



Sustainability that *Matters* 1927 - 2010



Sustainability that Matters 1927 - 2010



Federación Nacional de
Cafeteros de Colombia



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**Federación Nacional de
Cafeteros de Colombia**





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Prologue



The actions undertaken by the Colombian Coffee Growers Federation –FNC, intended at procuring the sustainability of the Colombian coffee growing families and their coffee industry have been included in this Sustainability that Matters 1927-2010 report. Our aim is to divulge the Federation’s transcendental contribution to sustainability and peace in over 588 Colombian towns, located on the steep slopes of the Andean mountains where coffee is produced in our country. Despite our long trajectory and history, this huge labor of social gain is still largely unrecognized by important urban sectors and by coffee consumption centers abroad.

Our Federation is a non-profit organization, whose ultimate goal is to integrally elevate the quality of life of approximately 553.000 rural coffee growers and their families.

All our efforts are poured into this passionate undertaking. Every day, we face up to all the challenges posed to us and overcome them with unyielding strength.

We consider the publication of this first report, a step forward. Ours is a modern institution that commercializes an internationally-renown brand





such as Juan Valdez®, which exports coffee and analyzes and publishes coffee statistics. Also, FNC is an organization able to identify the threats and adversities that come up against its path in a changing world, in which variables such as coffee growers' income, international coffee prices and crop yields depend on many factors that cannot be influenced.

Putting together this report also gave us the opportunity to look back over the transparent and efficient work undertaken by FNC, its fifteen Departmental Coffee Growers Committees, its research center Cenicafé, and other related organizations such as Almacafé, Procafecol and the Manuel Mejía Foundation.

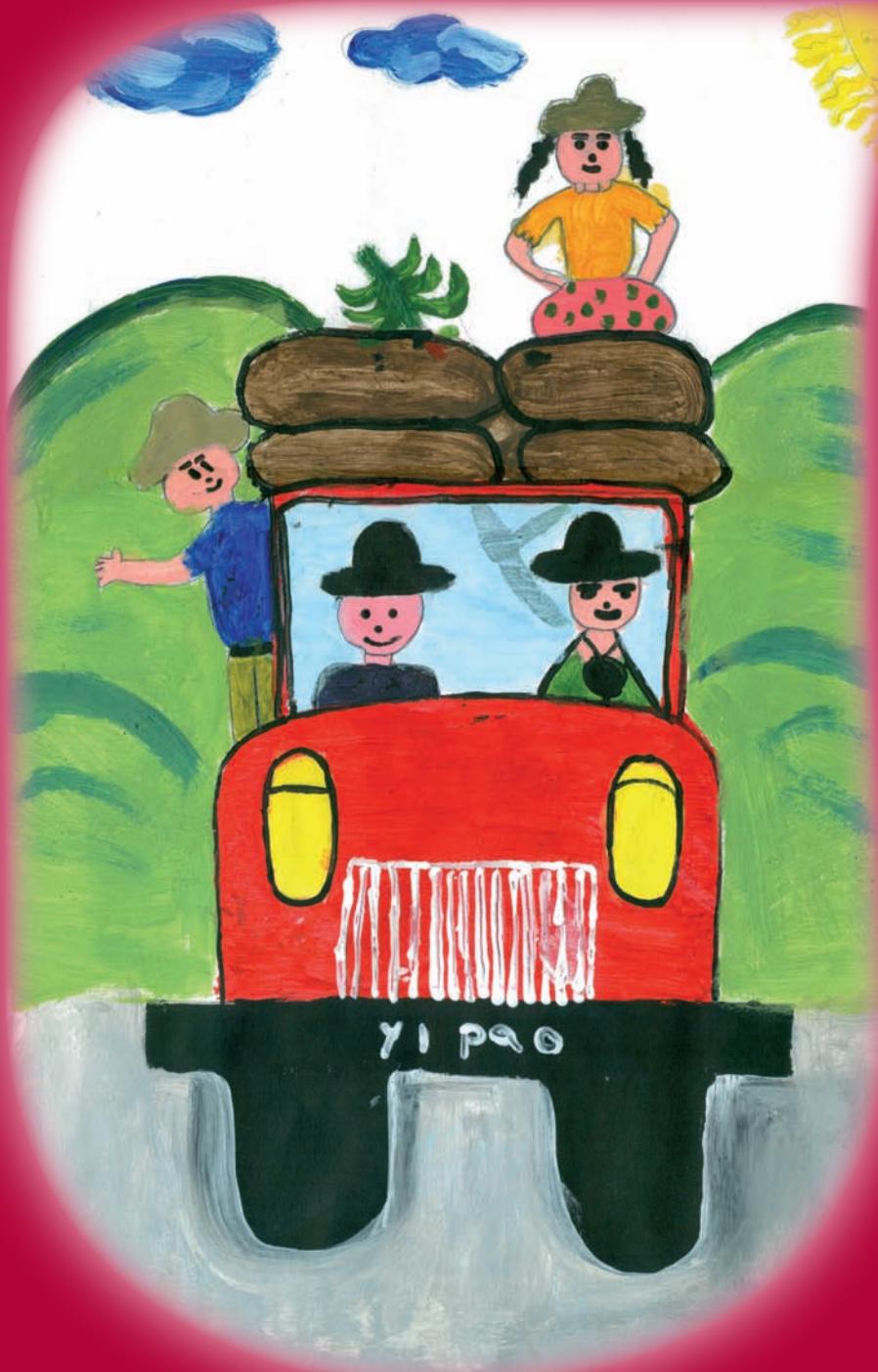
We would like to take this opportunity to reiterate our thanks for the trust placed in us, as well as the permanent support of our clients, official and private international NGO's, Majors, Governors and Colombia's Central Government, who have helped the Federation to undertake for all these years its development programs and initiatives.

Coffee growing is a vocation and one of the most deeply rooted and loved national traditions for all Colombians. The purpose of the following pages is to show it, in all its potential and its entire splendor. Those interested in this publication will be able to confirm for themselves the value generated by FNC in rural Colombia and they will be able to see how this quiet, sustained and efficient labor of love, has contributed to generate peace, economic growth and

social development in the coffee growing rural areas of our country. This is what Colombia's President, Juan Manuel Santos, was referring to when he said that he wanted to "turn every Colombian rural worker into a prosperous Juan Valdez".

LUIS GENARO MUÑOZ ORTEGA
CEO





5th Quindío Drawing and Painting Competition
"Let's paint Quindío"
Iván Mateo Idárraga Luna - [10 years old]
Circasia / Quindío - [2008]

Colombia
is Coffee



“ I dream every day of having in Ceuce a beautiful coffee hacienda; it is a product that will definitely have a good price ”
Simón Bolívar, in a letter written to José Manuel Jaén in 1804. (Ceuce was a state that belonged to Bolívar)





More than half of the municipalities in Colombia produce coffee. Five-hundred-and-fifty-three-thousand families that depend on its production, most of whom manage small farms, have come together to create a unique social network built around this crop. Our great commitment to support the well-being of the coffee growers in Colombia is inspired by this network.

The Colombian coffee industry traces its origins back to the 18th century, when Jesuit priests brought the first seeds and planted them in Popayán, in the south, towards 1732. There is also information about coffee plantations in northern Colombia by 1741. However, it was not until nearly a century later that it became one of the main engines of economic and social development in the country.

There are currently 553,000 families that produce coffee and nearly four million Colombians who depend on the crop. No other economic activity can generate the income and social development that coffee does in the rural areas of Colombia. This is why in our country coffee represents rural development, income redistribution and provides an opportunity to promote peace.

Ninety-five percent of coffee-growing families operate small farms or plots of land that, on average, are smaller than two hectares (4.94 acres). Because of the limited size of these farms, coffee growing is essentially a family-run operation that

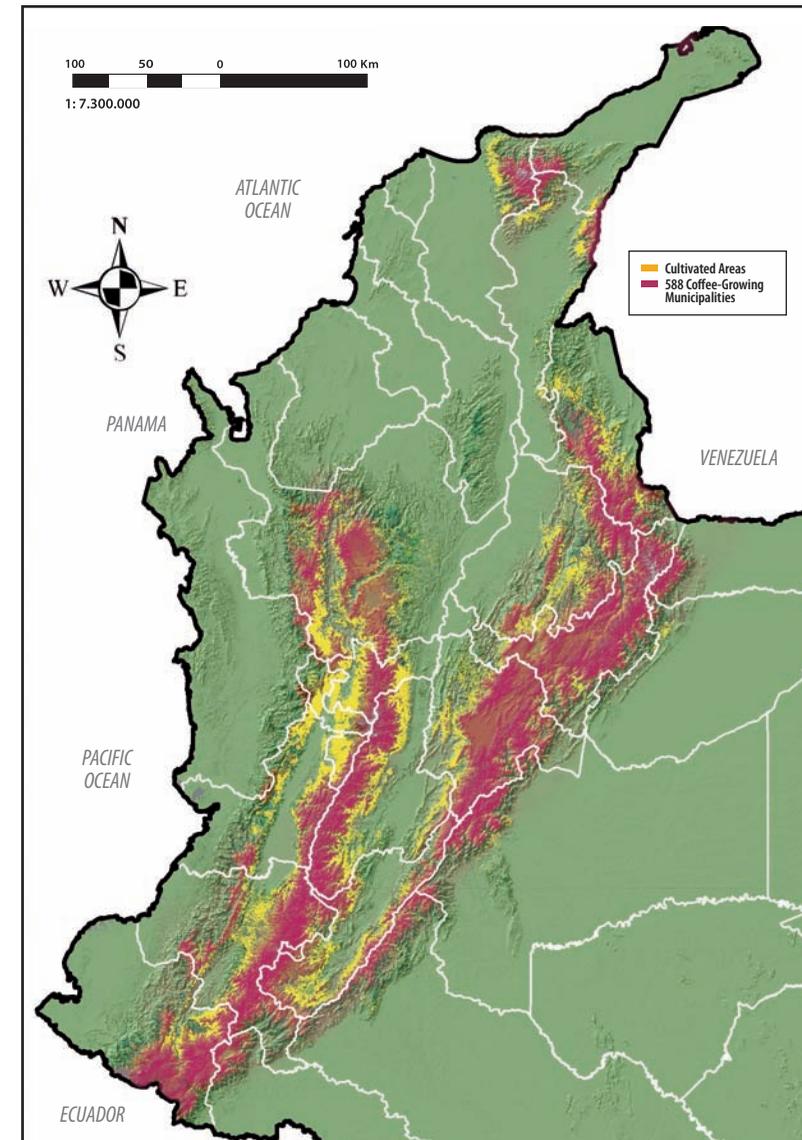
has developed a unique set of values, which have had a great impact on the quality of Colombian coffee, helping to make it the richest coffee in the world.

The hard work, passion and dedication required to take quality coffee from tree to cup can be best understood through the processes in which growers take part. Given the average size of the coffee farms and the deep-rooted family tradition, all of the harvesting and post-harvest processing is carried out by the growers themselves.

When these same growers are hired to harvest coffee on larger farms, they bring together the coffee growing culture that has developed across the country. As a result, this interaction of growers has helped create an “obsession with quality” based on hard, almost artisan-like, work that guarantees the production of outstanding coffee.

The consistent quality of Colombian coffee is surprising not only because there are so many producers in the country but also because the crop is cultivated throughout the country in geographically diverse areas. Coffee is produced in 588 of the 1,101 municipalities in the country. The majestic Sierra Nevada and Andean Cordillera, in whose mountains coffee is grown at altitudes that generally range from 1,200

GeoChart distribution of coffee-producing areas in Colombia (2010)



Source: IGAC Cartography Scale 1: 100,000 Digital Model of the Territory - SIMCI - Pixel 30m
Elaborated by: FNC, Technical Management – Basic Coffee Studies and Projects Office /mlcs

FNC 2010 ©



to 1,800 meters above sea level, are the perfect environment for the production of mild Colombian coffee. These conditions make coffee the only agricultural product found throughout the country, from the northern coast to the southern border.

Colombian coffee has also forged an exceptional institutional model. Around this product a culturally and ethnically diverse social network has evolved, and growers have learnt to work together to achieve common goals, and to set to themselves joint and objectives.

This spirit of collective action was born when coffee first arrived in Colombia as growers sought solutions to shared problems. As will be seen in Chapter II, Colombian coffee growers needed better

access to international markets and greater stability of income; because of this, in 1927 they created the Colombian Coffee Growers Federation (FNC) as an institution that combined a commercial focus with a search for public benefits.

Thanks to the work of our Federation, the cultural diversity of our producers did not lead to significantly different production and processing methods, but instead helped bring together 553,000 families in a collective effort to apply the best agricultural practices producing top-quality beans. Producers participate equally in the Federation and the economic benefits that it creates.



NUMBER OF COFFEE GROWERS AND AREA OF COFFEE PRODUCTION BY DEPARTMENT

Antioquia is the department with the greatest area of land dedicated to coffee production; as of the end of 2010 it had 131,123 hectares (324.012 acres) under cultivation. It is followed by Huila with 117,842 hectares (291,194 acres) and Tolima with 106,792 hectares (263,890 acres). In spite of the fact that it has the fifth largest area of land under cultivation, Cauca has the second greatest number—90,967—of coffee growers. Antioquia has the greatest number of growers and outpaces other departments such as Huila, Tolima, and Valle de Cauca, which dedicate more land to coffee production.

