



Responsible Sourcing Partnership Project

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

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Third Quarterly Report for Fiscal Year 2010
(April 2010-June 2010)

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Acronyms:

ABD	Association Bio Dinâmica
BSD	Business Sustainability Development
CEC	Center of Excellence for Coffee
CQI	Coffee Quality Institute
FLO	Fairtrade Labeling Organization
FGV	Getúlio Vargas Foundation
GPS	Global Producer Service
M&E	Monitoring and Evaluation
RSP	Responsible Sourcing Partnership
SCAA	Specialty Coffee Association of America
SEBRAE-MG	Brazilian Small and Medium Enterprise Support Agency, Minas Gerais
SEBRAE-ES	Brazilian Small and Medium Enterprise Support Agency, Espirito Santo
SEBRAE-SP	Brazilian Small and Medium Enterprise Support Agency, Sao Paulo
SKU	Stock Keeping Unit
TFUSA	TransFair USA
UFPA	Federal University of Lavras
USAID	United States Agency for International Development

I. Executive Summary

Project Background

The 2007-2010 Responsible Sourcing Partnership (RSP) project is an innovative public-private partnership among USAID, Walmart Foundation, Wal-Mart Stores, Inc. and TransFair USA (TFUSA) that links 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 over US\$1.9 million, the RSP project provides technical training and investment in farm and cooperative infrastructure to benefit more than 5,400 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 third year of project activities progresses.

Quarterly Report April 1, 2010 –June 30, 2010 (QIII FY2010)

This report covers the implementation period of April 1 through June 30, 2010. The quarter was an activity intensive quarter, in which many of the planning components of QII FY10 were implemented as trainings and events.

The project and producers partners continued strong support in QIII FY10, resulting in significant cost share contribution from partners and wide implementation from producers. The combination of the two resulted in a large number of activities and trainings during the quarter. Many of the activities and relationships have established a foundation for the future continuation of project results beyond the life of the project. QIII FY10 focused on those relationships and emphasizes activities that leave legacy resources.

Major outputs for the quarter include ten producer groups' participation in the Specialty Coffee Association of America tradeshow and conference and a sales tour to Fair Trade Certified coffee licensees in the United States. The trip to the United States resulted in buyer meetings, visits to Fair Trade Certified businesses and capacity trainings.

The third quarter included a series of technical and organizational trainings with a focus on establishing long term training framework capacity. Technical training included post-harvest processing best practices using a training of trainer method with cooperative member agronomists. In addition to training farmers at an opportune time in the harvest cycle, the

training strengthened the cooperatives' internal long term capacity to provide agronomy services to their members by creating a cadre of approximately 40 trainers who in the short time have already provided critical information to almost 500 producers. Building upon the existing training programs, governance and business trainings continued according to the activities' and producer organization representatives participated in a series of customized training.

Outlook

A no cost three month extension was requested by the partners, which will allow the project to capture one additional harvest season and conduct additional activities and trainings. If granted, the extended time period will allow the project partners to implement a training program in organic practices, post-harvest practices training, extended quality evaluation training, additional administrative and cooperative governance training. In addition, the project partners would be able to support a third Fair Trade Certified Cupping Competition, supply marketing materials to the groups and provide support as a major roaster in the United States begins purchasing large volumes from Brazil.

The project partners will conduct an end of project and program evaluation in November to capture results and learnings for adaptive management and dissemination to stakeholders.

II. Activities and Deliverables

This quarter three, year three report concentrates on project activities and results achieved during the period of April through June 2010.

A. Activities related to Project Startup and Monitoring

The sections below address monitoring, evaluation and project management activities that will continue through the life of the project. All initial startup activities were completed by the close of Q109 and ongoing reporting on deliverables from activity „A’ will relate exclusively to project management and monitoring.

Annual Work Plan

With input from industry experts and producer partners, the RSP partners are implementing a work plan that incorporates feedback from both. Given the time frame of current activities and the timing of the harvest, the project partners are considering adjusting the activity calendar to include a no-cost extension, allowing the project to conclude in December rather than the end of September, as is currently programmed. The project partners will consider the budget and activity objectives early in QIV FY10 to inform any possible extension decision.

Final M&E and GPS project impact evaluation

In QIII FY10, TransFair USA worked with consultant Aimee Russillo to prepare for final M&E reports and the end of project evaluation. The objectives of this work is to monitor and evaluate results and impacts; provide a basis for decision making on necessary amendments and improvements for future work; promote transparency and accountability for resource use; document, provide feedback on, and disseminate lessons learned.

Initial meetings focused on identifying needs, review of resources, methodology and key stakeholders. TransFair USA piloted its program M&E system with the Brazil RSP project, looking at a more robust and integrated approach for learning. Thus, the M&E goes beyond the project indicators. The consultant was involved with the original design of the GPS program and RSP project M&E and was contracted to support the development of the evaluation plan, review survey instruments, define the methodology and implement the GPS program and end of project evaluation.

Producer Engagement Activities

Producer representatives from ten of the project participating producer organizations traveled to the United States for an the annual Specialty Coffee Association of America (SCAA) tradeshow and conference and the project partners leveraged the opportunity to talk with the group about the RSP project and about upcoming activities. Many informal and small group meetings took place over the course of the visit in the United States. The meetings served to transfer information, share perspectives and establish stronger relationships among producer representatives and with the project partners. Participants expressed that they felt validated as business partners as a result of the formal and informal interactions on the trip.

Also in QIII FY10, producer group representatives participated in Expocafe, a large coffee industry exposition held in the state of Minas Gerais, Brazil. Project partner Sebrae-MG had a booth at the event and paid for travel for the producer group representatives from Minas Gerais to attend. Representatives from Sao Paulo and Espirito Santo also attended. Governance trainer Andrea Salerno led a workshop with the Fair Trade Certified producer group representatives to talk about on-going collaboration among the organizations. Many of the groups have begun discussing the possibility of forming a federation of cooperatives and associations as a way to join marketing and sales efforts and to lower production costs. The meeting also afforded the groups the opportunity to share information and experiences after attending the U.S. coffee trade show, SCAA.

A formal producer engagement meeting is scheduled for August 2010. At the meeting project partners will solicit feedback about scheduled activities and launch the three year Impact Assessment phase of the project. The meeting will be held in conjunction with a planned sales meeting with a U.S. coffee roaster.

Media Coverage

In QIII FY10 the RSP project was the source of several media pieces that reached a large swath of the Fair Trade and the specialty coffee communities in the United States. The Specialty Coffee Association of America's (SCAA) annual conference and trade show is the largest specialty coffee event in the United States and attracts coffee industry members from around the world and from every facet of the coffee community. SCAA publishes a news letter each morning of the three day show to inform attendees of the day's events and additional highlights. TransFair USA submitted an article about the RSP project which was printed in the journal and circulated to the more than 8,000 attendees.

Also in the quarter, TransFair USA hosted a live, online panel discussion at the TransFair USA offices with producer representatives, including Beatriz Souza Pereira, Commercial Manager of project participating producer group, Unipasv. The discussion generated buzz among the Fair Trade community, as the participants talked about their experience as farmer members of a Fair Trade Certified organization and the benefits they receive through their participation in Fair Trade. Questions for the discussion were generated through Facebook, Twitter and blog submissions. The event was hosted by Fair Trade Towns, the grass-roots movement led by TransFair USA to strengthen support for Fair Trade in communities in the United States, and was disseminated to a broad audience in the Fair Trade community. The full web cast was viewed live by over 220 viewers and generated discussion on online forums. The full web cast is available by following the link below.

<http://www.ustream.tv/recorded/6306229>

The RSP project was also featured on the TransFair USA web site blogs and photo albums. The blog posts feature project activities including the producers' visit to the TransFair USA offices in Oakland, California and events that surrounded that visit. A second blog post highlights the research of University of California, San Diego political economy professor, Richard Feinberg. Dr. Feinberg's research focuses on the collaboration between development organizations and local governments, citing the RSP project as a successful example.

Full posts can be found on the TransFair USA web site:

<http://transfairusa.org/blog/?p=2749>

<http://transfairusa.org/blog/?p=3361>

Project Steering

The RSP project partners have maintained communication about activities and management, though a formal project steering committee meeting was not carried out this quarter. TransFair USA scheduled a call with the project partners to discuss a shift in the Director position in TransFair USA's Global Producer Services department. The position held by Jennifer Bielman was assumed by Jill Southard, TransFair USA Director of Category Management. Bielman ensured a seamless transition in management including initiating contact with consultant Aimee Russillo, Monitoring and Evaluation specialist involved in the initial project start up phase, to provide support as the project enters its final phase. The project partners supported the transition and project implementation continued as planned.

TransFair USA will propose a final steering committee meeting in QIV FY10.

B. Results of the RSP Project components

The following sections outline the three program components with main achievements in QIII FY2010 summarized for each.

