Expenses vs. Budget**

<b>Activity</b>	<b>3 Yr Budget</b>	<b>Q2 USAID Contribution</b>	<b>Q2 Cost Share</b>
1. Expanding and Improving Quality of Supply	495,219.00	15,095.53	47,573.70
2. Increasing Producer Capacity	447,059.00	13,709.37	22,039.60
3. Raising Marketing Capacity	1,005,561.00	24,619.10	34,083.75
<b>total</b>	<b>1,947,839.00</b>	<b>53,424.00</b>	<b>103,697.05</b>

#### **Outlook**

The fourth quarter includes a number of complex and high profile activities implemented concurrently with on-going technical assistance and training programs. The project partners have a complex set of joint plans to complete and producers expect their marketing efforts to result in an uptick in sales as the quarter progresses. Although TransFair USA’s licensee partners in the US have not communicated concern regarding

negative impacts to coffee sales as a result of the economic downturn, we will remain vigilant in supporting all efforts to strengthen US-Brazil marketing relationships.

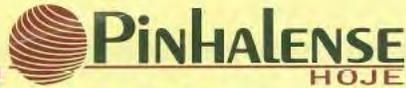
The highlight of the quarter is expected to be the second annual Fair Trade Certified Cupping Competition. Producers are already eager for the 2009 guidelines to be distributed and are paying close attention to coffee quality as the harvest progresses while licenses are carefully reminding us of their interest in participating in the cupping juries. A second round of cupper and quality evaluation training will mark the formal launch of competition preparation activities.

With renewed energy among producers and project partners the fourth quarter should see significant progress toward program goals.

## **Annexes**

1. *Pinhalense Hoje*, page 6
2. Infrastructure Grant Program Proposal Summaries

**Annex 1**  
**Pinhalense Hoje**



**Concurso Qualidade para Espresso Illy**



**2008**  
Sebastião Afonso da Silva – Cristina – MG  
João dos Anjos Macedo – Araçonga – MG  
Agropecuária Tijuca Ltda – Pres. Kubitschek – MG

**2007**  
Mônica Schmölz de Mattos e Irmãos – Araçonga – MG  
Ednilson Alves Dutra – Manhuaçu – MG  
Mauro Billi – Campestre – MG

**2006**  
Antônio Bittencourt Ramos – Araçonga – MG  
Olegário Leite Reis – Oliveira – MG  
Reinaldo Carvalho dos Reis – Lambari – MG



*Ernesto Illy e Olegário Leite Reis e Esposa*

**Concurso de Qualidade de Café de Piraju**



**2008 - Processo Natural**  
Deoclécia Dognani Yacubian – Piraju – SP  
**Processo Cereja Descascado – C.D.**  
José Felet Sobrinho – Taquarituba – SP  
**2007 - Processo Natural**  
Miguel Mário Favaro – Sarutaiá – SP  
**Processo Cereja Descascado – C.D.**  
Abílio Bérnago – Tejuapá – SP  
**2006 - Processo Natural**  
Miguel Mário Favaro – Sarutaiá – SP  
**Processo Cereja Descascado – C.D.**  
Djalma Bérnago – Tejuapá – SP  
**2005 - Processo Cereja Descascado – C.D.**  
Abílio Bérnago – Tejuapá – SP

**Concurso Estadual Café Qualidade Paraná**

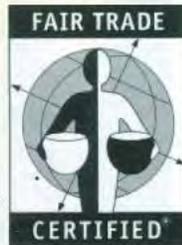


**2008 - Processo Cereja Descascado – C.D.**  
Osvaldo Garcia – Cornélio Procópio – Pr  
**2007 - Processo Cereja Descascado – C.D.**  
Fábio Dória Scatolin – Ribeirão Claro – Pr  
**Processo Natural**  
Valmair Mezzomo – Salto do Itararé – Pr