Coffee production area and number of coffee growers by department (2010)

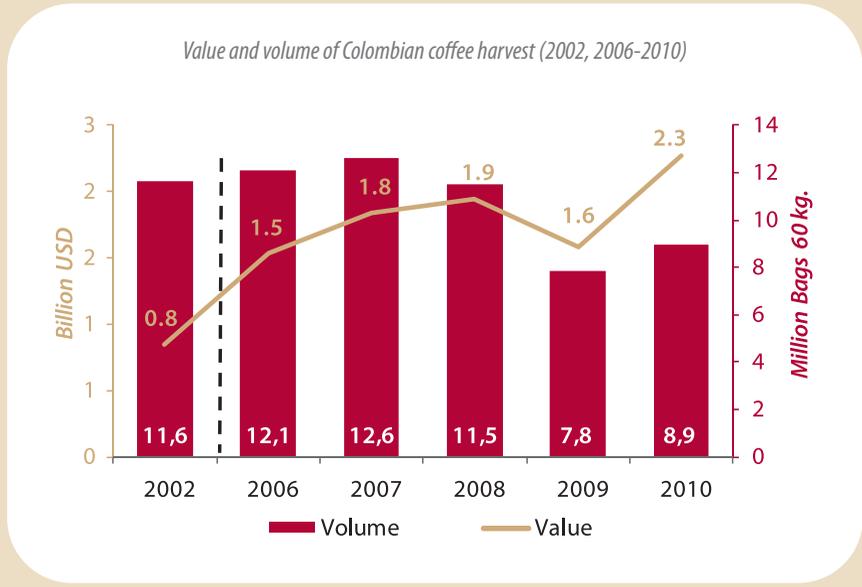
Departament	Numbers of Producers	Coffee Plantation Area
Antioquia	91,355	131,123
Huila	69,753	117,842
Tolima	56,792	106,792
Caldas	37,671	81,918
Cauca	90,967	76,189
Valle	21,706	75,093
Risaralda	20,050	52,884
Cundinamarca	40,628	49,358
Santander	32,678	44,583
Quindío	6,804	43,371
Nte. de Santander	19,256	33,975
Nariño	36,456	33,536
Cesar	6,325	24,226
Magdalena	3,546	18,872
Boyacá	12,453	11,141
Guajira	1,549	5,281
Caquetá	1,854	2,848
Casanare	1,742	2,605
Meta	1,653	2,585
Chocó	257	190
Total	553,495	914,413



VALUE AND VOLUME OF COLOMBIAN COFFEE HARVEST

In 2010 total Colombian coffee production reached 8.9 million 60 kilo bags of green coffee, a crop 14% higher than the previous year. The increase of volume harvested was lower than expected due to adverse climatic conditions, since during the first quarter Colombia experienced an unusual dry season associated with the phenomenon known as *el Niño*, whereas during the second half an extremely wet season with high level of precipitations took place when the *la Niña* phenomenon arrived.

The higher coffee price levels and Colombian coffee premiums, consistent with our Federation strategy to position Colombian coffee in the top quality segments, explain the total value reached by the Colombian coffee harvest in 2010. The crop's estimated valued was COP\$4,400 billion, (US\$ 2.3 billion) reflecting a 27% increase in local currency from the value obtained in 2009.





In economic terms, coffee production, which usually reaches an annual average of 11 million 60 kilogram bags, represents 16% of the national agricultural GDP. The value of coffee exports calculated as the total of green coffee beans, roasted coffee beans, instant coffee and coffee extracts usually ranges between USD\$ 1.6 and 2.2 billion, depending on coffee price cycles and export volumes. Green coffee beans exported from Colombia are shipped to different companies that roast, package and distribute coffee under different brand names.



COFFEE EXPORTS BY DESTINATION

The United States is the main destination of coffee exports from Colombia. In the last five years 37% of coffee produced in the country has been sent to the US. **In regional terms, 42% of sales have been in North America, 38% in Europe, 16% in Asia and the remaining 4% in other regions.**

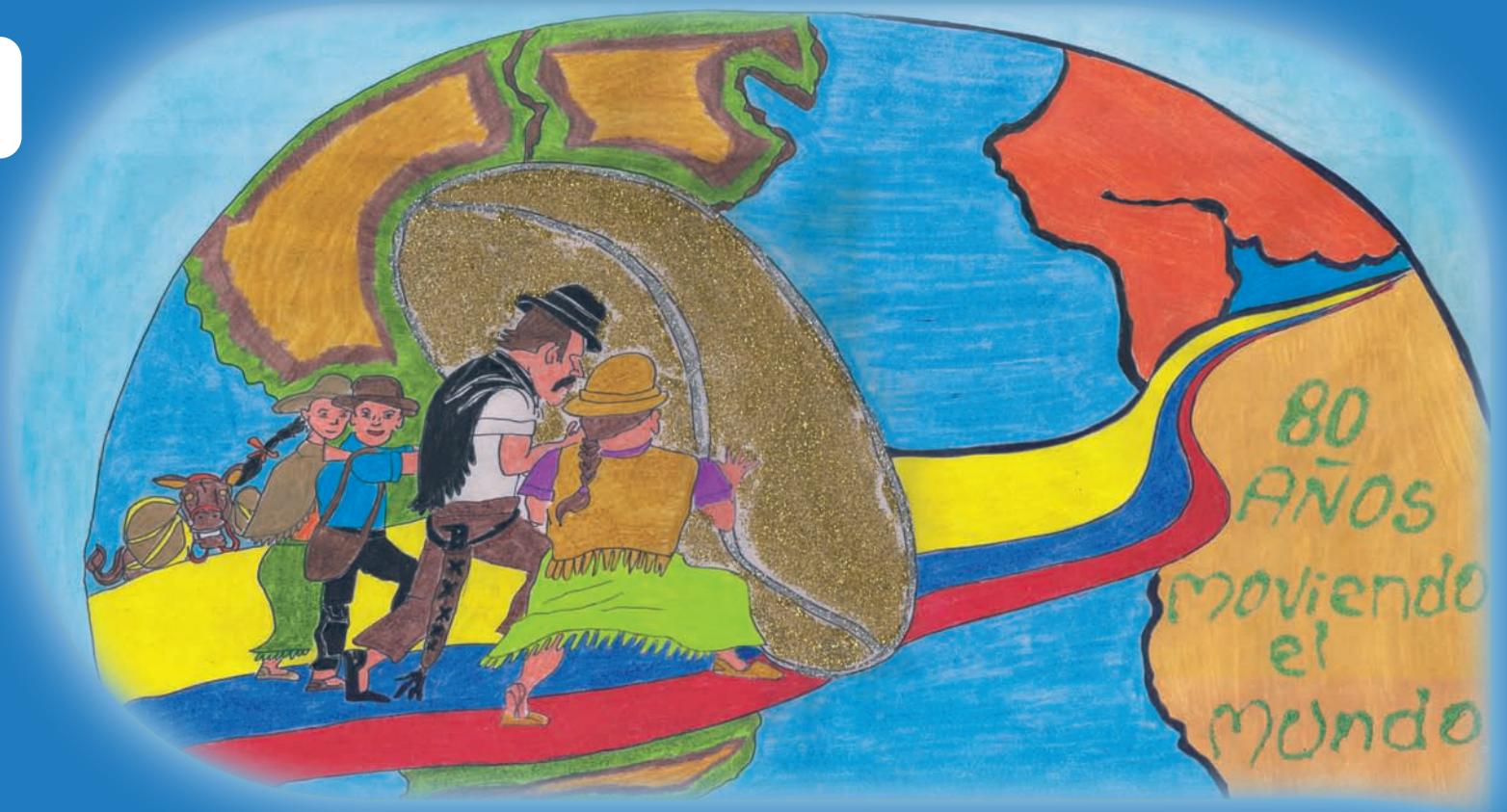
Colombian exports by destination (2006-2010)
Millions of 60 kg. Bags

Country/Year	2006	2007	2008	2009	2010	% Average (2006-2010)
Europa	4,5	5,0	4,3	2,4	2,2	38%
Germany	1,5	1,5	1,1	0,5	0,3	10%
Belgium / Luxemburg	0,6	0,8	0,7	0,5	0,6	7%
Italy	0,4	0,4	0,4	0,1	0,1	3%
U.K	0,4	0,5	0,5	0,3	0,3	4%
Sweden	0,3	0,3	0,3	0,2	0,1	2%
Netherlands	0,2	0,2	0,1	0,1	0,1	1%
Spain	0,3	0,3	0,3	0,2	0,2	3%
France	0,2	0,2	0,2	0,2	0,2	2%
Other European countries	0,7	0,7	0,7	0,4	0,4	6%
North America	4,4	4,4	4,7	3,7	3,6	42%
United States	3,8	3,9	4,2	3,2	3,1	37%
Canada	0,6	0,6	0,6	0,5	0,6	6%
Asia	1,7	1,5	1,6	1,5	1,7	16%
Korea	0,2	0,2	0,2	0,2	0,3	2%
Japan	1,5	1,3	1,4	1,3	1,4	14%
Others	0,4	0,4	0,4	0,3	0,3	4%
Total	10,9	11,3	11,1	7,9	7,8	100%

*Source: FNC based on DIAN data



First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Fredy Fernando Fernandez - [12 años]
Rionegro / Santander - [2007]



Our Colombian Coffee Growers Federation

- * 01 The National Coffee Fund: The power of collective savings
- * 02 Public goods for all coffee growers
- * 03 A structure to serve coffee growers



“ “ *The Government of Colombia has always had the highest degree of respect for the autonomy and independence of the Colombian Coffee Growers Federation. It has always lended and hopes to continue lend it its support and cooperation. Up to now this has always being the attitude of all Presidents and Governments* ” ”

Colombian President Alfonso López P., addressing the National Coffee Growers Congress in 1938.



The Colombian Coffee Growers Federation (FNC) is a non-profit organization created to represent the growers' interests. It is made up of 15 Departmental and 364 Municipal Coffee Grower Committees, whose members are elected by the growers. These political instances are complemented

by its administration, headed by FNC's CEO, which is in charge of designing and implementing the programs requested by the producers. Thus, Colombian coffee growers can have a coherent dialogue with national and international stakeholders.

In most developing countries, farmers and agricultural workers have not been able to organize themselves in an effective manner (. . .) The Colombian Coffee Growers Federation (FNC) is an exception to this universal tendency". Mancur Olson (1932-1998), economist and professor at the University of Maryland, in "La explotación en la agricultura" published in Café: Instituciones y Desarrollo Económico (1997)

Evolution of FNC - Sponsored institutions



1927

Creation of the FNC

Its objective is to guarantee the well-being of coffee growers through a democratic and representative organization.



1928

Extension Service

The FNC began to offer technical assistance and promote improved agricultural practices.



1929

Almacafé

Represents the beginnings of the professional coffee logistics company in the country which later will become Almacafé.



1938

Cenicafé

A scientific research center to develop improved coffee varieties and sustainable and environmentally friendly agricultural practices.



1940

National Coffee Fund - FoNC

Creating a parafiscal fund—fed by the coffee growers' contributions—aimed at strengthening the sector and stabilizing the coffee growers' income.



Juan Valdez

This character promotes consumer awareness about the quality of Colombian coffee and promote its consumption around the world.



Fundación Manuel Mejía

This Foundation provides training opportunities for coffee growers and their families and for rural communities.



Coffee Cooperatives

By private initiative and with the support of FNC the first cooperatives were set up. Their purchase networks help small-scale producers sell their coffee to the FNC and other exporters.



1958

Purchase Guarantee

A mechanism that guarantees coffee growers the purchase of their product at transparent prices and in cash payments at purchase points close to their farms.

1960



1974

Buencafé Freeze-Dried Coffee

One of the largest and most sophisticated freeze-dried coffee plants in the world. Instant coffee exports conquer new markets for Colombian coffee.



2002

Procafecol

Created by the FNC together with the Colombian coffee growers. The goal of the company is to increase the value of coffee and generate higher income for coffee growers.



1. The National Coffee Fund: The power of collective savings

From the early days of the Federation, Colombian coffee growers understood that their successful entrance into international markets depended on their ability to channel the resources of their collective savings towards services that benefited them.

In 1940, with the support of the Colombian government, our Federation created one of the main instruments that would help implement policies related to coffee-growing: The National Coffee Fund, (FoNC for its acronym in Spanish). This Fund, that continues to be an object of public defence and legal precedence, is an example of the ability to conceive and create functional financial and legal instruments centered on rural economies. There are now other “parafiscal” funds in Colombia and the laws that govern them are based on coffee producers’ original idea.

By tapping into the power of collective savings, the producers created new opportunities for themselves by themselves. The fund is financed through a coffee contribution discounted of the price growers receive for their coffee, which is later collected by the Federation on behalf of the National Coffee Fund

when the coffee is exported. With Fund resources we provide public goods such as the Purchase Guarantee policy, technical assistance to the producers and scientific research. We also leverage resources to carry out programs aimed at increasing the competitiveness of Colombian coffee producers, improving the living conditions of coffee growers and positioning Colombian coffee in international markets.

Currently, the coffee contribution is equivalent to USD\$ 6 per pound of

Main sources of income and the investments in public goods made with National Coffee Fund resources



green, exported coffee. As we will see in Chapter IV, this contribution has allowed the FoNC to leverage important amounts of resources that have been supplied by third-parties such as the Colombian government, regional governments and international aid organizations. The decision of the producers to channel their savings through the FoNC was endorsed by the government given the economic and social importance of coffee-growing activities and the need for the producers to control their own resources.

In this context, the financial health and strength of the National Coffee Fund are necessary for the sustainability of our model. To maintain them, we employ diverse strategies, such as: keeping an optimal debt structure that is adjusted to the risk profile and role of the Fund; maintaining large credit lines with local and international banks to preserve the Purchase Guarantee policy in situations of decreased liquidity and high coffee prices; and efficiently manage FoNC’s assets. At the same time, revenues of the Fund are also protected through the use of financial derivatives.