The number of participating organizations has expanded again to include Associação dos Cafeicultores do Vale do Rio Verde, Ascarive. Ascarive has a total of 59 members, bringing the total number of producers participating in the RSP project to 5,484. The association was formed in 2008 and became Fair Trade Certified in April 2010. Shortly after becoming certified Ascarive was invited to actively join the RSP project and all project activities. In QIII FY10 they began their participation with the quality evaluation training and are enthusiastic to build their relationship with the RSP project and the other Fair Trade Certified producer organizations.

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 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

The successes of the infrastructure grant program continued in QIII FY10 as two additional groups concluded their infrastructure improvement projects. At the close of the quarter a total of four of the five awarded groups have completed their projects.

Two groups, Dos Costas and Unipcafem, completed projects during QIII FY10. Dos Costas purchased, distributed and installed a total of 14 hulling machines to their member farmers. The group's agronomist will provide regional trainings to members about the proper use of the machines when coffee quality and quantity allows. Dos Costas will conduct the training independent of the grant project and their project is now complete.

Unipcafem and Coopervitae faced delays at the start of their infrastructure project due to bank complications transferring the funds from the United States. Both groups received their grant money in QII FY10 and began implementing their respective projects. Unipcafem received assistance from local agricultural service provider, EMATER, to grade and prepare the sites for the new patios. The agricultural engineer from EMATER assisted Unipcafem during the construction and the group was able to complete all patios in the first part of QIII FY10. Because of their quick construction timeframe, Unipcafem members had their new patios complete and ready for use well in advance of the 2010 harvest. Unipcafem paved a total of 18 patios, measuring 13,500² meters.



Members of Unipcafem finish construction of their new drying patio

Coopervitae purchased the materials for their drying patios and have completed 80% of the patios.

Coopfam and Unicafe concluded their respective projects in QII FY10 and details can be found in the corresponding quarterly report. Coopfam installed a cupping lab and is using it to evaluate members' coffee from the current harvest. The new space also allows Coopfam to host buyers and cup with them in a professional setting. Unicafe began receiving member coffee in June and in the coming months will begin using their project purchased sorting machine to separate quality grades. With the processing machine, Unicafe has the internal capacity to sort coffee and no longer has to transport the coffee long distances to process, reducing their processing costs and increasing efficiency.

Several of the groups concluded their project under budget, leaving the infrastructure fund with a surplus. The additional money will be distributed to the groups whose projects went over budget and who paid expenses from their cooperative's general fund. Once the final project is closed, the total will be divided and distributed in final reimbursement payment.

1.2 Production and Post-Harvest Processing

Activity 1: Production and post-harvest processing training

Producer group representatives identified post-harvest processing best practices training as fundamental to improving the quality of member coffee. The groups that participated in the post-harvest training in 2009 expressed the importance and value of the training and the effectiveness of the training model. The project partners decided to expand the training, with the goal of providing benefit to a greater number of producers.

The training followed the same methodology as the 2009 training, including curriculum development by Professor Flavio Meira Borem from the Federal University of Lavras, training of trainers, and on-farm direct training with producer members. In this second edition, the project partners incorporated suggestions and feedback from the agronomist trainers, Professor Borem and coffee quality experts, to make this round even more beneficial.

The first important consideration that the second round of post-harvest training addressed was expanding the training to a greater producer population. The project partners worked with all fourteen certified groups participating in the RSP project at the time of the training to identify skilled agronomists who are members of the producer organization or the community to receive training and disseminate the information to Fair Trade Certified coffee producer members. Through the process, a total of sixteen agronomists were selected, representing ten of the fourteen groups. Groups who did not have a member agronomist to send were assigned to one to the other agronomists.

In 2009, two agronomists, Claudio Baquiao Filho and Eliezer Reis Jorge, participated in the post-harvest training of trainers and conducted direct trainings with producers. Both agronomists participated again, this year as advanced trainers. They used their knowledge and experience from the previous year to help their colleagues develop their skills as agronomists and as trainers. During the training of trainers, the two advanced trainers shared stories and photos from the trainings they conducted the previous year to help contextualize the training. During the direct trainings, Baquiao and Reis attended the first training that each agronomist conducted to provide support, answer questions specific to each region, and provide feedback about training methodology to be incorporate into subsequent trainings.

The overall structure of the curriculum remained constant from the first post-harvest training to the second, with one important addition. The training conducted in QIII FY10 incorporated increased sensory evaluation during the training of trainers. Input from Professor Borem and coffee quality experts prompted the addition of a full day of quality evaluation or “cupping” to the agronomists’ training. Agronomists often understand the biological reasons for defects but not necessarily what that translates to in the cup. By including cupping training in the curriculum, the agronomists develop greater appreciation for the quality of the bean and the quality of the coffee in the cup.



Agronomists from Coocafe and Assopro learn about sensory evaluation during post-harvest training



Professor Flavio Borem provides practical, on-farm training to the agronomists

The training of trainers was held at UFLA May 17-21 and incorporated concepts of coffee agronomy, coffee processing technologies, cup quality evaluation, training methodology, and an on-farm visit. Also during the five day session, the agronomists co-authored, with Professor Borem, a training manual with the key information to be presented during the field trainings. The completed materials were distributed to each trainer to use and distribute to all producer participants. An additional outcome from the five day training of trainers was a sense of community and shared experience among the agronomists. Often only the leaders of the cooperatives and associations convene for meetings with representatives from other producer organizations, but in this case agronomy professionals had the opportunity to meet, share their unique regional experiences and discuss with peers some of the overlapping issues that they all encounter. Many of the agronomists self organized to attend the initial trainings led by their fellow agronomist. Observing one another allowed the agronomist to improve their own training methodology and to visit member farms from another producer region.

“I am grateful for the opportunity to participate in this course. It far exceeded my expectations. I would like to thank TransFair for their confidence in me and I am now prepared to share this important information with members of Assopro.”

-Henrique Junqueira de Assis, Assopro

Following the training of trainers, each agronomist returned to his or her respective region and began training members of the producer group or groups assigned to him or her. During QIII FY10 each of the agronomists conducted his or her first training session, which was observed by either advanced agronomist Baquiaio or Reis. Each training is held on a member farm and includes theoretical as well as practical, hands-on training. Producers are engaged in the learning process by actively participating in hands on demonstrations and sensory evaluation. The cupping training that the agronomists received translated into a tasting session with producers that allowed producers to experience the flavor profile of beans that have a defect and beans that are processed properly, in accordance to the training methodology. By the close of QIII FY10, agronomists conducted a total of 37 trainings,

serving a total of 479 producers. Trainings are scheduled with all fourteen groups into the first two weeks of July.



Members of Dos Costas from the Barro Preto region receive training



Trainer Marcelo Tavares Ferreira trains a group of Cooceaminas member farmers in the Barra Grande region

Cooceafe, a cooperative with a producer population of roughly 4,000 members sent four agronomists to participate in the training of trainers. The cooperative has an extensive producer services structure built into the organization, but welcomed the opportunity to participate in this RSP project training and to advance the skills of their 33 agronomists. While Cooceafe isn't able to implement direct training for this activity on the same scale as the other groups, the cooperative still found an effective way to disseminate the information to its members. The four agronomists who attended the training at UFLA returned to Cooceafe and held training for the other 29 agronomists on staff who train producers. The agronomists are sharing the information with producer members during routine farm visits. Initial feedback from the agronomists who attended the training has been positive and their observations have shown that producers are implementing the suggested post-harvest practices.

Outlook

Initial feedback and reporting from the direct training have been positive, but training and final reporting from the agronomists will not conclude until early July. During the training of trainers, the agronomists discussed with Professor Borem the idea of following up with the producers they train and evaluating how the information was adopted. The goal of the evaluation is to assess the effectiveness of the training and also to provide feedback to the producer groups that will inform future trainings. The information collected will determine which lessons were best received and adopted and which were not, as well as the reason for both. The information will help both the agronomist and the organization to better train members during future trainings. The RSP project partners support the evaluation and are working with Professor Borem and the agronomists to prepare for a second training meeting to train about survey implementation. The training will include experience sharing from the direct trainings with producers and training on survey methodology. The training and survey implementation is scheduled to take place during the first half of QIV FY10.

1.3 Quality Evaluation Practices

Coffee quality experts agree that internal quality evaluation capacity within the producer organization is important for improving the quality of member coffee. The RSP project has addressed coffee quality evaluation capacity with a series of trainings targeted to the quality evaluation specialist or „cupper’ at each organization. The trainings focused on improving evaluation skills and developing greater capacity for evaluating producer member coffee, based on the internationally recognized Specialty Coffee Association of America’s (SCAA) evaluation scale and the Brazilian evaluation methodology, COB.

In QIII FY10, the RSP project partners implemented another series of cupper trainings, this time targeted not only to the organization’s cupper, but to the commercial director as well. The goal of the training was to build a bridge between the cupper who evaluates coffee quality and the commercial director who discusses coffee quality with buyers.