*Luiz Adauto e José Carlos comemoram mais uma vitória da Coopfam*

**1º Concurso de Qualidade do Café Fair Trade**



**2008**  
**Processo Cereja Descascado – C.D.**  
Francisco Braga  
Afonso Cláudio – ES  
**Processo Natural Orgânico**  
Luiz Adauto de Oliveira  
Poço Fundo – MG



## ***Annex 2***

### **Infrastructure Grant Program Proposal Summaries**

#### **Producer Group 1 (PG1):**

PG1 is applying for R\$31,120.95 (approx US\$16,400) in funds to construct a cupping laboratory. PG1 is a young cooperative and one of their principle challenges is knowing the true value of the coffee they produce. Their institutional inability to evaluate their own coffee and prepare samples has led to dependency on biased third party evaluators. Additionally, not truly knowing the composition of their coffee has made the product difficult to market. Increased knowledge of their product will allow PG1 more autonomy and confidence when closing contracts. The decision to apply for funds for a cupping laboratory was unanimous for PG1. The entire cooperative, all 75 families, would directly benefit from the project. Over the long term PG1's ability to consistently send high quality coffee samples will increase their credibility in the market. Also, the ability to indentify the specific deficiencies in the coffee will help them to improve their cooperative's overall coffee quality. The project will have three phases: Purchasing the equipment and supplies, constructing the cupping laboratory and starting cupping activity.

#### **Producer Group 2 (PG2):**

PG2 is applying for R\$ 39,988.00 (approx US\$ 21,000) in grant funds to help construct cement drying patios. Several of their members still have dirt drying patios, which lead to lower coffee quality. The project will benefit 150 people; 32 producers and their families. Indirectly the funds will benefit all of PG2's members by increasing the cooperative's overall coffee quality and quantity of output. Each of the 32 producers selected will receive a 400m2 drying patio, 12800m2 of asphalt drying surface will be constructed in total. Each producer receiving a patio will prepare the land and provide the labor for the patios installation- this way a greater number of producers can benefit from the money. The project has three stages: 1) Selecting the 32 producers who will receive patios through visits and evaluation using the stated criteria (don't have a patio, have only a dirt patio or have a cement patio in bad condition that they can't afford to fix); 2) Purchasing the constructing materials and distributing them to the beneficiaries; and 3) Building the patios and monitoring their construction.

#### **Producer Group 3 (PG3):**

PG3 is requesting R\$40,000.00 (approx US\$ 21,000) in grant funds to purchase 18 coffee hullers. Most of PG3's members are small farmers who are increasingly aware of the importance of producing high quality coffee; some of their members produce coffee that is too poor to sell as Fair Trade Certified. Producer income is low and many can't afford the machinery they need to improve their coffee. PG3 wants to hull the coffee of its members at a low cost; this is the continuation of an overall coffee quality improvement

project started when they acquired a coffee processing machine in 2008. The proposal is that 18 hullers will be installed in strategic locations so they can be accessed by coop members in different communities. The machine at each point will be accessed by a determined group of producers. The group will be responsible for installing and maintaining the machine to ensure longevity. Each producer who uses the equipment will be charged \$R200 annually which will be deposited into a fund for purchasing more hullers in the future and continuing to expand PG3's ongoing coffee improvement project. A quality commission will also be formed to monitor the machines. The agronomist at PG3 will train the producers in proper use of the hulling machine and the benefits of hulling. 60 producer members will directly benefit.

#### **Producer Group 4 (PG4):**

PG4 wants to better sort and classify their coffee so they can take advantage of the differing prices for each quality class. They are applying for R36,800.00 (approx US\$19,400) in grant funds to purchase the necessary machinery to sort their coffee by class/grade: a large classifying sieve, a loading elevator and a table that separates coffee beans by density. With this equipment PG4 can set a quality standard and then sort their coffee accordingly. With the new equipment their cost of sorting coffee will lower 40% and coffee with defects will be eliminated from their market offerings. They hope to improve their name in the coffee community and make a social fund with some of the profits from the sale of the high grade coffee. PG4's 17 producer members will directly benefit from the improvements. A committee of 3 cooperative members will manage the project. Some of the 40% cost savings from not using a 3rd party to provide this service will be put into a fund for machine maintenance and future projects that benefit group members.