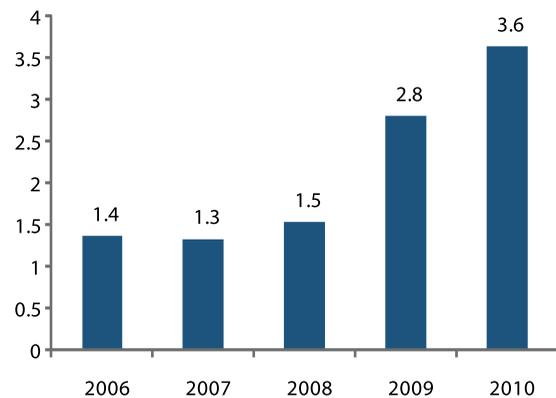


DIRECT BENEFITS RECEIVED BY COFFEE GROWERS AND THEIR FAMILIES

This indicator measures our ability to leverage the growers' contributions to the FoNC. If the indicator is higher than 1, we are generating value to them in the short term.

In this direct benefits indicator we include the amounts received by coffee growers as incentives to increase their competitiveness with younger and modern coffee plantations. We also include, the higher premiums actually paid to coffee growers by the FoNC in their different value added programs, the resources we contribute so that coffee grower families are enrolled in social security (See page 102) and technical assistance costs (See page 75-78).

Ratio of the value of Direct benefits received by coffee growers compared to their coffee contribution (2006-2010)



2. Public goods for all coffee growers

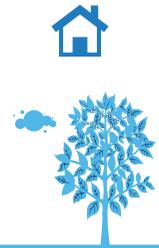
With the help of our Federation, the 553,000 families of small-scale coffee producers in the country have been able to create a social network unlike any other in the world. Without the public goods that we offer, the coffee growers and their families would be isolated and vulnerable to the dynamics of local and global markets.

The creation of the Federation in 1927 provided the necessary groundwork for developing competitive advantages that would have been impossible to create on an individual level. It is precisely this collective action that creates public goods such as:

- **The Purchase Guarantee Policy.** Probably the most important service offered to the coffee

growers. Through this policy, we are able to provide a place near the farms of the producers where they can sell their coffee at a transparent price that is in line with current international market prices and receive cash payment for their coffee.

- **Research, development and knowledge transfer.** These activities are managed by Cenicafé, our research center, and the Extension Service of the Federation. Thanks to their collaborative efforts, our coffee growers can make use of scientific advancements and inventions that increase their productivity. To improve cultivation methods we offer our growers certified technical assistance under the international ISO 9001:2008 standards (See page 78).
- **Brand and sales strategies to add value to the coffee growers.** Operations which position and defend the reputation of Colombian coffee as the best coffee in the world.
- **Quality control.** Guarantees minimum standards of quality for coffee exported from Colombia to demanding international markets. This obsession with excellence and quality, and the care and commitment involved in producing coffee that meets such standards, is the basis for the reputation and the premiums paid for Colombian coffee.
- **Social investment to improve the well-being and quality of life of coffee-growing communities.** Through our Sustainability that Matters® programs (See page 40), we support investment in education, health care, information systems, financing, basic services and infrastructure.



DESTINATION OF THE REVENUE OF THE NATIONAL COFFEE FUND

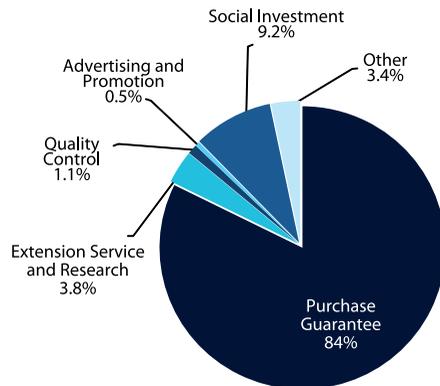
The main destinations of the revenues of the FoNC are: the Purchase Guarantee policy (84%), investment in projects and programs that benefit coffee growers and their families (9%), research and technical assistance (4%), quality controls of the coffee to be exported (1%) and the advertising and promotion of Colombian Coffee internationally (0.5%).



3. A structure to serve coffee growers

In order to ensure the efficiency, legitimacy and the democratic character of our Federation we rely on a structure that is different from that of any other organization. We always give voice to coffee growers through a participatory approach, centered around the social and productive development of the coffee-growing families, the sustainability of coffee production and the strategic positioning of Colombian Coffee as the richest coffee in the world.

Destination of the revenue of the National Coffee Fund
(Average 2005-2010)

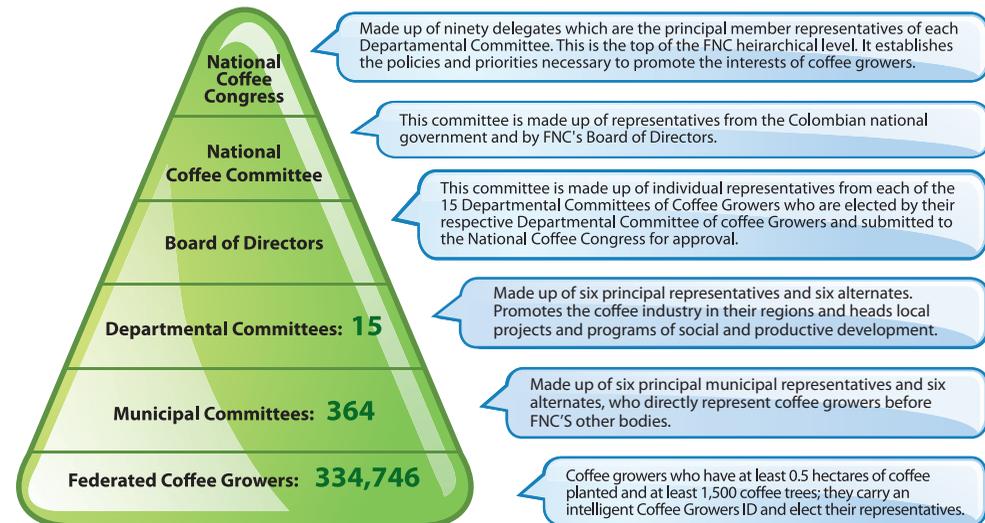


*"Supplying public goods, such as the extension services and research, foment the competitiveness of our coffee."
Francisco Onésimo Obando Ortega, coffee grower in La Florida, Nariño.*

3.1 The structure of the Federation

In our Federation the coffee growers vote for their municipal and departmental representatives in democratic elections. Our Federation is not partisan, it is pluralist, and it is guided only by the goal of improving the well-being of the coffee growers' families.

Structure of the Colombian Coffee Growers Federation





At the base of our political structure are the coffee growers who are certified as “federated” members who carry an Intelligent Coffee Grower’s ID. At the end of 2010 more than 334,000 are federated coffee growers, or 60% of the coffee producers in the country who meet the requirements to receive a Intelligent Coffee Grower’s ID.

It is important, however, to note that although only the federated coffee growers are allowed to vote or be elected, all of the programs and benefits of the Federation are open to every coffee grower in the country, whether or not they carry this type of ID.

The highest authority of our organization is the National Coffee Congress. It ordinarily meets towards the end of each calendar year in Bogotá. The congress elects the FNC’s CEO and its Board of Directors, which meets twice a month. The Congress also approves the Federation’s by-laws, its budgets and strategic priorities.

The coffee grower’s Municipal and Departamental Committees also meet regularly for discussing their local and regional priorities and proposing new programs and initiatives. The National Coffee Grower’s Committee, to which Colombian government representatives have a seat, is in charge to review the policies and the execution of the National Coffee Fund resources.



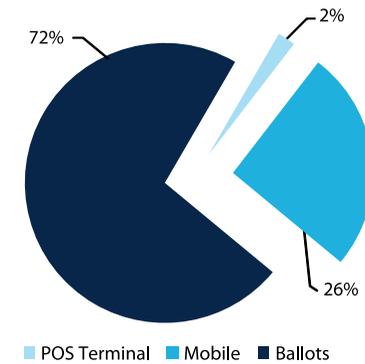
Case Study 2010 COFFEE ELECTIONS

Over 214,000 producers participated in the 2010 coffee grower elections, 6% more than in the elections held in 2006. They came from 550 municipalities, and elected 4,368 principal and alternate members of 364 Municipal and 180 principal and alternate members of Departamental Coffee Grower Committees. There were 14,432 candidates, of which 70% were non incumbents. On average 57% of municipal committees and 36% of departamental committees had new members elected.

The growth of the electoral base, which reached 334,746 federated coffee growers, as well as the participation in the elections, which reached 64% of all growers qualified to vote, are key indicators that ensure the grass roots and representative nature of our organization.

In 2010 coffee growers exercised their right to vote and to be elected through alternative technologies such as the data-phones connected to the Intelligent Coffee Growers ID network and their mobile phones, complementing the traditional ballots.

Use of democratic channels in the 2010 “coffee elections”



*“The coffee elections are the basis of our participation in the decisions of the Federation. In them, we choose our leaders and the spokespersons for our needs and interests.”
Bernardo Ospina, coffee grower in the municipality of Pereira, Risaralda.*

SEE ALSO: THE INTELLIGENT COFFEE GROWERS ID AND THE INTELLIGENT COFFEE GROWERS CARD (PAGE 115).



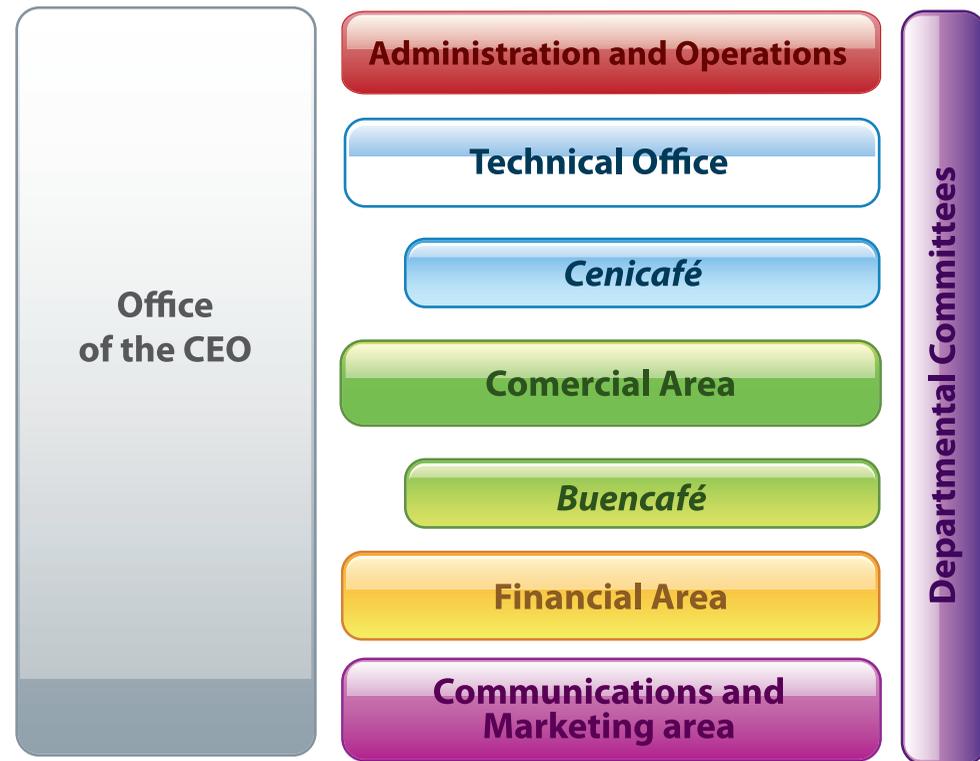
3.2 Organizational structure

The organizational structure of our Federation allows us to efficiently and transparently carry out our mission of supporting the well-being of coffee growers and their families

Our organization is structured into five management areas, which are headed by the CEO, who reports directly to the Board of Directors and is elected by the National Coffee Congress. These management areas focus on the development of coffee-growing regions through improving competitiveness and productivity, the implementation of commercial strategies to position Colombian coffee in internal and external markets, the optimization of the financial resources of the National Coffee Fund and the Federation, as well as the appropriate management of the human capital and intellectual property of Colombian coffee growers.

FNC's regional presence is headed by 15 Executive Directors, one for each Departmental Committee, whom are in charge of managing the administrative structure and of interacting with their respective Coffee Growers Committee.

Organizational chart of the Colombian Coffee Growers Federation





3.3 Other entities linked to our organization

Over the years the Federation has encouraged the creation of competitive advantages that have become indispensable parts of the sustainability of the coffee industry in Colombia.

Thanks to **Almacafé, S.A.**, founded in 1965, our coffee industry has increased its capacities in the area of commercial logistics, including the execution of the Purchase Guarantee policy, the milling, packaging and transport, as well as the quality control of exported Colombian coffee beans.

Since 1959 the Federation has also promoted and supported the 36 **Coffee Growers Cooperatives** that form part of its internal commercial network. These are organizations of solidarity economy that are directly owned by coffee producers, whose main function is to guarantee the purchase of coffee harvests in the greatest possible number of purchase points, thereby offering the best possible market price to the producer. Presently there are over 500 purchase points in Colombian territory. The social base of the Coffee Growers Cooperatives is made up of approximately 80,000 members. In addition to the Purchase Guarantee, the Coffee Growers Cooperatives offer

social services to their members such as the sale of fertilizers, agricultural supplies, provisions and foodstuffs, transportation and credit, among others.