The one day training consisted of both theoretical and practical components of quality evaluation. The theoretical component emphasized the importance of quality evaluation at the producer organization and the differences between the SCAA and COB methodologies and when each is used. The practical component allowed cuppers and commercial managers to cup side by side and better share their experiences and perspectives. In the practical training the participants had the opportunity to taste and evaluate coffee from different regions of Brazil and contrast flavor profiles.

The training was an important opportunity for both the cuppers and commercial managers to understand the point of view of the other, exchange information and develop a common language to discuss coffee quality. The exchange between cuppers from different groups was also an important opportunity to share information.



Cuppers and commercial managers from Coorpol, Coocafe, Coofaci and Pronova participate in cupper training



Paulo Cesar of Coorpol, Pedro Carnieli from Pronova and Celito Barbosa from Coofaci cup and discuss samples during training in Espirito Santo

A total of 35 individuals, representing all fifteen Fair Trade Certified producer organizations participated in the training activity. Four trainings were conducted in three different locations, to make the training geographically accessible to all groups and to maintain the group size to a productive number. Participants filled out an evaluation following the training

and all feedback was very positive regarding the methodology, professionalism, and topics of instruction. Some constructive comments urged for more intensive instruction, including more hours of training and more involved theoretical explanation and more time to cup samples.

Outlook

In addition to working with the groups to increase cupper capacity, the RSP project partners are also designing a training that will help groups to improve their quality evaluation systems and take full market advantage of the coffee they have to offer. Whereas past quality evaluation trainings have been conducted regionally in small groups, this training will be individualized and the consultant will work one on one with each of the participating groups. Each producer organization has a different level of sophistication in their commercializing and quality evaluation system. The objective is to provide individualized feedback to groups regarding their quality evaluation systems and provide consultation about market destination of coffee lots with specific flavor profiles.

The training will involve an individualized consultation with each group to identify areas for improvement to quality evaluation systems. Each group will work with the consultant to define specific objectives and to develop a work plan for strengthening their quality systems in both the short and long-term. Where groups already have internal cupping capacity and manage their own export process, the consultant will work with the cupper and the commercial manager to combine coffee lots for optimum flavor profiles that international buyers are looking for. The consultation will also include market destination advice to help the groups know which foreign markets will be most receptive to which lots. In addition, all trainings will have a review or training, depending on the level of the cuppers, on SCAA cupping methodology.

The quality system consultations is scheduled to take place during August and into September, a time when the groups have received member coffee and are in the process of preparing samples to send to international buyers. For additional details from the cupper training, see *Annex 1*.

1.4 Organic Market Access

The RSP project has addressed organic training with differing degrees of intensity, based on the interest of producer partners. Following the positive market incentives that organic producers have recently seen, along with the benefits to producers' health and to the environment, many groups have begun looking into the possibility of becoming organic certified and in some cases, have started the organic conversion process. To support the increased interest in organic production, the RSP project partners have developed a two part training program based on a methodology similar to the post-harvest training program.

Outlook

Organic training will be carried out in two phases. The first phase is an initial seminar circuit, designed to increase producer interest in organic production by defining organic production, answering preliminary questions, clarifying where organic production is most viable and

sharing how producers can evaluate whether or not they should pursue organic production on their property. These seminars will be carried out by Coopervitae member agronomist and organic producer, Claudio Baquiao. Baquiao, who has also participated as a trainer in the RSP project's post-harvest best-practices training, will provide introductory information to the general producer population in a seminar setting. The post-harvest best-practices training model proved that producers are more receptive to receiving in-depth training programs after receiving a clear introduction to the importance from an expert in the field. As such, Baquiao will give regional talks, presenting a baseline of knowledge about organic production and the important considerations to take into account as producers decide to pursue organic certification. The seminars are scheduled to take place in the middle of QIV FY10.

The second phase of training is direct training by regional agronomist members of Fair Trade Certified cooperatives or associations. The direct training will be made possible through a training of trainers method, with participation that mirrors that of the post-harvest training. The head trainer will again be Claudio Baquiao, in partnership with Professor José Marcos Angélico de Mendonça of the Federal Institute of Education, Science and Technology in Muzambinho. Together they will develop the methodology and prepare the components of the training of trainers session. Once the group of representative agronomists has received training, they will return to their regions to provide direct organic training to members, using the same training structure as the post-harvest direct training.

Producer organizations have consistently recognized the need to have in-house agronomy resources to train members on best-practices and trouble-shoot issues that arise on member farms. By raising the capacity of member agronomists who already participate actively in the cooperative, the organization increases its internal ability to provide support to its members without being dependant on municipal or NGO activities. This training will further add to the skills that the agronomists acquired previously during the post-harvest training of trainers activity.

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 to 2.4).”

2.1 Business Management Capacity Improved

Activity 1: Business administration training

The Business Administration training that began in QIV FY09 concluded in QIII FY10. The training reached a total of 60 administrative professionals during a total of 38 training days divided among 11 Fair Trade Certified producer organizations. One administrator from each group was invited to a four day, centralized classroom training and then the administrative staff at each organization received three on-site follow-up visits in which the team of two consultants tailored the trainings to the group's specific administrative environment.

During QIII FY10, the consultant team conducted the third and final training with the three remaining groups, Coorpol, Coofaci and Pronova. As with the third visit to the groups in southern Minas Gerais and Sao Paulo, the final visit to Coorpol, Coofaci and Pronova focused on methodologies and systems for long-term growth. The final visit was designed to solidify the lessons learned and leave each group with the tools and road map to continue developing their businesses.

During the visit, Coorpol implemented systems to track coffee stocks from individual members. The tracking system will enable Coorpol to better manage coffee supply and more effectively track the purchases that they make from each producer member. Because of the trainings, Coorpol was able to calculate their cost of exporting their coffee through a third party, as opposed to directly exporting to buyers, and consider the cost/benefit of directly exporting. Coorpol received assistance from the consultants to organize the paper work necessary to file for a change in status, allowing them to change from an association to a cooperative. The change in status will allow the group to export directly once they have the proper internal systems sufficiently established. Coorpol anticipates being able to export their own coffee from the 2011-2012 export season. In regard to financial management, Coorpol staff is utilizing the tracking tools provided by the consultants and has updated the financial information for 2010. Establishing solid financial controls is also an important step for Coorpol as they transition from an association to a cooperative and assume more risk in the supply chain.

Coofaci also received and employed the tools to better manage their coffee stocks and purchases from members. The group calculated their export costs and worked with the consultants to explore alternative export channels and ways to get their costs down. As part of the business plan that Coofaci developed with the consultants, they hired a financial administrator to handle the financial management systems internally in the organization. By having a specialized professional dedicated specifically to Coofaci's finances, the group is able to better manage their financial information and the other staff members are freed up to fulfill their specific functions. In QIII FY, Coofaci identified and hired a commercial manager to lead the organization's sales strategy. The consultants worked with the leadership at Coofaci to prioritize this role and to define the position's functions.

At Pronova the final visit concluded the cost analysis per sack of coffee to help the group understand the true cost of processing and export. The consultants also talked with the staff at Pronova about insurance coverage for the coffee during transport and helped the group to learn about their exact level of coverage. They discussed sales strategy for the 2010-2011 export season and the importance of developing a plan for future sales and the general trajectory of the cooperative.

Overall, the business administration training helped groups develop their business model and troubleshoot in areas where they were having difficulties. The consultants worked with the administrators in each organization to ensure that

“This advice and these spreadsheets are still helping me today. Also, they were used to help write Coocaminas's business plan.”

–Daniela Oliveira, Comercial Manager of Coocaminas

they had the basic level of understanding to manage their current day-to-day functions. Groups have responded positively to the training and have informed the project partners that the training was important for them to manage their role and strengthen their business skills. For complete details and results from the training, see *Annex 2*.

2.2 Governance and Board Development

Activity 1: Governance training

Cooperative governance training with consultant Andrea Salerno continued on schedule through QIII FY10. Salerno continued to work with Fair Trade Certified producer groups from Minas Gerais and Espirito Santo to improve governance structures and divisions of labor. In southern Minas Gerais the groups Assondantas, Dos Costas and Unipcafem finished their 100 hour governance training programs with Salerno. Also in southern Minas Gerais, Coopfam, Coopervitae and Assopro continued governance training and will continue to train in QIV FY10 as well. In Espirito Santo, Coofaci and Pronova continued trainings and will finalize work with Salerno in the fourth quarter.

Assondantas worked with Salerno from January 2008- May 2010. The work with Salerno helped Assondantas to prepare for Fair Trade certification and to successfully complete their application and initial audit process. In addition to gaining Fair Trade certification, the governance training helped strengthen the association. Some of the group's major accomplishments from the training period include forming environment, monitoring and communications commissions and forming work plans for each of these commissions. Assondantas also worked with Salerno to develop and schedule a year's worth of assembly meetings. The group is continuing meetings according to the schedule and has reported consistent meeting attendance beyond the end of the consultant's work period.