#### **Producer Group 5 (PG5):**

PG5 as a whole needs more patio space so they can better dry and separate their coffee harvest. PG5 is applying for \$R40, 000.00 (approx US\$ 21,000) in grant funds to construct 40 asphalt drying patios totaling about 7200m<sup>2</sup>. The additional space will help many of their producer members better dry and sort their coffee; improving coffee quality for the cooperative as a whole. The main beneficiaries will be PG5 members who meet the requirements, at least 43% of members. The following criteria will be used to determine which producer members will receive cement drying patios: 1) People with the greatest need for a drying patio, the ones who don't have one 2) Survey to identify these real needs, to identify the producer members with difficulty acquiring funds for infrastructure projects on their property 3) Members in communities where a higher number of people don't have patios will be given priority.

#### **Producer Group 6 (PG6):**

PG6 is requesting R\$ 39, 950.00 (approx US\$ 21,000) in grant funds to construct 3,500 square meters of asphalt drying patio on the properties of at least 10 PG6 members. The

asphalt patios will allow these producers to increase the quality of their coffee and reduce costs by reducing the manual labor involved in drying. This will help increase the overall quality of the cooperatives coffee and increase their marketing power. The selection criteria for determining which 10 producers will receive asphalt drying patios is as follows: 1) Producers who don't currently have a cement drying patio or need to expand their cement drying area; 2) Producers who are members of PG6 and actively participate in the organization; 3) Demonstrate interest in the organization and share the same goals; 4) Producers with a limit of up to 10 hectares; 5) Must commit to selling their coffee through the cooperative; 6) Must provide the manual labor to install the patio. A five member commission will manage the project

### **Producer Group 7 (PG7):**

PG7's principle goal for 2009 is to reform their cupping laboratory and improve their ability as a cooperative to assess the quality of their coffee. PG7 is applying for R\$32,512.60 (approx US\$ 17,100) in grant funds to physically expand their cupping laboratory and update the cupping equipment. PG7 receives nearly 300 visitors a year, of these visitors 39 are potential clients. It is essential to have sufficient space to taste and discuss the coffee with potential buyers. Also, producers will be trained in cupping and use the space to cup their harvest and discuss with other producer cuppers how they can improve their beans. The project will initially benefit 250 agricultural families, totaling more than 750 people. As a goal, PG7 wants 85% of cooperative members to have a better understanding of coffee quality as a result of the lab.

### **Producer Group 8 (PG8):**

PG8 is requesting R\$ 39,000.00 (approx US\$ 20,500) in grant funds to install washhouses for the separation of their coffee. Separation of coffee based on whether it floats or sinks in water is a technique widely used by large producers to help to achieve standardization in the quality of coffee. Climate changes in PG8's region create very non-uniform harvests. Producers have responded by conducting two separate harvests, but this has raised costs. Cooperative leaders hope that the installation of several sorting stations, to serve as a model, will spark the interests of all producer members and help the coop to create a uniform standard for the coop's product. Through the installation of these initial washhouses, all members will have the opportunity to learn about this technique and the benefits of separating coffee. The project will be monitored by a committee created at PG8's April 24th assembly meeting. Through a partnership with SEBRAE, PG8 is assisted by a technician who will advise the coop on separation best practices and proper use of the new equipment.

**Producer Group 9 (PG9):**

PG9 is requesting \$R 37, 307.52 (approx US\$ 19,600) in grant funds to pave or reform 12000m2 of drying patios which will benefit approximately 25 cooperative members. Producers who currently have dirt patios will be given first priority, followed by producers with cement patios in dire need of repair and those who need to expand their patios due to increased production. This infrastructure improvement will help the cooperative increase overall coffee quality by reducing imperfections and inequalities. Producers who receive patios through the project will pay back the association and the money will be used to benefit other producers in the future.