The **Manuel Mejía Foundation** was established by the Federation in 1960 in order to offer training and education opportunities to coffee producers and their families, as well as to rural communities. Throughout its history the Foundation has also trained the Extension Service staff and has become a leader in alternative education methods including in-class, distance, virtual, and more recently e-learning and b-learning.

In 2002, the Federation supported the creation of **Procafecol S.A.**, a company with shareholders that include individual coffee producers and the International Finance Corporation of the World Bank. Its main activity is the sale of Colombian coffee in all of its forms (roasted, ground, and whole bean) through coffee shops either for direct management or through third-parties. This company directly manages the Juan Valdez® Cafés in Colombia and internationally, through its affiliates.

Juan Valdez® Cafés stock and sell Colombian Coffee in all of its forms (coffee-based drinks, roasted, whole

and ground coffee) along with other types of brand products, nationally and internationally. This allows us to move up the value chain in the coffee trade to the benefit of Colombian coffee growers as well as to take advantage of the brand recognition by charging royalties and, more importantly, (See page 156) to position Colombian coffee within the distribution channels that sell at higher price ranges.

3.4 Guarantee for transparency in the management of our Federation

Transparency in the management of the resources and contributions of the coffee growers has been a fundamental element in maintaining our Federation and has allowed us to gain access to new resources from the Colombian government, international aid organizations and strategic clients of Colombian Coffee.

The Federation's activities are guided by an extensive regulatory framework that allows each one of its activities to develop within a context of transparency and responsibility. Throughout its 83 years of history the Federation has become an efficient instrument in the execution of projects and programs that benefit coffee growers and has helped create a

harmonic atmosphere of collaboration between the state and private parties seeking the fulfilment of common goals.

In its effort to meet its social objectives the Federation manages all of the internal control of its subsidiaries and resources through a third party specialized auditing company. In the same way, when the Federation carries out its role as the administrative body of the National Coffee Fund it becomes a passive subject to the control of the National Comptroller's Office, which is responsible for ensuring the specific terms of contracts are followed and that the integrity of the management of the "parafiscal" resources of the National Coffee Fund is maintained.

Lastly, the Federation by-laws clearly establish the regime to which all employees, the delegates of the National Coffee Growers Congress, the members of the National Coffee Growers Committee, the Board of Directors and the members of the Municipal Coffee Growers Committees must adhere to, in order guarantee the transparency of their actions.



3.5 The sustainability of our strategy

For us, sustainability is not a secondary endeavor or a new tendency in business. It has always been our main objective and the reason we exist.

Since its founding over eighty years ago, and before the term was in everyday use, the Federation has maintained a permanent commitment to sustainability, understood as the contribution of our organization to economic, social and environmental value for coffee growers, their communities and our country. This is why our mission of **supporting the well-being of the Colombian coffee growers through an effective, democratic and representative organization** is centered around the sustainability of coffee growing families.

As a result, our programs and activities attempt to create a fair and stable income for Colombian coffee growers, protect the environment and strengthen the social network built around coffee production. This commitment is clearly seen in the vision we have established for the Federation: **To consolidate the productive and social development of coffee-growing families, ensuring the sustainability of coffee production and positioning Colombian coffee as the richest coffee in the world.**

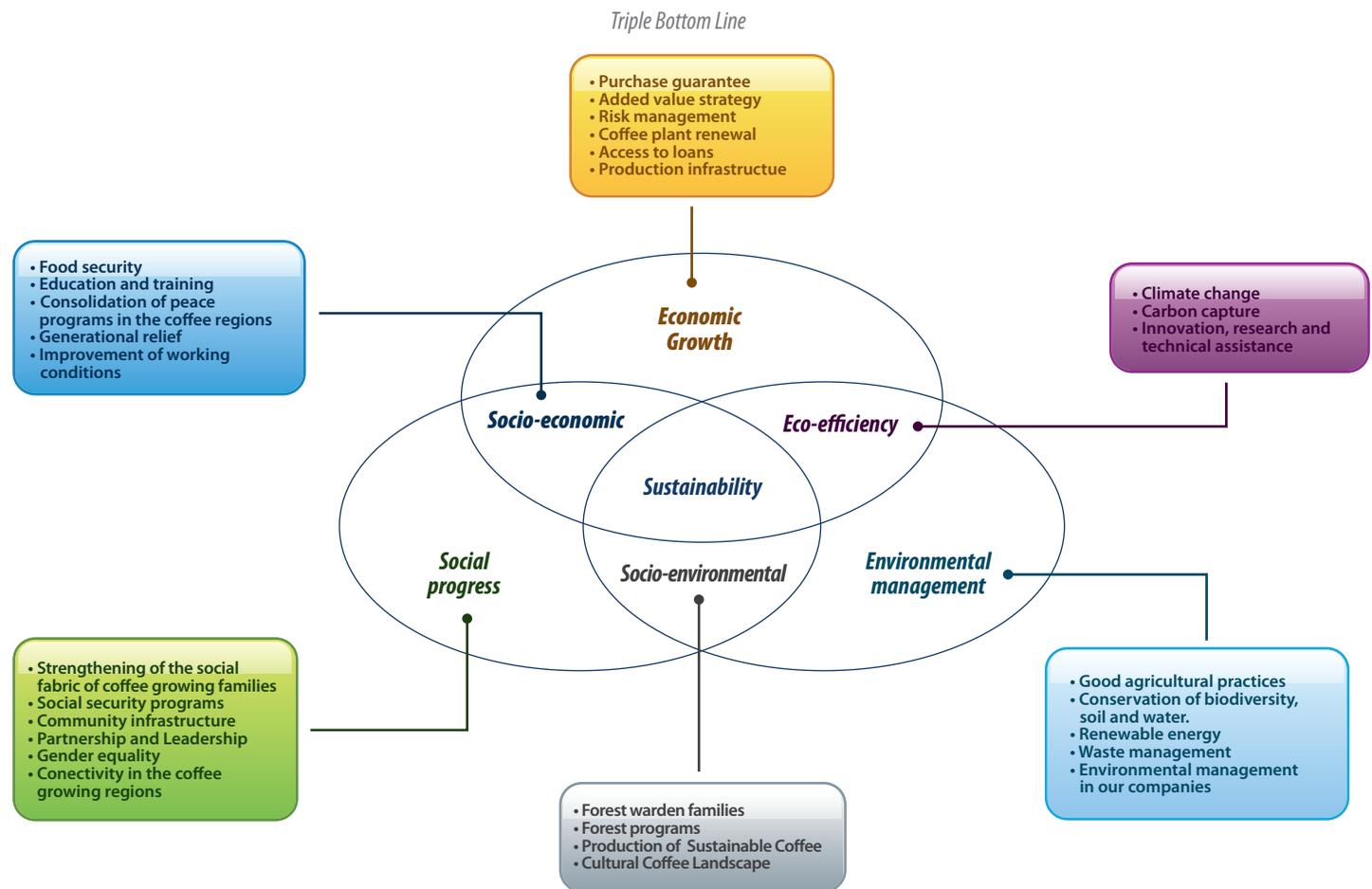
To illustrate what sustainability means to us, we have adopted the Triple Bottom

Line concept created by John Elkington, consultant in management responsibility and sustainable development. This system helps us to identify the need to implement joint actions in social, economic and

environmental dimensions in order to achieve comprehensive results.

As can be observed in the following chart, each of these axes has a number of

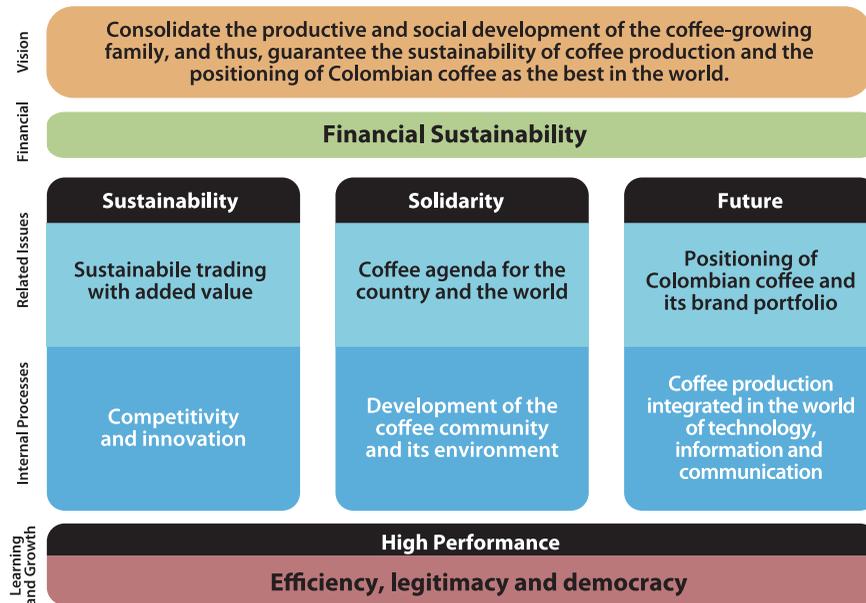
specific related programmes developed by our Federation. Also, the intersections show other key programmes aimed at achieving the sustainability of Colombian coffee industry over time.





Our Strategic Plan for 2008-2012 is the guidemap that lays out the strategies and objectives intended to support the well-being of the 553,000 coffee-growing families of Colombia. The Plan is broken down into eight different parts that are designed to increase the coffee growers' income and to ensure the sustainability and future existence of Colombian coffee production.

Structure of the Strategic Plan 2008-2012

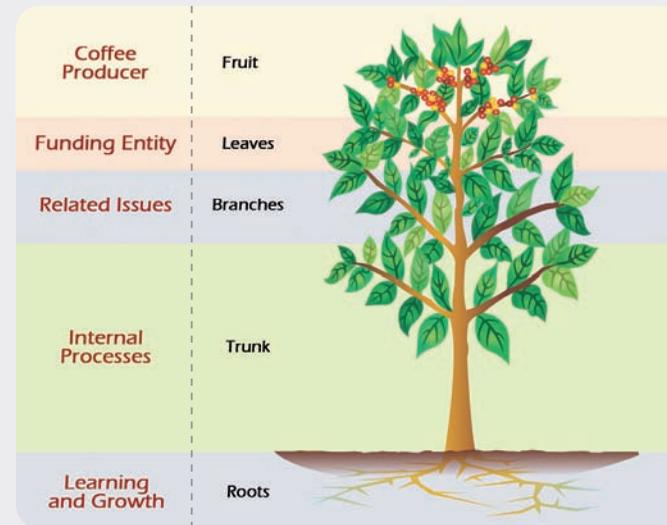


Case Study

PUBLIC RECOGNITION TO OUR STRATEGY AND OUR MANAGEMENT EXECUTION INDICATORS

Our Federation is known for having a highly-developed strategic management culture based on processes of permanent communication between members, where the understanding of and commitment to the objectives laid out in our Strategic Plan is vital. It is precisely this management culture that led to our organization being included the Balanced Scorecard Hall of Fame since 2006 as a result of meeting the goals of our strategy—an award personally presented by the creators of the Balanced Scorecard, Professors Robert Kaplan and David Norton.

The dreams' tree



“They are very creative; their strategy map is laid out in the form of a coffee tree. The roots are the people, the trunk represents the internal processes, and the leaves are the financial elements that provide the resources, and the coffee beans are the benefits for the growers. It is a fantastic story and we are very proud of you all. This is the first non-profit in the Balance Scorecard Hall of Fame and we congratulate you for your achievements.” Robert Kaplan, professor, Harvard Business School, during his speech at the awards ceremony in Mexico, 2006.



6th Quindío Drawing and Painting Competition
"Our environment is our life"
Jessika Paola Mejía Amariles - [12 years old]
Génova / Quindío - [2009]



About this Report



01

Involving our stakeholders



02

Defining topics of material importance for our sustainability



“ *This is the first report prepared by the Colombian Coffee Growers' Federation on Sustainability that Matters®. Apart from highlighting the projects we developed in 2010, we also included a review of the history of our organization and its achievements* ”





We have followed the guidelines found in the G3 guide of the Global Reporting Initiative (GRI) in the preparation of this report. In future editions we plan to continue using this methodology to review of our programs and monitor their efficiency in an effort to guarantee the well-being of the 553,000 coffee-growing families in Colombia.

Readers who would like more information than what is presented here can visit our websites: www.cafedecolombia.com, www.sustainabilitythatmatters.org and www.federaciondefcafeteros.org. In the latter you will also find the report from the CEO of the Federation to the National Coffee Congress (in Spanish only) held in December, 2010, which complements the information provided here.

1. Involving our stakeholders

An essential part of sustainability is the continuous search for quality, ethical and transparent relationships with our stakeholders; their active involvement with our Federation is fundamental in understanding their needs, expectations and priorities.

We are convinced that a transparent, continuous and constructive dialogue is essential to meeting our goals in the areas of: creating commercial value, organizational learning, continuous improvement of our strategies and plans, and generating social, environmental and economic value. In short, these elements are necessary for the completion of our mission to “guarantee the well-being of Colombian coffee growers through an effective trade organization that is democratic and representative”. The following is a summary of our main stakeholders and the areas in which they were involved in the creation of this first report on sustainability.