Dos Costas also worked with Salerno from January 2008 to May 2010 and also achieved Fair Trade certification under her guidance. Dos Costas' first meeting with Salerno had 18 participants; the closing meeting had 108 producer and community members in attendance, demonstrating increased organizational strength and commitment to the training objectives. Other major accomplishments from the training include forming a women's association within the cooperative, increased participation by women at assembly meetings and converting their association into a cooperative recognized both by FLO and the Brazilian government.

Unipcafem participated in governance training from January 2008- June 2010. On average 40 individuals participated in each meeting. During Unipcafem's work with Salerno the group promoted new leadership in the association – an important shift from their previous administration composition in which all representatives were members of the same family. Unipcafem also revised the association's statute to allow them to form a cooperative in the future.

Also in southern Minas Gerais, Coopfam continued work with Salerno during QIII FY10. They concluded 100 hours of governance training in June 2010. During the 100 hour

training module the cooperative held elections and elected a new board of directors, President and Vice President. The consultant's work with Coopfam has been extended for 3 additional sessions to help the new leadership finalize implementation of effective governance systems and division of labor among staff.

At Coopervitae, governance work focused on helping members of Sampaio – a former Fair Trade Certified cooperative in the region – join Coopervitae smoothly. Salerno led meetings with former Sampaio members through 2009, many of whom are now registered members of Coopervitae. Beginning in 2010 governance meetings were conducted with representatives of Coopervitae, community Sampaio and many other communities where members of Coopervitae live. Coopervitae is will finalize governance training in QIV FY10.

Salerno began work with Assopro in late QII FY10. She met three times with the group during the third quarter. After two initial meetings with low producer attendance, the consultant has decided to focus governance training sessions on work with the Board of Directors and Assopro's leadership. Salerno will focus on helping the governing bodies to solidify the organizational structure, division of labor and systems of checks and balances. Once the group's governing structure is clearly defined and operational, Salerno's focus will expand to member engagement and educating members on their rights and responsibilities as producer owners in the cooperative.

Governance work with the Fair Trade producer groups located in Espirito Santo, Coofaci and Pronova, continued during QIII FY10. Pronova continued to conduct two days of training per month, in which they dedicate one day to internal meetings with staff and board members and spend the second day holding itinerant meetings in different communities, attended by the producer committee, Pronova producer members and community members interested in learning more about Pronova. During QIII FY10 Salerno worked with a total of 79 members of Pronova in three different communities.

Pronova made important strides with their internal organization during the quarter as well. Pronova's staff and management body finalized job descriptions and work plans. The board approved the work plans and will track the employees progress using the work plans to provide increased accountability. The completion and approval of both the individual and team work plans was an extremely important step in defining the responsibilities of each staff member and providing accountability.

“The work accomplished in the past few months is great victory and a major step for us and for the cooperative, thanks to the consultant who observed what was not working, launched this challenging process and guided us in developing this work ... It has been very important for all of us.”
-Jackeline Uliana Donna, Manager of Certification Programs, Pronova

Pronova's producer committee continued to meet and act as a mechanism for distributing and collecting information among producer members in regionally disperse communities. During the quarter the producer committee conducted and compiled a survey in each of their respective communities assessing what forms of additional training and capacity building are needed. Pronova's president also spoke at the June producer committee meeting summarizing

the benefits of Coop membership. Producer committee members will transmit these important member benefits to community and cooperative members in their respective communities. During the quarter Pronova's innovative governance work was featured in the online magazine *The Union for Organization for Brazilian Cooperatives in the State of Espirito Santo- OCB/ES*. A copy of the article is included in *Annex 3*. Agendas for Pronova's Staff and Producer committee meetings are also included in *Annex 4* as a sample of the format and content covered in these meetings.



Cooperative Governance Consultant Andrea Salerno with members of Coofaci and the surrounding community

Work with Coofaci continued to focus on improving cooperative management and governance structures. During QIII FY10 a total of 87 staff, producer and community members from three different communities participated in cooperative governance training. During the quarter Coofaci's board and staff finalized and approve the cooperative's action plan for the 2010 harvest and export season. Work during the quarter also included education and recruitment visits to three communities in the region. These community visits included presentations on member rights and responsibilities, the benefits of being in a cooperative as well as a session to disperse information about Coofaci to members. Other significant accomplishments for Coofaci in QIII FY10 include contracting an agronomist, training a new commercial manager, stabilizing their warehouse facilities for 2010 and improved transparency.

Both Espirito Santo cooperatives have incorporated rotating community meetings into their governance training. These rotating community meetings began late in QII FY10 and continued each month throughout QIII FY10. The community meetings have proved a very successful way to share the work and restructuring these cooperatives are implementing with producer members. The community meetings are a forum to clear up misconceptions about coop membership and to clarify the benefits and responsibilities of being a producer member. Salerno uses the open community meetings to explain Fair Trade principles and present information about cooperative member responsibilities.

2.3 Certification Compliance and Outreach

Activity 1: Certification compliance and management training

Producer certification support is an important and ongoing service that groups require to stay in the Fair Trade system. The RSP project has identified that the best long-term resource for certification support comes from the Fair Trade certifying body, the Fairtrade Labeling Organization (FLO).

FLO has a producer support body, Producer Services and Relations (PSR), which provides on the ground support to producers and producer organizations. PSR has recently emerged with a stronger presence in producing countries, offering greater assistance. In Brazil, the system includes a new regional coordinator and a new liaison officer, both of whom provide support to Fair Trade Certified organizations. While there are many product categories and producer organizations that PSR is responsible for in Brazil, TransFair USA is working with the representatives in Brazil and with the representatives at the FLO headquarters in Germany to find ways to provide the needed ongoing support to the project participating coffee producer groups.

The producer organizations have had increased contact with the FLO representatives in Brazil since the RSP project meeting in February of QII FY10. The project partners invited Regional Coordinator, Catalina Jaramillo, to participate and provide information about pricing and FLO structure. The meeting was productive and helped to strengthen the connection between the groups and the FLO representative. Since that meeting, Jaramillo has been a valuable resource to the Fair Trade coffee producer groups. She has engaged the groups in the FLO standards review process and worked with them to ensure that they have a clear interpretation of the standards changes and how those changes will impact the organizations.

In addition, through a formal request process open to the Fair Trade Labeling Initiatives, TransFair USA submitted a request for certification support to the coffee producing organizations. The request was granted and producer groups began receiving visits from the Brazil-based liaison officer. The objective of the visits is to provide a resource for groups to use as they have questions or concerns about their certification. With the service request, groups are now receiving regular visits from a FLO representative to discuss any challenges they are having with certification and to identify solutions to those challenges.

The RSP project provided additional certification support while at the Specialty Coffee Association of America's annual trade show and conference in April 2010. At the conference, the RSP project partners organized a roundtable discussion exclusively for the Brazilian producer group representatives. One of three experts in the discussion was Chisara Ehiemere, Vice-President of Certification at TransFair USA. Ehiemere presented information about Fair Trade standards and clarified points where groups were unclear. The roundtable provided an opportunity for the producer groups to discuss some of the certification concerns that they all share and to get answers from a Fair Trade representative. The encounter also allowed Ehiemere and the groups to meet and open channels of communication for ongoing and future certification questions. That relationship has proven important in the short term as several groups have needed certification assistance in QIII FY10 and Ehiemere was able to provide support.

Activity 2: Membership development campaigns

Each producer organization has a differing strategy for growing and maintaining producer membership. The project partners have developed ways that the RSP project can support groups in their individualized growth strategies.

To help groups recruit new members and maintain current membership, the RSP project subtitled the video, *Buyer Be Fair: The Fair Trade Coffee Story*, with Portuguese sub-titles in QII FY09. The video was distributed to several producer groups and initial feedback prompted a further round of edits. In QIV FY10 the project partners will edit and distribute the video for use at membership and community meetings.

In addition, cooperative governance consultant, Andrea Salerno, is supporting the producer organizations she works with on effective strategies for not only strengthening current membership but in helping the groups expand their into the community in a way that is sustainable for the long-term growth and governance structure of the organization. Further information is provided in section 2.2.1, „Governance Training’.

Component Three: Raising the market 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 United States that Brazilian coffees can offer high quality and great value (3.1 to 3.3).”

3.1 Leveraging Partner Experience

Activity 1: Marketing strategic planning

Marketing strategy information is still pending from Wal-Mart Stores, however both Wal-Mart and Sam’s Club continue to offer premium shelf space to Fair Trade Certified Brazilian coffees.

Activity 2: Fair Trade Certified Cupping Competition

Auction

Sales transactions from the 2009 Fair Trade Certified Cupping Competition auction were finalized in QIII FY10 with the arrival and distribution of all coffee lots purchased at the auction. All of the auction lots sold to U.S. buyers arrived in the United States in June and the importer distributed the lots to their respective buyers. In the coming months the roasters will roast and promote the coffee and the RSP project will follow any special promotions featuring the producers, the cooperatives and the RSP project sponsored competition.