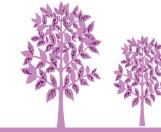




AREAS OF INVOLVEMENT OF OUR STAKEHOLDERS

Stakeholders	Areas of Involvement
Coffee growers	National Congress of Coffee Growers
	Board of Directors
	Departmental Committees
	Municipal Committees
	Web-pages (www.federaciondecafeteros.org ; www.cafedecolombia.com)
	E-mails to the CEO
	Surveys of levels of satisfaction with the Extension Service
	Extension Service technical assistance to groups and individuals
	Trade events to promote leadership, radio programs, regional newsletters, and the "Adventures of Professor Yarumo" TV show
	Letters to the CEO

Stakeholders	Areas of Involvement
Multilateral Organizations and the Government	National Coffee Committee
	Colombian Private Industry Associations
	Advisor Office for Coffee Affairs to the Ministry of Finance and Public Credit
	Commissions and committees convened as necessary by different government entities
	The Office of the President, Ministries, Administrative Departments, Presidential Advisory Councils, and de-centralized institutions
	National Controller's Office
Cooperatives	Governors, mayors, and members of congress in the areas where investment programs are undertaken
	International Coffee Organization -ICO
	Cooperatives' Division of the Central Office
Clients and consumers	Cooperatives' Meetings
	Regional Commercialization Committees
	Consumer satisfaction surveys undertaken by Procafecol
	Consumer focus groups and surveys
	Web pages (www.cafedecolombia.com , www.100porcientocafedecolombia.com , www.vidasal100.com , www.buendia.com , www.sustainabilitythatmatters.org)
	Social networks
	Client satisfaction surveys carried out by Buencafé® Freeze Dried Colombian Coffee
	100% Colombian Coffee Program
	Federation offices in the United States, Asia and Europe
	Trade Associations and Organizations



Stakeholders	Areas of Involvement
Trade Associations and Organizations	National Coffee Association -NCA
	Specialty Coffee Association of Europe -SCAA
	European Coffee Federation -ECF
	All Japan Coffee Association -AJCA
	ICO's Private Sector Consultative Board -PSCB
	Private Competitiveness Council
	Trade Council
	National Business Association -ANDI
	Colombian Agricultural Workers' Society
	National Association of Coffee Exporters -ASOEXPORT
	Chambers of commerce such as the British-Colombian, Japanese-Colombian, and Cenired
	Colombian Association of NGO's
	NGOs and Certification entities
Board of Directors of the Common Code for the Coffee Community Association – 4C	
Board of Directors of UTZ	
Rain Forest Alliance and Natura Foundation	
Fair Trade Labeling Organizations FLO	
Continuous interaction between other certification bodies and NGOs responsible for creating certification and verification standards for the coffee trade	
International cooperation of strategic partners in social investment in coffee-growing regions	

Stakeholders	Areas of Involvement
Our employees	Institutional intranet
	FNC's employees unions
	Ethics and co-existence suggestion box
	On-line notification boards
	Letters to the CEO
	"Excellence" leadership meeting
	Extension service workers' summit
	Administrative coordination meetings
	Joint Committee for Occupational Health -COPASO
	Corporate correspondence
	Extension service channel (www.google.com/a/cafedecolombia.com.co)
	Buendato, the institutional bulletin of Buencafé® Freeze Dried Colombian Coffee
	Cenicafé Bulletin of Technical Advances
Public opinion	Web-pages (www.federaciondecafeteros.org; www.cafedecolombia.com, www.100porcientocafedecolombia.com, www.sostenibilidadenaccion.org)
	Press bulletins
	Press conferences



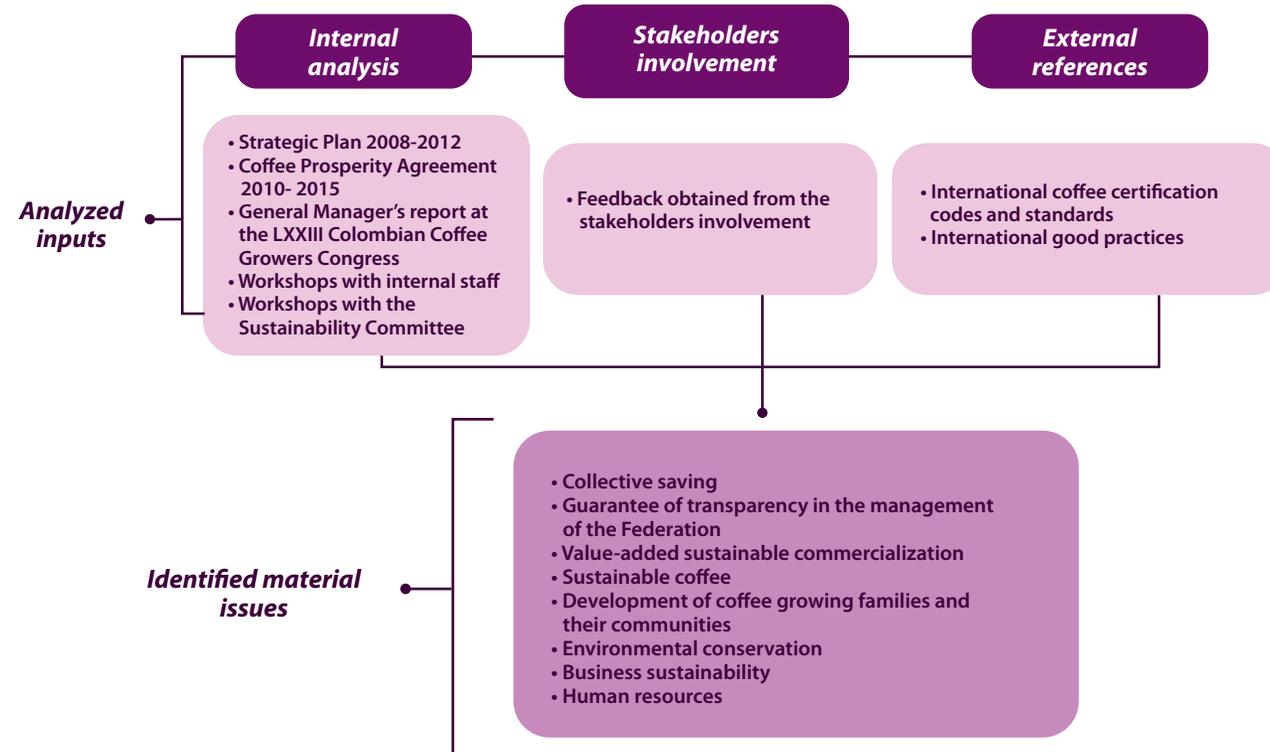
2. Defining topics of material importance for our sustainability

The topics of material importance¹ covered in this report are considered priorities within the organization. To determine them we began with the economic, social and environmental areas previously identified through internal analysis, and examined different areas in which interested parties are involved with our Federation, and other external factors that are important to coffee production.

¹The principle of materiality represents a method of determining what areas/indicators should be monitored and reported (GRI)



TOPICS OF MATERIAL IMPORTANCE IDENTIFICATION PROCESS





First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Yenny Carolina Claros Rojas - [10 años]
Regueros / Huila - [2007]

Alliances to promote
Sustainability



“ “ *The Federation has been able to access investment resources from different sources thanks to its transparency, its management capacity, and its efficient and effective project execution track record in rural areas of Colombia. These funds allow us to further leverage the contributions of coffee growers to improve their well-being* ” ”





The recognition, leadership and ability to bring potential partners and communities together in rural areas has made of our Federation, along with its Departmental Committees and Cenicafé, strategic allies of the Colombian government, international aid organizations and multilateral groups interested in channeling investment to the coffee-growing communities of Colombia.

We have also focused on supplying strategic clients of Colombian Coffee feasible and lasting alternatives for carrying out their corporate programs of social responsibility. These successful strategic alliances, such as the partnership with Nespresso for producing coffee under AAA quality standards, or with USAID to foment the adoption of good agricultural practices by 27,000 small coffee growers, are evidence of the credibility the Federation enjoys.

Case Study

FNC MANAGEMENT ABILITY AND CREDIBILITY IS SUPPORTED BY THE NATIONAL GOVERNMENT

“Everything that is placed in the hands of the coffee growers turns out to be successful, and we must support them. What little we have done in this administration is nothing compared to what coffee producers have done throughout the history of this country.” Álvaro Uribe Vélez, Ex-President of Colombia addressing the LXXIV Extraordinary National Coffee Congress (July 22nd, 2010).

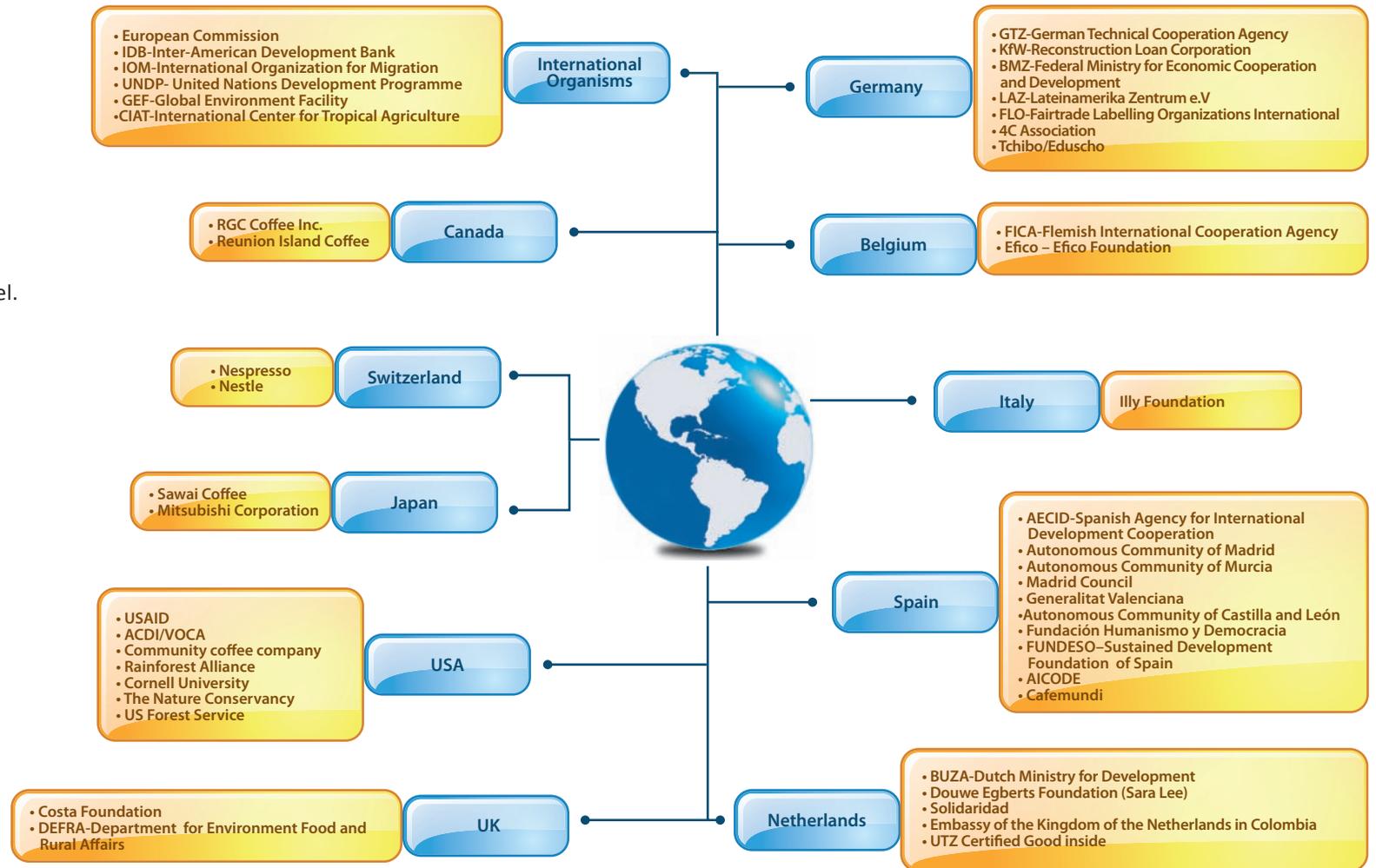


“(. . .) I have said that agriculture is one of the five engines that we will stimulate so that the Colombian economy begins to head toward new horizons of social prosperity and job creation, and coffee is a fundamental part of this project (. . .) Coffee production creates jobs and produces social equality. Thanks in a no small part to the efforts of coffee growers, the Federation, and the Departmental and Municipal Committees, there is much more social equality in coffee-growing regions.” Juan Manuel Santos Calderón, President of Colombia, in a speech at the 50th Anniversary of Juan Valdez, (August 26th, 2010).