Competition

The RSP project held the first ever Fair Trade Certified Cupping Competition in Brazil in the first year of the project and repeated the success in the second year. The competition was so well received by producers, cooperatives and associations, coffee experts, and the project partners that the RSP project intends to support a third Fair Trade Certified Cupping Competition.

The model of past competitions relies heavily on intensive capital investment and extensive support and coordination with U.S. market partners. While the initial competitions benefited from the structure to promote Brazilian Fair Trade Certified coffee in the U.S. market and to establish a competition with technical integrity, the initial set up phase has been established and future competitions can now continue based on that structure.

Project partner Sebrae-MG has expressed interest in being increasingly involved in a competition this year and in subsequent years. Several project consultants as well as producer group representatives have also indicated that they would like the competition to continue and are interested in playing a more active role to ensure that can happen. As a result, the RSP project is prepared to assist with the planning phase leading up to a third Fair Trade Certified Cupping Competition in Brazil. The third competition will be an opportunity to transfer knowledge and relationships to local partners who can continue to take a leading role in carrying out the competition in the future. The new model will be designed to be sustainable after the project has closed, as it will depend on local resources and partners, including the producer groups, who have a vested interest in the competition continuing. Planning will happen in earnest in the beginning of QIV FY10.

Activity 3: Media and marketing training to the producer groups

In preparation for the Specialty Coffee Association of America's annual trade show, Sebrae-MG hosted a training for the participating groups from southern Minas Gerais to discuss marketing strategy and best practices at a trade show. The objective of the training was to prepare the groups representatives for the experience of a tradeshow and to discuss best-practices. Nine of the groups have sent representatives in the past and of those, eight of the representatives that participated this year were attending the SCAA trade show for their second or third time.

This year the training provided by Sebrae-MG reviewed some of the same information as in the past, particularly for the participants who would attend for the first time. In addition to information about meeting buyers, participating in business meetings in the United States, and how to best utilize the time at the trade show, the training session also served to establish shared objectives and sales strategies between the groups. The pre-show orientation helped to bring the groups together under shared objectives so that when they participated in the show their internal network was already established.

At SCAA, TransFair USA presented each group with a copy of *The Guide to the U.S. Coffee Market* in Portuguese. This is the third consecutive year that the material has been updated and presented to the organizations. The guide includes information about current Fair Trade

market trends, an overview of the market structure, and a resource guide for additional information. Details of the 2010 edition update can be found in the QII FY10 report. The guide was distributed to the Brazilian groups in both a CD format and a bound hard copy. Prior to distributing and talking about the guide, several groups asked about it, citing *The Guide to the U.S. Coffee Market* as a useful tool for their business.

While in the United States, TransFair USA invited project participating producers to participate in a series of workshops hosted at the TransFair USA offices in Oakland, California. The trainings included Human Resources, Cooperative Structures and Social Media and Marketing. The workshop was led by TransFair USA's Senior Manager of Web Initiatives, Tamera Ferro and Public Relation Manager, Katie Barrow. The training team presented the importance of social media in business to business relationship building. Producer organizations learned about ways to use Facebook, Twitter and blogs to reach their buyer audience.



Producer group representatives from Brazil participate in social marketing training at TransFair USA

The training was interactive and engaged the cooperative and association leaders in the process of reaching out to the specialty coffee community online and promoting their businesses. In real time during the training, Barrow posted comments on Twitter and Facebook about the training and the group watched as online followers responded and posted comments. The training motivated participants to establish Facebook profile pages and promote their businesses on the internet.

3.2 Impact Marketing

Activity 2: Creation of impact marketing materials

During the life of the project, the project partners have worked with the producer groups to develop marketing materials that help the groups tell their story and market their coffee to foreign buyers. These materials have served the groups well when they attend trade shows, receive buyers at their offices and reach out to buyers.

TransFair USA worked closely with each group to update their TransFair USA sponsored profile. The profiles are hosted on the TransFair USA web site for use by buyers and consumers. The profiles are an important source of information for buyers and the more up to date they are the better it is for the group's market linkage. In addition, the producer profiles for each group were displayed at the Fair Trade Certified booth at SCAA. This year in preparation for SCAA, TransFair USA hired an outside designer to design the layout of the profiles to make them more graphically pleasing. All of the participating producer groups

now have updated producer profiles electronically on the TransFair USA website and printed versions were available at the SCAA trade show booth.

In addition, Sebrae-MG updated the printed marketing materials that they created for the groups last year in preparation for SCAA. Sebrae-MG created new material for the groups that were new to the Fair Trade system and to the project. Each group received their materials to use at the trade show and beyond.

During their participation in the project, cooperative and associations have developed a greater understanding of the importance of telling their story and the need to market their coffee. Starting in QIII FY10 the project partners began preparing and implementing components of a marketing strategy that the groups can employ as they see fit for their individual situation.

TransFair USA has over ten years of experience working with coffee licensees in the U.S. market and has extensive knowledge of what kind of marketing is effective for the target audience that the Brazilian Fair Trade Certified coffee producer groups are trying to reach. The project partners are working to harness this knowledge into a tool kit for the groups to employ in their own marketing strategy. The tool kit will include an informational component about the type of stories and facts that groups should include in their marketing materials to best sell their coffee to Fair Trade buyers.

To start the process, the TransFair USA design team is working with all of the groups to create an informational piece of marketing collateral that the groups can use to present with their coffee samples. The concept is a unique means to provide buyers with up to date information about the group in a format specifically targeted to the buyer audience. The end product will be an updatable card that groups can attach to the green coffee samples they are sending to buyers. The card will be customized for each group and contain photos, the group's logo and mission statement or group's philosophy. In addition, the card will contain a sales sheet with form fields for the commercial manager to update with real-time information about available supply and the quality specifications of the current harvest. The electronic files will be provided to the groups to and print as needed. A final product will be developed with the groups in QIV FY10.

3.3 Marketing Missions

Activity 1: Participation in SCAA annual trade show

A delegation of ten Brazilian Fair Trade Certified producer group representatives participated in the 2010 Specialty Coffee Association of America (SCAA) annual conference and trade show, April 15-18 in Anaheim, California. The show is the largest event for the U.S. specialty coffee industry and attracts over 8,000 attendees representing the entire value chain, from growers to consumers. The event is an important opportunity for producers to shorten the distance between themselves and their target market in the United States. The project participating producer representatives exhibited in the Fair Trade Certified booth, the largest and one of the most visible booths at the show.

Prior to the SCAA trade show and conference, the RSP project partners contacted licensees who had a history of purchasing Fair Trade Certified coffee from Brazil or who had expressed interest in entering the market. Those licensees were sent several samples of green coffee to taste and a note inviting them to meet the producer organizations while at SCAA. The response from that outreach was positive and meetings were set up between group representatives and Fair Trade importers in the United States. One of those meetings between a cooperative commercial manager and a buyer resulted in a contract negotiation for several containers from the 2010 harvest. In other instances, strategic licensees such as McDonalds and Starbucks responded positively to the quality of the coffee and are continuing the conversation about future Fair Trade opportunities.

The Brazilian delegation had a very full agenda for the 2010 SCAA event. They began their visit with the TransFair USA Fair Trade Producer Forum on April 14. The Fair Trade Producer Forum is a full day educational forum that provides information relevant to Fair Trade Certified coffee producers, in a producer-only setting designed to foster discussion and idea-share among producers from all origins. The topics covered in the 2010 Fair Trade Producer Forum included *Climate change and the impact on producers*, *Cost of production and price-Fair Trade producers in the global economic crisis*, *Organic production-productivity and profitability*, among others. Brazil was an important topic of discussion and the RSP group representatives were able to gain important insight to the global coffee market and how the Brazil impacts the market. This year's event was attended by approximately 200 producer participants.



The delegation from ten Fair Trade Certified coffee producer groups at the TransFair USA Fair Trade Producer Forum in Anaheim, California

During the days of the conference and trade show, producer group representatives participated in morning lectures and were present on the trade show floor in the afternoon. The morning lectures included topics such as *Water Quality and Water Filtration*, in which producers learned about the importance of water quality when cupping coffee; *Ask the Green Coffee Buyers*, a dynamic discussion in which importers rotated among small groups, allowing the Brazilians to collectively ask questions pertinent to their business; *Corporate Social Responsibility: Communicating Your Companies Efforts*, a lecture about marketing the socially responsible side of a coffee business.

In the afternoon the Brazilian producer group representatives participated in the Fair Trade Certified booth, where they set up marketing materials and samples and met with show attendees. While on the show floor the group representatives had different schedules allowing some to participate in buyer meetings, while others toured the show floor or stayed in the booth to receive buyers.