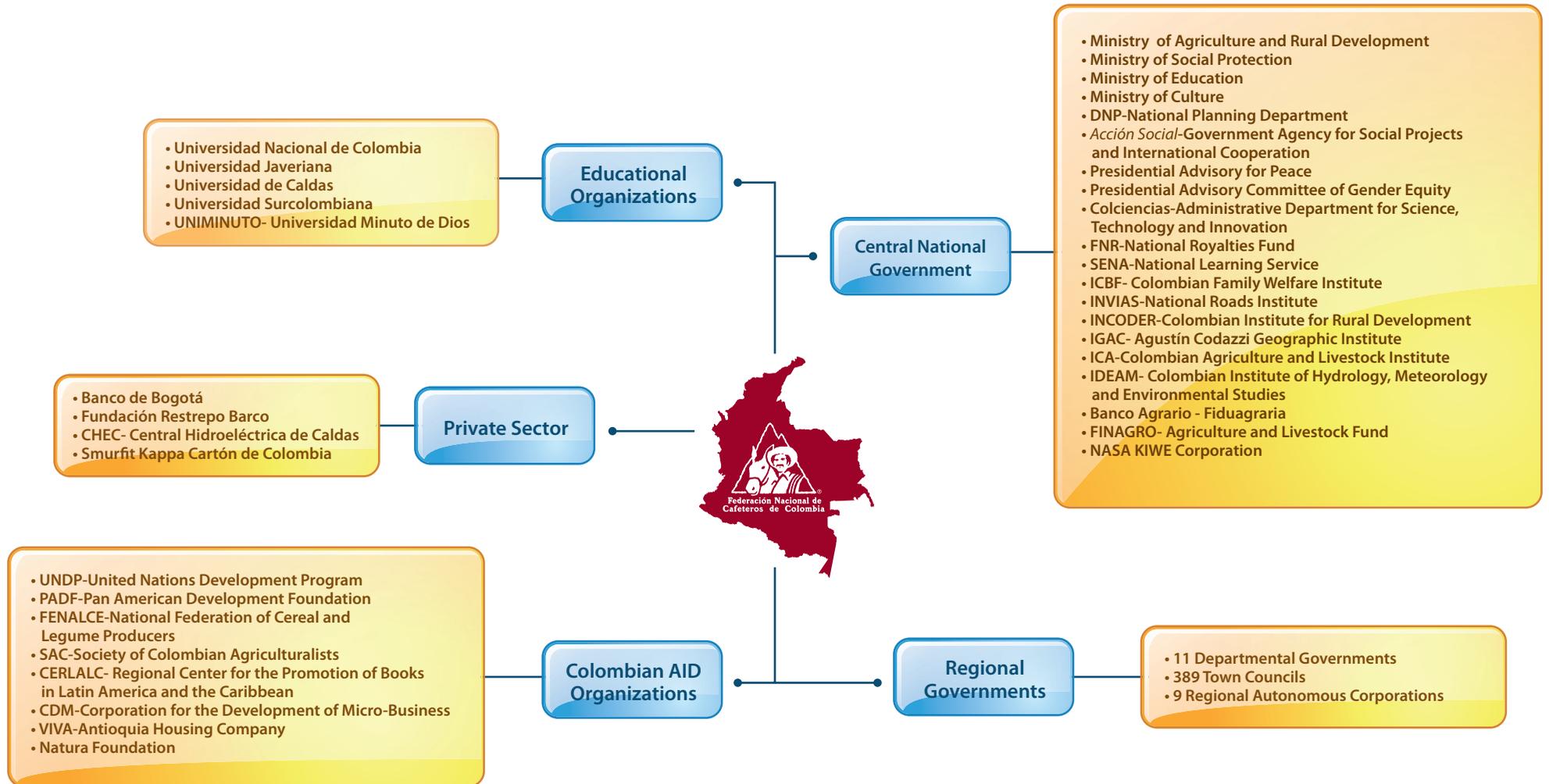
Thanks to the alliance between our Federation and the Colombian government, to administer the resources of the National Coffee Fund and to the execution of other government funded programs, we have become a trusted and transparent partner in investing in rural areas of the country. The Federation and its Departmental Committees also enjoy great credibility as allies of governors and mayors who seek to carry out investment programs on a local level.

Map of strategic partners of the Federation in the international scenario





Map of strategic partners of the Federation on the national level





To evaluate our organization's performance in developing alliances we use three indicators. That measure our success in the building of strategic alliances with national and international entities for the leverage of investment funds for the benefit of the 553,000 coffee growing families and other rural population residing in the coffee growing regions. The first indicator calculates the value created by the total investments effectively made in the coffee region's area of influence, including the renewal of crops by pruning or planting new trees, undertaken by coffee growers thanks to the FNC led programmes.

The second indicator allows us to calculate the leverage obtained on National Coffee Fund resources invested in social and productive investment in Colombia's coffee growing regions (See page 39). As we will see further on, this second indicator has shown a positive evolution thanks our reputation, efficiency and transparency, which are undoubtedly our most important organizational assets.

Finally, the third indicator estimates the amount of funds that we have executed and channeled into our programs that deal with social corporate responsibility and sustainability, classified as the four pillars of our Sustainability that Matters Programs (www.SustainabilityThatMatters.org): coffee farms, rural communities, environment and connectivity.

The following charts illustrate the performance of each of these indicators.

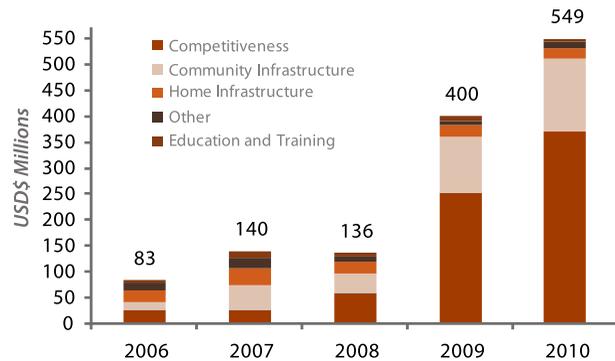




VALUE CREATED THROUGH THE RESOURCES PROVIDED BY THE NATIONAL COFFEE FUND

In 2010 our different programmes helped create value for the equivalent of USD\$ 549 million, as a result of investments financed by the coffee growers themselves, the Colombian government, departmental and local governments and national and international aid organizations.

Investment by category (2006-2010)



In order to promote the income sustainability of coffee growing families, 68% of these resources were used to increase the competitiveness of coffee farms.

Starting in 2009, under this heading we begun adding in the value created by our coffee plant renovation programs (see page 50 and 51), as well as the value of the fertilizers acquired by the coffee growers that benefited of the price discounts awarded by the *Fertifuturo* and *Fertiyá* programs (See page 53).

The resources provided by the Colombian Coffee Growers' Federation also provide a leveraging base for a significant amount of investment in the construction of community infrastructure (25%), an area which is principally focused on improving roadways and rural infrastructure. The third main area of investment is building home infrastructure (4%). We also include under this heading the maintenance and construction of rural aqueducts and sewers which allow to significantly improving the quality of life of rural coffee growing communities.

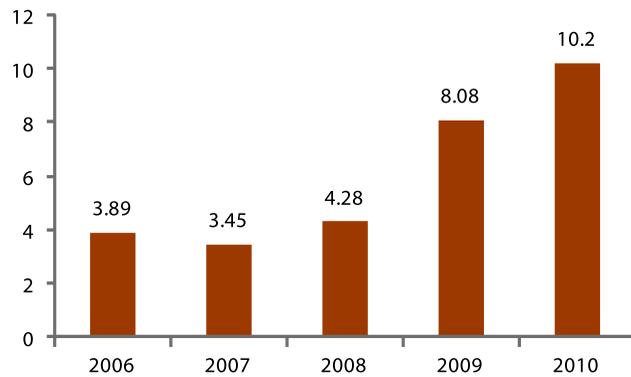




LEVERAGE OF NATIONAL COFFEE FUND RESOURCES IN RESULTING FROM FNC-LED PROGRAMS

The reputation of our Federation along with the steadfast alliances—made with strategic partners who share an interest in improving the well-being of coffee-growing families—are what have allowed us to leverage the resources of the National Coffee Fund and generate new investments. **In 2010 the leverage indicator of the Fund was 10.2, that is, for every dollar provided by the FoNC for these programmes, we were able to acquire 10.2 in additional financing from other sources.**

Level of leveraging of national coffee fund resources for value-generating projects in coffee-growing zones (2006-2010)



2011 and Beyond:
Thanks to our organization's intangible assets we will seek to maintain a leverage indicator of at least 8.



INVESTMENT IN OUR SUSTAINABILITY THAT MATTERS® PROGRAMS

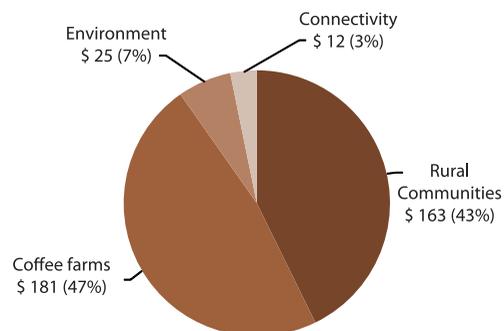
The highest priority and the true essence of our organization are found in our work of corporate social responsibility and our efforts to promote the social, environmental and economic sustainability of coffee-growing communities.

This third indicator quantifies the investments made by the FoNC and other donors in programs of sustainability and corporate social responsibility. Through this figure we can compare the size the Federation's effort in this area with what other organizations and foundations invest.

In 2010, our Sustainability that Matters® programs channeled 381 million dollars in benefits to growers. This figure is equivalent to over one million dollars per day invested in programs to increase productivity and enhance coffee quality, to improve the quality of life in rural communities, to protect the environment and to provide greater access to new information technologies.

When the volume of resources actually invested is compared with that of other rural NGOs internationally, the results from the calendar year 2010 of this indicator show that the Federation is one of the biggest global actors in rural areas in the world.

Investment in of Sustainability that Matters® programs (2010, millions of USD)*

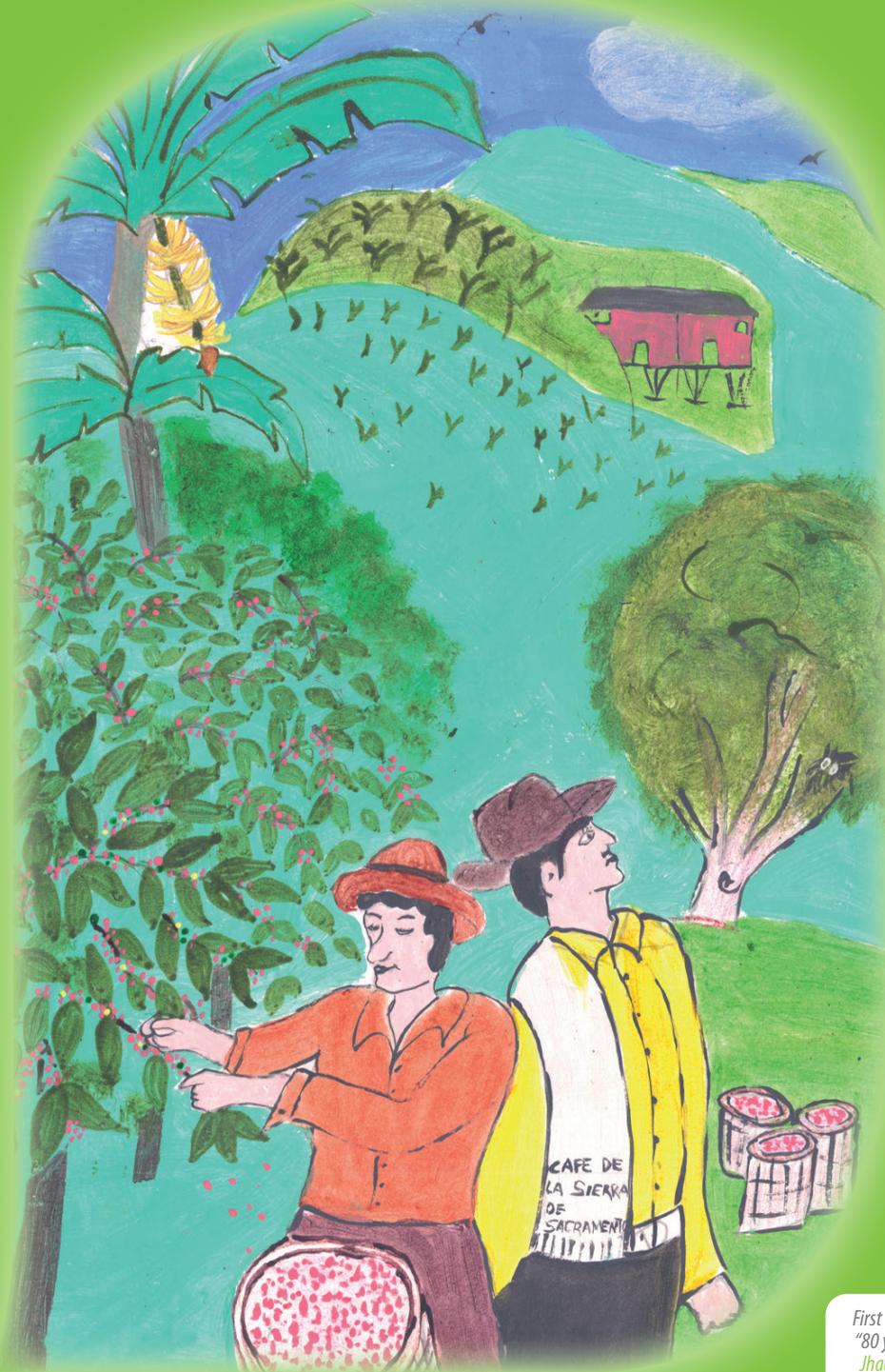


*Calculation based on the average 2010 exchange rate of \$1.899 COP per dollar.





2011 and Beyond:
 As part of our commitment to the social and environmental components of the sustainability of coffee producers and their families, in 2011 we will seek to channel more resources to the execution of programs in the areas of the environment and rural connectivity of our Sustainability that Matters® programs. To do this we will build on our strategic alliances with our present partners as well as seek new groups that have an interest in conserving the environment in coffee-growing regions and in increasing rural communities' access to new information technologies.



Income Sustainability for Coffee Growers

- * 01 Maintaining and increasing the income of coffee growers
- * 02 Increasing crop productivity
- * 03 Financing coffee production

First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Jhadiel Joab Navarro Contreras - [12 years old]
Fundación / Magdalena - [2007]



““ *There is no other economic activity in Colombia that could replace the income and dynamizing effect that coffee production has on social development. Because of this, maintaining and increasing the income of the 553,000 coffee growers in the country is our biggest challenge.* ””





1. Maintaining and increasing the income of coffee growers

We have developed strategies that allow growers to sell their coffee at a transparent price and to access instruments that shield them from the risk of volatile markets in order to ensure the sustainability of their income. At the same time, we have worked to initiate programs that supplement the income of producers, increase crop productivity and improve access to credit.

1.1 Purchase Guarantee Policy

Thanks to the Purchase Guarantee Policy, growers can always count on a buyer who is willing to pay them a market price for their coffee and who does not take advantage of small producers.

In order to offer the Purchase Guarantee Policy, our organization relies on the National Coffee Fund (See page 18). We have been able to provide important logistics and warehousing services—a purchasing network made up of over 500 different purchase points operated by 36 Coffee Growers' Cooperatives. This extensive network reaches even the most remote areas of the country, so that growers may sell their coffee at a location near their farms without having to pay excessive transportation costs.

The Purchase Guarantee Policy is based on the daily publication of a base price that is calculated using the market variables at the time of publishing. In order to determine this price we use the price of coffee on the New York Coffee Exchange (ICE), the premium paid for Colombian coffee, and the current exchange rate.

Using this method we have developed a benchmark for the domestic market, which is the minimum price a grower should accept for his/her coffee. As a result, the price offered by intermediaries and buyers is always above the baseline price established by the Federation. This price is available to all growers at the Coffee Growers' Cooperatives, at the Departmental Coffee Growers' Committees, in the different branches of Almacafé, and on the website of our organization. We also transmit the price daily through different national mass media channels.

2011 and Beyond :
In 2011 we hope to continue to positively influence the domestic prices by buying at least 25% of the national coffee harvest, as part of our efforts to continue offering the Purchase Guarantee policy.

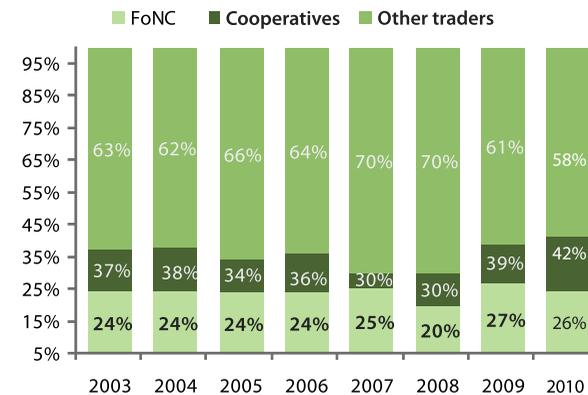


PERCENTAGE OF HARVEST ACQUIRED BY THE FNC AND THE COFFEE GROWERS' COOPERATIVES



In 2010, the Coffee Growers' Cooperatives purchased 42% of the coffee harvested in Colombia. Over 60% of this volume, or **the equivalent of 26% of Colombia's 2010 harvest, was bought by our Federation.**

Percentage of harvest acquired by the Coffee Growers' Cooperatives and the FNC (2003-2010)





Case Study

**PURCHASING METHODS
THAT ENSURE FAIR PRICING
FOR DEFINED QUALITY
STANDARDS: "ALMENDRA SANA"**

Our Federation developed a purchasing method that ensure fair pricing for defined quality standards (a system called *Almendra Sana - Healthy Bean*), in order to generate incentives for higher quality coffees and to calculate the price of export grade (*excelso*) coffee in a simple, transparent and efficient process that can be carried out on the farm. The producer supplies a sample of 100 grams of dried parchment coffee to the purchasing network of the Coffee Growers' Cooperative in order to mill the beans and separate the healthy from those that have defects. Using this method, the producer receives one price for the good beans and another for the *pasilla* or under grade beans. If the percentage of good beans is above 75%, the grower receives a quality premium that serves as an incentive for him to continue cultivating and harvesting his crop using the best possible methods. This system was implemented in 2009 and is being adopted by all of the Coffee Growers' Cooperatives' purchase points.

The benefits of this pricing method for producers are substantial. To compare, under the previous system—which used a yield factor to calculate the price—a Coffee Growers' Cooperative would have received USD\$ 3.4 per kilogram of dry, parchment coffee; using the new *almendra sana* system they received USD\$ 3.8 per kilogram of beans. In 2010, this price difference represented the equivalent of over USD\$ 8.4 million calculated at the average exchange rate of that year.

"The new pricing system encourages the production of high quality coffee"
Ludovico Valenzuela, coffee grower in the municipality of Pitalito, Huila.



1.2 Price transfer

In order to ensure that Colombian coffee production develops within a fair market environment, we work to increase the price of Colombian coffee and transfer the greatest possible percentage of the international price to our producers.

The Purchase Guarantee Policy is our main strategy to optimize the international price transfer to small producers. We use this mechanism to measure the percentage of the international price that is ultimately received by coffee growers, stimulating other domestic buyers to transfer greater amounts to growers in order to maintain competitive purchasing strategies.

Studies of the world coffee trade¹ have found that coffee producers receive less than 78% of the international green coffee export market price in their countries of origin. The local market concentration allows buyers to continuously increase their negotiating power vis a vis coffee growers. This environment tends to widen the gap between the final export price paid by importers and the price producers receive. As a result, small producers face rising transaction costs when selling the small volumes that are frequently produced in remote areas.

Through the application of our value-added strategies and our Purchase Guarantee, our Federation helps support 553,000 small producers—who manage, on average, farms a little more than 1.5 hectares (3.7 acres)—to receive higher prices for their product. To meet this objective we maintain large purchasing network, that recognizes the Coffee Growers' Cooperatives that operate it a bonus based on greater price transfers to producers. This way, we ensure that coffee growers can count on a purchase point that is close to their farms that allows them to make use of the Purchase Guarantee; this prevents growers in remote regions from being taken advantage of by intermediaries.



2011 and Beyond:
Committed to our objective of ensuring the sustainability of the income of coffee growers, we will maintain the percentage of price transfer above 90%.

¹ Ponte & Daviron. (2005). The coffee paradox. New York, and dates of International Coffee Organization -ICO.

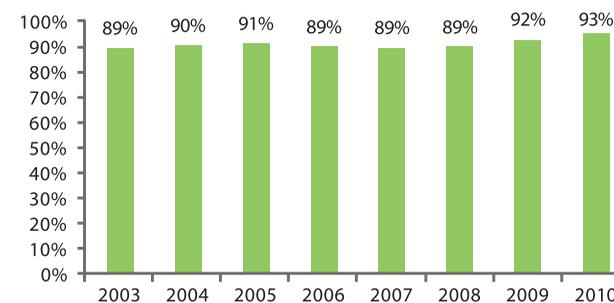


PRICE TRANSFER TO COLOMBIAN COFFEE GROWERS

Our purchase guarantee policy is designed to reduce the transaction and transport costs faced by coffee growers when they come to market to sell small volumes of coffee. Our objective is to maximize the price they receive for their product in the domestic market. Our Federation, by publishing on a daily basis a base purchasing price, calculated using the market variables of that particular day, generates the information needed in the domestic market place so that all market players pay to coffee growers a higher share of international coffee prices for Colombian coffee. By ensuring that all transactions are made at prices higher than the base purchasing price, which constitutes the price floor of the day, a large number of market asymmetries are eliminated.

Thus, when comparing the prices paid by international buyers at Colombian sea ports with the base price published, which does not include milling and domestic transportation costs, domestic prices received by growers were of at least 88% of international prices. This high share is significantly higher than the share received by coffee producers from other countries. It also shows how our Federation leverages market tools by generating competition in domestic markets, reducing the negotiating power of domestic intermediaries with growers and generating higher prices for all coffee producers, whether they sell their coffee to the Federation or not.

Minimum price transfer to domestic coffee producers (2003-2010)





Case Study

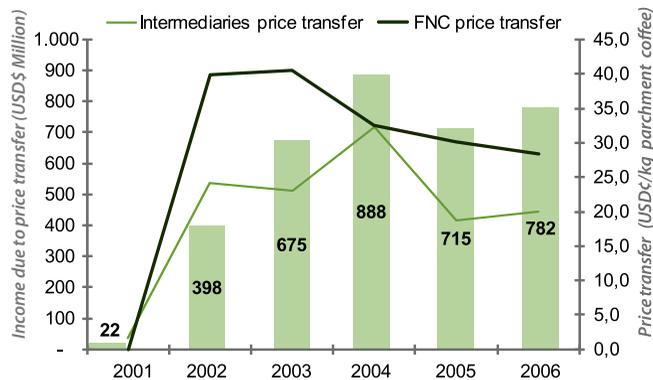
THE NARIÑO COOPERATIVES AND THE IMPORTANCE OF ITS ROLE IN PRICE TRANSFER FOR THE SPECIALTY COFFEES OF THE REGION

The Purchase Guarantee Policy not only increases the price that producers receive for their product, it also increases the negotiating power of growers located in remote regions. The coffee from Nariño is an excellent example of these benefits.

In the 1990s, the characteristics of the coffee produced in Nariño, a Colombian coffee growing region, led it to be considered a specialty coffee. At that time, however, the coffee growers sold their product to a single exporter that had established its own purchasing network. The intermediaries—

exporters as well as their purchasing agents—kept the higher margin than consumers were willing to pay and, as a result, the efforts of the growers were not adequately compensated. In 2002, our Federation decided to enter into the market through the Nariño Cooperatives and pay higher prices, thereby bringing both the Purchase Guarantee and its prices for specialty coffees to the region. This forced the different operators in the local market to significantly adjust the price transfer of their payments to producers by starting to pay higher premiums for this origin. In this way the presence of the Federation and its purchase of a part of the production of the region benefitted all of the producers there.

Impact of the purchases of specialty coffees by the FNC on the prices paid to producers – Nariño (2001-2006)



*“In the case of Nariño, the Federation has shown how innovative commercial strategies and an emphasis on intellectual property create greater income opportunities for producers.”
Daniele Giovannuci, coffee production and sustainability consultant.*

1.3 Risk management tools

The coffee price volatility affects the sustainability of producers' income. For this reason, we seek to design innovative tools to manage the risk associated with market fluctuations.

As many commodity markets, the coffee price is subject to intense volatility. In addition, the domestic price of coffee at which Colombian producers sell their product is affected by the continuous changes in the Colombian peso exchange rate and the international market premiums of Colombian coffee. To mitigate these effects and guarantee the income sustainability of growers we have created innovative tools to manage risk, based on instruments in the derivatives market, and adapted them to the needs of small producers.

As an additional, complementary step, we designed the Cooperative Price Risk Management System (SARP) to guarantee the financial sustainability of the Coffee Growers' Cooperatives, which are crucial actors in providing the Purchase Guarantee. Through the SARP we promote the adoption of good administrative practices and foment the understanding, evaluation and control of the risk associated with the fluctuations in the price of coffee.





Case Study

THE PRICE PROTECTION CONTRACT (CPP): A MECHANISM OF INCOME SUSTAINABILITY

This financial instrument, created through the combined efforts of the Colombian government and our Federation, allow us to guarantee coffee growers a minimum price for up to 50% of their expected harvest. This way, and particularly during periods of low prices, producers are able to cover the risks of market fluctuations due to international market volatility and the exchange rate. In periods of relatively higher prices, such as those experienced over the last two years, this instrument is not as widely used. In sum, during 2010, the CPP guaranteed to producers payments of USD\$ 301.4 per 125 kilogram load of dry, parchment coffee; this allowed them to cover their production costs and receive a small margin of profit. ***In the near future we hope to use this new instrument to foment the rise of a culture of risk management among Colombian coffee growers and increase their use of market instruments to protect their income.***

From its initiation in September 2008 to the end of 2010, 796 coffee growers signed 1.344 CPPs to insure the sales price of 3.327 loads of 125 kg of parchment coffee. To encourage the adoption of this instrument we have also launched various campaigns in particular market periods to communicate both the benefits of its use as a protection against the price volatility of coffee and the regulations governing the use of the mechanism.



2010 and Beyond

As a mechanism to protect the income of coffee growers even more from the revaluation of the Colombian peso and depending on the evolution of coffee prices, we will seek the cooperation of the Colombian government to broaden the coverage of the CPP to a larger segment of national coffee production.





2. Increasing crop productivity

Increasing crop productivity is vital to improve the income of coffee growers. Because of this, we work to maintain an optimum age for coffee plantations and we encourage the intercropping with other plants.



2.1 Tree renewal

Young, healthy plants are more productive than older ones, and their increased yields represent greater profitability for coffee-growing families. Because of this, our Federation supports the wide dissemination of tree renovation techniques

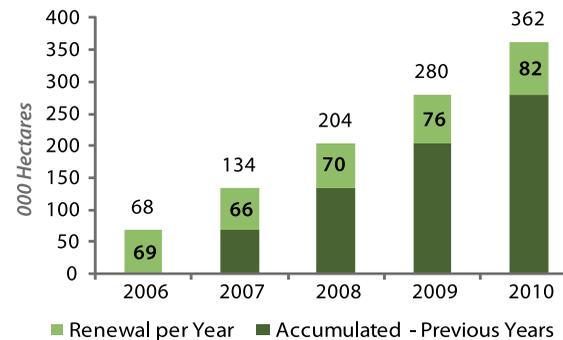
The way growers manage their crops to a great extent determines the income that they receive from their harvest. The timely renovation of plants helps create productive and young, high-density coffee lots that are capable of generating sufficient income to offer coffee-growing families a better life. This is why we have developed programs focused on renovating old trees and maintaining optimal levels of production in young, high-density coffee fields. These programs help to increase national production and improve Colombia's position in the international market as a result of the healthy plantations that yield high-quality beans.



ACCUMULATED RENOVATED AREAS

Our renovation programs have had a positive impact on the structure of coffee production in Colombia. Firstly, they strive to maintain an optimum level of production in young plantations and secondly they have increased crop density. **To do this, we have targeted an average age of five years for the plantations and have them increase their density to 6,000 trees per hectare.**

Accumulated renovated areas (2006 – 2010)



*Includes areas renewed by Competiveness and Permanence, Sustainability and the Future of Coffee Growing programs, as well as those renewed through the coffee growers' initiative. We can observe the accumulated renovated hectares up until the period of reference, differentiating the total for that year from the total corresponding to previous years.