TransFair USA worked with the Fair Trade licensee community to schedule meetings for the Brazilian producer representatives. The scheduled meetings resulted in busy but productive agendas for everyone. Commercial managers met with buyers to establish new relationships or solidify past buying histories. TransFair USA staff provided translation assistance for the meetings, as necessary. When not in meetings, TransFair USA staff with importer relationships from the Certification and Global Producer Services departments led tours of the show floor and introduced representatives from buyer and producer businesses. The encounters were productive and many importers were thankful to have the contact and access to supplies of Brazilian Fair Trade Certified coffee.



Coopfam President, Marcelo de Paiva meets with buyer Ben Corey-Moran of Thanksgiving Coffee Company, with translation from TransFair USA staff

While at the SCAA conference, the RSP project partners hosted a roundtable discussion exclusively for the Brazilian project participating groups. The objective of the activity was to provide a space for the producer representatives to talk with experts from different disciplines and get candid answers to the questions that are specifically relevant to Brazilian small holder farmers. All ten producer representatives participated in the round table conversation along with industry experts, Al Liu, Trader/Specialist in Certified Coffees, Atlas Coffee Importers; Flavio Meira Borem, Agronomy Post-harvest Professor, Federal University, Lavras; Chisara Ehiemere, Vice-President of Certification, TransFair USA. The conversation was very productive and generated active discussion among the group representatives and the experts about U.S. market demand, Brazilian coffee quality and the potential for specialty coffee from Brazil, and certification compliance standards and the upcoming cost of sustainable production analysis and what that will mean for Brazilian Fair trade producers.

Producer participants expressed that the show this year was the most productive that they had attended.

Thank you to the institutions that support us, USAID, TransFair USA, Walmart and Sebrae-MG, for financing this project and helping Fair Trade producersOur participation in the 2010 SCAA tradeshow was very strategic and beneficial....The meetings we had scheduled were very productive and connected us with the largest importers in the world....It was an unique experience where everything that we learned will be used throughout our lives. I learned to see the perspective of the full value chain involved in the process....The variety of communications now links all of us in the coffee world through Facebook and Twitter and it's fantastic. Thank you to everyone at TransFair USA, USAID and Sebrae-MG.

- Beatriz Souza Pereira, Commercial Manager, Unipasv

Activity 2: U.S. Sales Tours

In conjunction with the SCAA conference and trade show in Anaheim, California, the project partners organized a visit to a Sam's Club location where the producer representatives could see their coffee on the shelf in a retail location. The visit was hosted by TransFair USA's National Accounts Director, and the Sam's Club store manager. Together they talked to the producers about Sam's Club's marketing strategy and the sales promotions scheduled for the coming year. The visit was meaningful for the producers who got to see their coffee for sale on the shelf and also for the Sam's Club management team who had the opportunity to meet the people who produce the coffee they sell. The visit to the Sam's Club was a



Brazilian producer group representatives with Brazilian Fair Trade Certified coffee project partner, Walmart Stores, Inc.'s Sam's Club

special moment for both ends of the supply chain, as they gained greater understanding of the partnership they are engaged in. Walmart representatives were pleased that members of their staff had the opportunity to meet with the grower organizations that supply their stores. Following the SCAA conference and trade show, the project partners hosted the producer group representatives in California to visit members of the extensive Fair Trade licensee community. TransFair USA is based in Oakland, California and has a broad base of supporters and licensees in the area. By extending their stay, producer group representatives were able to take advantage of being in the United States to visit with current and potential buyers and to see the other half of the value chain first hand.

TransFair USA hosted not only the representatives from the Brazil RSP project but also representatives from projects in the organization's Africa project portfolio. All of the activities during the three day visit were attended by both the Brazilian and the African producer organization representatives from Kenya, Tanzania, Rwanda and Ethiopia. By sharing the experience with representatives from other coffee producing origins, the Brazilian representatives were able to contrast their reality with their counterparts in Africa. The experience was enriched by the opportunity to learn about other origins and see that despite the geographical divide, coffee producer businesses from these origins have a lot in common.

The visits to industry included a balance of small and large roasters, an importer and a café to provide a full picture of the complete value chain. Licensees were selected based on their commitment to sourcing Fair Trade Certified coffee from Brazil and their strong relationship with TransFair USA. Both producers and purchasers of Brazilian Fair Trade Certified coffee benefited from the visit and the opportunity to understand one another and their shared business.

The first visit was to Vasquez Coffee Company in San Francisco, followed by a visit to Mr. Espresso in Oakland. The visits provided a contrast of a small and large roaster, both of which purchase green Fair Trade Certified coffee from the groups. During both visits the owners led a tour of the facilities and roasted a batch of coffee to allow the group to see the full process, from green beans to packaging. While touring the green bean stocks, the producer representatives found bags of coffee from their organization and enjoyed seeing their beans in roasting facilities far away from the origin.



Producer organization representatives observe the full roasting process, from green bean to final packaging at Vasquez's roasting facility



Brazilian Producer representatives from the RSP project along with their African counterparts at Mr. Espresso's roasting facilities

The following day the group of producer representatives from Brazil and the African countries, led by TransFair USA staff visited the importer, Royal Coffee Incorporated. While at this visit, green coffee buyer John Cossette led a tour of the offices including the cupping lab and sample storage facilities. Cossette introduced the group to the staff at Royal, including the people that have the most contact with purchasing, invoicing and receiving, to put a face to the names of either side of the transactions. Cossette was generous with his time and answered questions about the U.S. coffee market, about sales, organic demand and numerous other topics that were of great interest to the producers groups. Cossette then took the group on a tour of the warehouse where the coffee is received and held prior to shipping to roasters all of the United States and the world. There Cossette and the warehouse manager explained the logistical aspect of their business, talked about origins and answered specific supply questions. Again the groups had the opportunity to find their coffee in the warehouse and take pictures of the coffee with the buyer. Many of the group leaders expressed that this was an important moment for them to understand the value chain and the expectations of their business counterparts. Celito Barbosa, Commercial Manager for Coofaci, when asked what he thought of the visit to the importer, responded pensively that it showed him the importance of professionalizing Coofaci's own business.



Producer representatives and Royal staff in the importer's warehouse



Geraldo da Silva of Coopervitae and John Cossette of Royal Coffee with a sack of Coopervitae coffee

The visit to the importer was followed by a trip to the small town of Healdsburg and to Flying Goat café, where Fair Trade Certified coffee drinks are sold. Flying Goat is also a licensee that purchases and serves Fair Trade Certified coffee from Brazil. The group met with the owner, Maura Harrington, and learned about the origins of the business and community's commitment to high quality Fair Trade Certified coffee. Harrington answered questions about market trends, quality expectations and organic demand from the purveyor's perspective. Everyone was treated to an espresso drink made with 100% Fair Trade Certified espresso from project participating Brazilian cooperative, Coopfam. It was a moving experience for the group representatives to sit in the café, drink expertly prepared Fair Trade Certified Brazilian espresso drinks and hear from the café owner about her commitment to paying just prices that compensate for the quality of the beans and the hard work of the growers.

The U.S. sales tour was a unique experience for producer leaders to visit the full value chain and have access to industry experts in their place of business. Dessalegn Jena, Deputy General Manager of Oromia Coffee Farmers Cooperative Union has participated in nine consecutive SCAA tradeshows in the United States and this year was the first time that he had the experience of visiting an importer or roaster at their place of business. The opportunity to have this kind of direct access isn't easily accessible to most producer organizations, and the Brazilian representatives took full advantage of the opportunity to meet buyers, tour facilities, talk with their African counterparts and experience the specialty coffee industry in the United States.

Activity 3: In-bound industry missions

It is important for coffee buyers not only to meet producers while they are in the United States, but also to have the opportunity to visit producer organizations and understand the business realities and the specific quality situation of the groups. The RSP project continues to support members of the U.S. specialty coffee industry who travel to Brazil to visit the project participating Fair Trade Certified producer groups. Because of the large specialty conference this quarter with attendance of so many of the groups, no buyers traveled to Brazil in QIII FY10. However, the coming quarter marks the conclusion of the coffee harvest and many of the groups have coffee on hand and are preparing to sell their stocks. It is at that time that buyers are interested in visiting the groups, sampling coffee and negotiating contracts.

The project partners are preparing for the upcoming visits by contacting buyers early to establish interest in visiting and offer support. Several important importers and roasters are anticipating visits in August 2010.

Due in large part to the capacity building activities of the RSP project, a major roaster and important Fair Trade licensee in the United States has decided to begin sourcing Fair Trade Certified non-organic coffee from Brazil. One-hundred percent of the coffee they purchase from Brazil will be from the project participating cooperatives and associations. For many of the groups this signifies an important entry into the U.S. specialty.

While the total volumes of coffee and the exact groups that will be involved are still being defined, it is likely that it will be a significant number of containers from all or nearly all of the project participating groups. To establish what will likely be a long-term business relationship with these groups, the buyer intends on visiting Brazil to fully introduce the partnership and learn first-hand about the quality that currently is available and understand more fully the organizations that they will be working with. TransFair USA and the RSP project have actively supported this decision and have worked with the roaster licensee over the course of the past year to make this decision a reality. Because of the important impact that this will have on the groups' long term relationship with the U.S. market, TransFair USA and the RSP project will work with the groups and the roaster and their importer partners to ensure that the visit to Brazil is as productive as possible and that the pending sales are executed smoothly.

Several other licensees have also contacted the project partners to discuss upcoming trips. The project partners have facilitated communication with the groups, provided translation and supported logistical arrangements in Brazil to ensure that both the buyers and the producer organizations are able to take full benefit of the upcoming visits.

C. Results

The RSP project continued to make progress toward its project and GPS program goals. Importers are still reporting sales figures for the first and second quarters of 2010 and TransFair

USA is preparing the final data. However, sales figures for the full year of 2009 have been finalized and the total purchases from Brazil reached \$6,072,629 lbs, translating to \$607,262 in fair trade social premium to farmers. Overall purchases of Fair trade coffee have dipped in 2010 due to the economic downturn and Brazilian sales are expected to decrease as well.

Component 1

In QIII FY10 two more groups completed infrastructure improvement projects resulting in 14 hulling machines and 18 drying patios. A total number of four projects have been completed in this activity including a cupping lab and the processing equipment projects that were completed in QII FY10. The project partners implemented the second round of post-harvest best practices training that provided additional information and reached trained producers. The training of trainers phase was a five day training with 16 agronomists that focused on agronomy, coffee processing technologies, cup quality evaluation and training methodology. By extension, a total of 45 skilled agronomists were trained, and then conducted an initial 37 trainings, with 479 Fair Trade Certified producer members. The project partners also held quality evaluation training for a total of 35 individuals, training the commercial manager as well as the quality evaluation professional within the organization in SCAA and COB evaluation. Finally, one additional group became Fair Trade Certified and joined the RSP project. The new group brings an additional 59 producer members to the project and an estimated 6,000 sacks of coffee to the Fair Trade market.

Component 2

Third quarter organizational capacity building activities included Business Administration training and Cooperative Governance training along with certification support. Business administration training concluded this quarter, and reached a total of 60 administrative professionals over the course of 38 training days, divided among eleven Fair Trade Certified producer organizations. Cooperative Governance training with the groups in Espirito Santo continued in QIII FY10. Pronova and Coofaci each received six days of training, reaching a total of 166 individuals affiliated with cooperatives. In Minas Gerais, three groups completed the 100 hour training modules implemented at each group in the region.

Component 3

Market linkage activities were strong QIII FY10, with ten producer group representatives from ten different organizations participating in the SCAA trade show and post-SCAA buyer tour. Producers participated in organized show floor tours and visited booths of six Fair Trade Certified importers. They participated in fourteen organized meetings with licensees to build relationships and discuss purchasing for the 2010-2011 harvest. There were many other opportunities at the event where the producer representatives met with licensees and exchanged contact information. While at the show, the ten producer group representatives also participated in the Fair Trade Producer Forum with 200 other producers from all growing regions. Following the SCAA tradeshow, all ten producer group representatives toured four Fair Trade Certified coffee businesses in California to better understand the supply chain and strengthen relationships with buyers. One visit was to project partner Walmart's retail location, Sam's Club. All fifteen of the Fair Trade groups in Brazil have updated profiles of their organization hosted on the TransFair USA web site. Eight of the organizations received training in Brazil about marketing and participating in trade shows, and all ten representatives received training at the TransFair USA offices about marketing and social media.

III. Budget

Total expenditures for QIII FY10 totaled \$151,254.91. Total spending for the third quarter was in line with planned activities for the period. Partner cost share reflects the contribution made by Wal-Mart Foundation to the activities conducted over the course of the quarter including post-harvest training, governance training and business administration training. Sebraa-MG also provided significant cost contribution, particularly related to SCAA activities.

FY 2010 QIII Expenses vs. Budget

Activity	3 Yr Budget	USAID Contribution	Cost Share
1. Expanding and Improving Quality of Supply	495,219.00	22,520.11	31,294.88
2. Increasing Producer Capacity	447,059.00	12,115.66	34,282.56
3. Raising Marketing Capacity	1,005,561.00	8,151.80	42,889.34
total	1,947,839.00	42,787.57	108,467.34

FY 2010 Annual Expenses vs. Budget

Activity	3 Yr Budget	USAID Contribution	Cost Share
1. Expanding and Improving Quality of Supply	495,219.00	29,135.21	139,633.27
2. Increasing Producer Capacity	447,059.00	48,967.89	79,845.20
3. Raising Marketing Capacity	1,005,561.00	55,886.11	111,901.54
total	1,947,839.00	133,989.21	331,380.01

IV. Outlook

Given the time frame of current activities and the timing of the harvest, the project partners adjusted the activity calendar to include a no-cost extension, allowing the project to conclude in December rather than the end of September, as is currently programmed. Budget and activity objectives were adjusted in early in QIV FY10 for a tentatively approved extension.

M&E

Work will continue laying the foundation for the end of project evaluation with the development of a work plan identifying the methodologies, refining the survey instruments and lining up interviews. In August, stakeholders will be introduced to the plan, objectives and expectations in order to generate interest, get input and ensure collaboration. TransFair USA will contract and train a coordinator to complete the end of project surveys over the next several months.

In QIV FY10 the RSP project will conduct a series of evaluation surveys to assess the outcomes of post-harvest training that was carried out over the past two year. The Federal University of Lavras will be implementing the survey which will be conducted on the 120 farms of the 500 producers trained.

Project Activities

The calendar of activities has been adjusted to reflect the tentatively approved extension. The result is significantly expanded training and activity projections that will allow the project to

meet the stakeholder identified training needs in a timeframe that doesn't conflict with the busy harvest season. The focus of the activities in the coming two quarters is on transferring capacity to local resources and ensuring that partners and local providers are equipped and supported to continue working with the producer population after the close of the project.

One important component of this strategy is the training provided to producer member agronomists. The agronomists strengthened skills, created a sustainable professional network and established themselves as an authority within their producer group and community. In the coming quarters, the project partners have designed an organic training program that will further the capacity of the trained agronomists and provide an introduction to producer members about the possibility and feasibility of organic production.

The extension will enable the project partners to lead a transition of the third Fair Trade Certified Cupping Competition. The project will again be active in the planning phase, with an emphasis this year on building and supporting a model that will be sustainable and continue into the future.

The project partners are also anticipating additional trainings that provide continuity and are related and build upon the work that has been carried out over the past three years. With the extension the partners will also extend cooperative governance training to additional groups and provide follow-up visits to the business administration training in order to monitor the progress after sales and harvest data has been on boarded.

V. Annexes

- 1 Copper Training Summary
- 2 Business Administration Training Summary
- 3 Cooperative Governance media coverage
- 4 Cooperative Governance meeting training day agenda

Annex 1

Cupper Training Summary

Cupper Training

June 4-23, 2010, 35 individuals representing all 15 FTC producer groups participated in cupper training.

Date: June 4, 2010

Location: São Manuel, SP

Number of Participants: 5

Participating FTC Producer Groups: Assoc. Dois Corregos & Cooperprata (formerly Assoc. Rio Claro)

“The training was very informative and a great opportunity to learn more about specialty coffee.”

-Reinaldo, Comercial Manager of Assoc. Dois Corregos



Date: June 11, 2010

Location: Machado, MG

Number of Participants: 8

Participating FTC Producer Groups: Assopro, Assondantas, Ascarive & Cocaminas

“Thank you so much for the opportunity to participate in this training. Ciro and I really enjoyed it. We hope to apply are new knowledge shortly. “

-Paulo M. Flora, Commercial Manager of Assondantas



“Participation in this course was truly rewarding, it really jump started our motivation to learn how to truly specialize in specialty coffee. I left the course with a different vision, very different than my experience at a weeklong cupping course I did in the past. It really emphasized the reasons to produce a distinct specialty coffee, I would like to implement this in my region and make a name for ASSOPRO in the specialty coffee market”

-Sergio Lima, president/commercial director of ASSOPRO

Date: June 12, 2010

Location: Machado, MG

Number of Participants: 10

Participating FTC Producer Groups: Coopervitae, Dos Costas, Unipcafem, Unipasv, Coocaminas & Coopfam

“The cupper training was truly very good. We cupped and exchanged a lot of information about what the market demands in terms of quality. We discussed how it is important to know the proper terms to be able to communicate equally with one another. Marcia was very professional”

- Beatriz Souza Pereira, Commercial manager of Unipasv



Date: June 23, 2010

Location: Venda Nova do Imigrante, ES

Number of Participants: 12

Participating FTC Producer Groups: Pronova, Coocafe, Cooprol & Coofaci

“The training was very productive. It was my first time learning about SCAA methodology in a more in-depth way”

-Paulo Cesar, Commercial manager of Cooprol



Annex 2

Business Administration Training Summary

Assoc. Dois Corregos

Dates of Onsite Training: October 17, 2009, January 19, 2010 and March 3, 2010

Number of Individuals Trained: 8

Major Accomplishments:

- Actively using spreadsheets provided by the admin trainers for improved financial management
- Clearly defined responsibilities , two members now have the roles of Commercial and Financial directors
- Calculated current production costs and explored other competitive options



Assoc. Rio Claro

Dates of Onsite Training: October 16, 2009, January 18, 2010 and March 4, 2010

Number of Individuals Trained: 4

Major Accomplishments:

- Formed and legally registered the group as a cooperative- COOPERPRATA
- Advised the cooperative's new president on financial management and commercial strategy
- Actively using spreadsheets provided by the admin trainers for improved financial management
- Increased computer literacy shown by cooperatives administrative employee. Employee formerly worked cleaning houses and had low computer literacy, today she is using excel spreadsheets to keep the Cooperative's financial records up to date.
- Calculated current production costs and explored other competitive options



Assoc. Dos Costas

Dates of Onsite Training: October 23, 2009, January 22, 2010 and March 2, 2010

Number of Individuals Trained: 6

Major Accomplishments:

- Formed and legally registered the group as a cooperative- Cooperativa dos Produtores de café especial de Boa Esperança Ltda. – DOS COSTAS
- Developed a spreadsheet facilitate increased accountability and tracking of work by contracted 3rd party accountant



- Calculated current production costs and explored other competitive options.

Coocaminas

Dates of Onsite Training: October 21, 2009, January 21, 2010 and February 26, 2010

Number of Individuals Trained: 1

Major Accomplishments:

- The sole individual responsible for administration and sales work at Coocaminas participated in all 4 training opportunities.
- Frequent use of spreadsheets for better financial management
- Calculated current production costs and explored other competitive options.



“This advice and these spreadsheets are still helping me today. Also, they were used to help write Coocaminas’s business plan” –Daniela Oliveira, Commercial Manager of Coocaminas

Coofaci

Dates of Onsite Training: October 29, 2010, February 2, 2010 and May 20, 2010

Number of Individuals Trained: 4

Major Accomplishments:

- Per the Admin trainers’ recommendation, Coofaci contracted an employee to do the administrative and financial work of the cooperative
- Calculated current production costs and explored other competitive options.



Coopfam

Dates of Onsite Training: October 20, 2009, January 20, 2010, February 22, 2010 & February 25, 2010

Number of Individuals Trained: 7

Major Accomplishments:

- Provided administration and export support to newly elected Cooperative president and board of directors.
- Additional day of capacity building to help Coopfam build financial management and human resources skills within Coopfam’s new administration and staff.
- Calculated current production costs and explored other competitive options.
- Facilitated contact with buyers and helped new administration develop a 2010 commercial strategy.



Coopervitae

Dates of Onsite Training: October 22, 2009, January 26, 2010 & March 1, 2010

Number of Individuals Trained: 3

Major Accomplishments:

- The same 3 individuals participated in all 3 onsite trainings for maximized continuity and skills development
- Frequent use of spreadsheets for better financial management. They are updating their 2010 cash flow spreadsheet on a near daily basis.
- Calculated current production costs and explored other competitive options.



Coorpol

Dates of Onsite Training: October 28, 2009, January 28, 2010 & May 19, 2010

Number of Individuals Trained: 6

Major Accomplishments:

- Developed a spreadsheet for accurate tracking of supply, including the amount of coffee sold to the coop by each member.
- Calculated current production costs and explored other competitive options.



Pronova

Dates of Onsite Training: October 30, 2010, January 29, 2010 and May 21, 2010

Number of Individuals Trained: 8

Major Accomplishments:

- Calculated current production costs and explored other competitive options.



Unipcafem

Dates of Onsite Training: October 19, 2009, January 25, 2010 & February 24, 2010

Number of Individuals Trained: 5

Major Accomplishments:

- Increased computer literacy shown by cooperatives administrative employee
- Calculated current production costs and explored other competitive options.
- Analyzed 2009 sales and developed a commercial strategy for 2010



Unipasv

Dates of Onsite Training: October 24, 2010, January 23, 2010 & February 27, 2010

Number of Individuals Trained: 8

Major Accomplishments:

- Calculated current production costs and explored other competitive options.
- Began process of legally registering as a cooperative- COOPASV.



Annex 3

Cooperative Governance Media Coverage



INTEGRAÇÃO COOPERATIVISTA

Pronova promove reunião do Comitê de Produtores visando aproximação e atendimento das demandas dos cooperados



A Pronova - Cooperativa de Cafeicultores das Montanhas do Espírito Santo realizou nesta terça-feira (04/05) uma reunião no município de Castelo, distrito de Bateia, com a presença de cerca de 25 líderes de cooperados de determinadas regiões e fazem parte do Comitê de Produtores, captar as necessidades de cada região e assim, criar um plano de ações.

Estiveram presentes nesta reunião a gerente de capacitação do Sistema OCB-SESCOOP/ES, Poliana Gomes, a assistente administrativa, Fulvia Camargo e o analista técnico, Samuel Fontes, para detectar a possibilidade do Sistema realizar parceria com palestras e cursos para o grupo, contribuindo para o avanço do projeto.

O Comitê

A Pronova em parceria com a TRANSFAIR USA, criou o Comitê de Produtores de maneira democrática e transparente, visando ampliar a participação dos cooperados nas decisões da cooperativa e nas definições de rumos para seu desenvolvimento.

Com a implantação e efetivação do Comitê a cooperativa espera ampliar seu relacionamento com os cooperados, tornar o processo de tomada de decisões mais compartilhado, contribuir na conscientização e efetiva implantação dos critérios do Comércio Justo (Fair trade), e por fim formar lideranças comunitárias que possam coordenar as atividades nas regiões de atuação da Pronova.

Annex 4

Cooperative Governance Training Meeting Agenda



REUNIÃO DO COMITÊ DE PRODUTORES DA PRONOVA

DATA: 22/06/2010

HORÁRIO: 12:00h às 14:00h

LOCAL: Salão da Igreja Católica São Pedro Apóstolo – VNI – ES.

Resumo do que foi Realizado:

1 – Roda de Boas Vindas / Integração seguida com a Oração coordenada pelo Sr Pedro Ruckdeschel.

2 - Andrea:

- Deixou a reflexão de como será o comitê de Produtores no próximo ano... deixou para pensarem...

- Sugestões dadas pelos membros do comitê presentes:

- Indicar um líder para o comitê, pois acham que o Comitê é a força da Pronova;
- Ter muito acesso a Pronova;
- Buscar novas informações sobre novas tecnologias;
- Fazer o cooperado entender que ele é o DONO da cooperativa;
- Fortalecer o líder da comunidade na comunidade;
- Filial da Pronova em Domingos Martins;

- Palestra/slides:

importância do cooperativismo,
novas tendências, liderança (na comunidade),
comitê (fortalece a ação conjunta),
cooperar para competir no mundo,
comércio justo,
formação de uma rede (mercado, Pronova, clientes),
união (esforço conjunto para um objetivo),

- Desafio: Como consolidar o comitê da Pronova?

3 – Pedro:

- Decisões/retrospectiva dos problemas e avanços da Pronova;
- Falou do Projeto Infra-estrutura;
- Compra do terreno: campanha de capitalização
- Sócio e não-sócio (vantagens)

Decisões tomadas em conjunto: Comitê, Diretoria, Gerentes e Colaboradores da PRONOVA:

AMOSTRAS: 0,700 Kg (cooperado) ou R\$3,00
1,500 Kg (não cooperado) ou R\$6,00

LAUDO: Cooperado – R\$10,00
Não - cooperado - R\$40,00

Obs.: se for vender o café na Pronova, não paga o laudo.

TORREFAÇÃO: R\$1,20 / Kg (cooperado)
R\$1,60 / Kg (não cooperado)

EMBALAGEM DE CAFÉ: R\$1,25 (cooperado)
R\$1,60 (não cooperado)

COTAÇÃO DE ADUBO (datas)

1º fevereiro
1º setembro
1º novembro

COMPRA DE ADUBO: de R\$0,30 passar para R\$0,50 (corretagem para Pronova).

OBS.: O Rafael (Gerente Comercial) avisou que enviará uma ficha e quem estiver interessado na compra de adubo deve preenchê-la e devolver à cooperativa; ficou resolvido adiantar 15 dias a data do pedido (sempre dia 01)

TROCA DE CAFÉ POR PRODUTO (Syngenta) - procurar a Pronova.

INTEGRALIZAÇÃO DE CAPITAL:

- negociar o máximo possível;
- Devolução de Capital: será realizado conforme Art. 15 do Estatuto – devolvido após a Assembléia Ordinária em até 5 anos;
- Quem sair da Cooperativa, quando retornar precisa integralizar o valor da cota atualizada conforme artigo 15 inciso 6º do Estatuto.