2011 and Beyond:
In 2011 we will assist in the renovation of 130,000 hectares (321,230 Acres) of coffee fields in order to maintain the optimum age of the coffee trees.

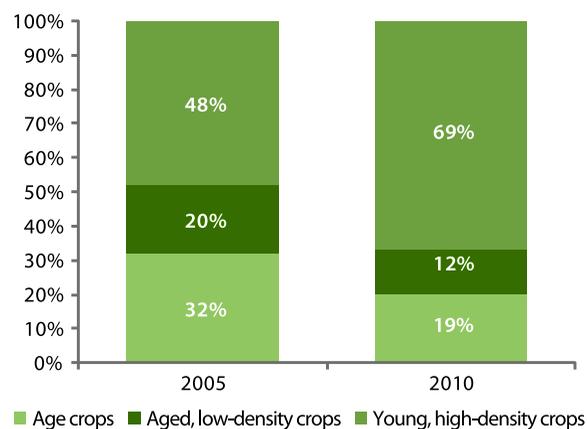




AGE AND DENSITY OF COFFEE CROPS

Tree renovation has also had effects on the degree to which coffee production in Colombia is planted in young, high-density lots. **While in 2005, only 48% percent of cultivated areas maintained optimum tree ages, in 2010 nearly 69% of coffee produced in Colombia came from such farms.** This significantly improves the competitiveness of our coffee growers in the international market.

Age and density of coffee crops in Colombia (2005 and 2010)



Case Study

PROGRAM FOR PERMANENCE, SUSTAINABILITY AND THE FUTURE OF COFFEE GROWING (PSF)

Coffee growing families that own small plots of land—some less than one hectare (2,47 acres)—and old coffee trees often times have correspondingly lower productivity and incomes. It can be difficult for them to cover their personal expenses, let alone introduce new technologies to their farms. With the Permanence, Sustainability and Future of Coffee Growing in the 21st Century Program (PSF), we hope to benefit 300 thousand coffee-growing families to triple their income through the expanded use of technology by increasing plant density and productivity in their small farms. To do this we are working with the private financial sector to provide access to favorably arranged credit resources for these families.

Loans arranged through Committees (2008-2010)

Departament	Credit applied for	Acres	Values (USD million)
Antioquia	11,992	16,837	20.8
Boyacá	1,826	2,484	3.1
Caldas	8,826	13,115	15.8
Cauca	9,718	14,915	18.4
Cesar - Guajira	2,606	7,386	9.0
Cundinamarca	5,005	8,971	11.0
Huila	5,556	11,370	14.1
Magdalena	1,460	4,219	5.2
Nariño	3,930	5,511	6.8
Norte de Santander	3,218	5,848	7.2
Quindío	605	1,174	1.4
Risaralda	3,226	4,776	5.8
Santander	5,637	9,734	11.7
Tolima	11,765	27,399	33.5
Valle del Cauca	4,301	8,339	10.3
Territorios	1,112	2,426	3.0
National Total	80,783	144,504	177.1



Between 2008 and 2010, this program has helped 80,000 coffee growers access USD\$ 177.1 million in loans to renovate 58,480 hectares (144,504 acres) of coffee trees.

These loans make use of a 40% Rural Capitalization Incentive, which is financed by Colombia's Ministry of Agriculture. The Federation assumes the cost of the interest payments and the loans are guaranteed by the National Financial Agrarian Guarantee Fund and *Fogacafé* (See page 54). The loans are of up to approx USD\$ 2,800 per hectare (USD\$ 6,900 per acre) and are paid out over 20 months to supplement the income of the household while the renovated crop begins its productive cycle.

"The PSF provides a solution to one of the biggest obstacles to improving our competitiveness: the substitution of income lost while we renovate our crops"
Claudia Serna, 27-year-old coffee producer, single mother and beneficiary of the Innovative Models - Young Coffee Growers and the PSF programs, in the municipality of Salgar, Antioquia.



2011 and Beyond:
In 2011 we hope to promote the renovation of 45,000 hectares (112,000 acres) of old coffee plants owned by 56,000 coffee-growers.

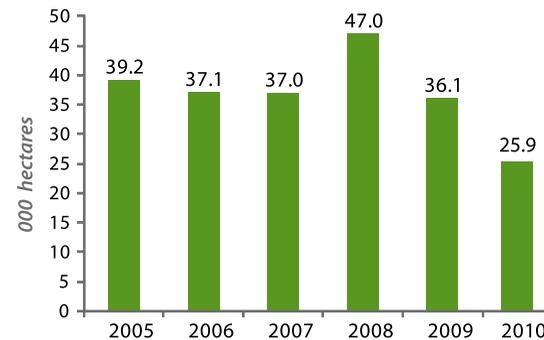


Case Study
**PROGRAM TO ENHANCE COMPETITIVENESS
ON THE COFFEE PRODUCTION**

Low coffee prices at the end of the 1990s, which resulted in low incomes for coffee growers, reduced the amount of resources available for plant renovation. Faced with this situation, many, high-density coffee lots production would lose its competitiveness over time, and the place of Colombia in world coffee production would suffer. To remedy this, we created the Program to Enhance Competitiveness in the Coffee Industry to help maintain fields in optimum productive ages.



Hectares renovated through the Program to Enhance Competitiveness in the Coffee Production (2005-2010)



To stimulate growers to participate in the program we offered incentives, providing funds for fertilizer for each renovated tree. **Since the start of the program in 1998 we have provided USD\$ 168.5 million for the renovation of 520,000 hectares** (1,285,000 acres), some of which have received assistance for more than one growing period. In 2010 alone we helped the renovation of 25,000 hectares (62,000 acres).



2011 and Beyond:
In 2011 we will provide incentives for the renovation of an additional 25,500 hectares (62,000 acres) of young, high-density coffee lots, offering funds for fertilizer to 36,000 coffee growers.



2.2 Complementation of income

We have helped increase the coffee growers' income by promoting the intercropping of complementary crops.

Coffee trees can be planted in an overlapping, inter-mixed fashion, called intercropping, with other plants such as tamarillo fruit trees, plantain, blackberry and cocoa trees, among others.

Some of these crops, such as corn and beans, help to increase the productivity of the land. For this reason, we recommend that as growers renovate their fields they take advantage of such intercropping. Given that these crops are so nutrient-dense and also deeply rooted in the culinary traditions of coffee-growing regions, they help provide important sustenance to coffee-producing families.



2011 and Beyond:
In 2011 we will continue to promote corn and bean intercropping with young coffee plantations.

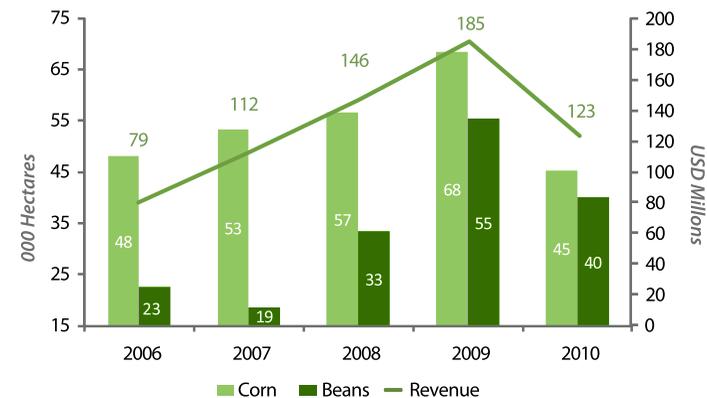
Case Study

BEANS AND CORN: SUSTENANCE-PROVIDING CROPS FOR COFFEE-GROWING FAMILIES

We have actively promoted the intercropping of corn and beans with coffee. These two crops can be planted two years after pruning or planting new coffee trees without affecting their productivity or limiting their development. Because of this we provide incentives to

intercrop such plants through the Program to Enhance Competitiveness in the Coffee Industry. The Colombian government, on the other hand, provides incentives for the sale of beans and modified strains of corn. These measures have greatly increased the production of these two crops in coffee-growing regions.

Hectares of corn and beans in Coffee-Growing Zones (2006-2010)



Since 2006 the corn and bean intercropping with coffee has grown considerably, reaching in 2009 a total of 123,000mil hectares (304,000 acres). In 2010 coffee growers reduced their plantings to 85,000 hectares (210,000 acres) due to the high rains the country experienced during the year. However, we estimate that the additional income received by growers thanks to these crops was of USD\$ 123 million, a figure significantly higher than the income estimated for 2006.

"The results of the alliance with FENALCE, designed to encourage corn production in coffee-growing regions, is an example of the Federation's vision and its commitment to supporting the sustenance, employment and income of coffee growers." Henry Vanegas Angarita, CEO National Federation of Cereal and Legume Producers (FENALCE for its acronym in Spanish).



2.3 Incentives for crop maintenance

Successful coffee production greatly depends on effective and timely crop maintenance. This is why we provide incentives to producers to carry out maintenance activities regularly.

Key elements in maintaining a plantation at optimal levels of production are tree renovation and fertilization, which also improve crop resistance to diseases such as coffee rust. Encouraging the regular use of such techniques through incentives is vital for supporting the income sustainability of producers.



Case Study

FERTIFUTURO AND FERTIYÁ: ADEQUATE AND OPPORTUNE FERTILIZATION OF COFFEE PLANTATIONS



“Fertifuturo is an innovative program designed by the Federation that allows us to finance our operations and at the same time ensure we receive a good price for our coffee. Without credit we would not have coffee farms.” **Wilson Rafico Naranjo**, coffee grower in the municipality of Santana, Boyacá.

Data from Fertifuturo and Fertiya in millions of USD\$ (2009 and 2010)

Committee	Coffee growers	Value of fertilizer *
Antioquia	36,967	29,685.8
Boyacá	1,000	261.0
Caldas	22,056	20,136.4
Cauca	8,335	3,154.1
Cesar - Guajira	758	314.7
Cundinamarca	4,039	1,116.5
Huila	28,212	23,916.6
Magdalena	535	521.6
Nariño	13,648	5,657.6
Nte Santander	2,861	745.8
Quindio	5,097	7,893.3
Risaralda	12,791	13,693.4
Santander	6,634	2,694.0
Tolima	17,526	10,824.2
Valle	11,924	8,897.0
Others	259	55.4
National Total	172,642	129,568

* Corresponds to the fertilizer the coffee growers were able to buy thanks to check this incentive

Due to the excessive increase in the price of fertilizers in 2008 and at the beginning of 2009 we implemented a new program aimed at encouraging the fertilization of coffee fields. In 2009 *Fertifuturo* was executed using two tools: a 20% discount on fertilizer and extending credit to the purchase of fertilizer by leveraging its purchase through futures contracts on the growers’ production. In a campaign to fight coffee rust, discounts of up to 50% were offered to growers with affected crops. These are examples of how we have used financial tools, adjusted to suit the needs of growers, to provide the necessary operating capital to use of fertilizers; in doing so we also fomented the adoption of a new culture of risk management.

Thus, in 2009 and 2010 the *Fertifuturo* and *Fertiya* programs benefitted over 172,000 coffee growers, helping them to finance nearly USD\$ 129 million in fertilizers. **Thanks to these programs the total fertilizer use in the Colombian coffee industry increased by 40% in 2009 and 4% in 2010, overcoming the large reduction of 2008.**



3. Financing coffee production

Any crop which provides only seasonal income creates a situation in which producers depend on obtaining money to upkeep their plantations and finance their harvest. The need for cash-flow makes it necessary to have access to credit. Being able to count on operating capital and resources to maintain or build new infrastructure is also key to maintaining crop productivity and the income of producers. For this reason, we work with the Colombian government to establish lines of credit that are suited to the needs of coffee growers.

One of the greatest obstacles that coffee producers face when they seek credit is that they often lack assets to use as collateral. Recognizing this, the Colombian government implemented the Agrarian Guarantee Fund (FAG), which Guarantees up to 80% of the amount requested; the Federation has established the Small Coffee Growers' Guarantee Fund (FOGACAFÉ for its acronym in Spanish) to provide a complementary guarantee for the remaining 20%.

In order to facilitate investment in agricultural activities the Colombian government created the Rural Capitalization Incentive (ICR for its acronym in Spanish), an investment incentive. This

provides a loan-forgiveness incentive of up to 40% of credit sought for the construction or improvement of productive infrastructure and/or the planting of new crops.

All three instruments, the FAG and its complement aimed at small producers, FOGACAFÉ, and the ICR are supported by national agricultural policy that are widely used by our Federation to improve the credit resources of coffee producers.



CREDITS BACKED BY FOGACAFÉ

Between 2001 and 2010 we have, through FOGACAFÉ, guaranteed 224,309 loans requested by small coffee producers, for a total value of USD\$ 85 million.

Credits Guaranteed by FOGACAFÉ (2001-2010)

Disbursement period	Certificates	Value certificates (USD\$ millions)	Value of loans (USD\$ millions)
2001-2005	35,723	8	22
2006	21,052	7	19
2007	25,578	9	27
2008	30,146	12	38
2009	48,986	19	72
2010	62,824	30	126
Total	224,309	85	303



*"We understand that banks need guarantees, but in practice, we would not be able to gain access to credit if it weren't for FOGACAFÉ, and without credit we couldn't have coffee farms."
Wilson Cubillos Amaya, coffee grower in the municipality of Tello, Huila.*



Case Study

INITIATIVES TO PROVIDE CREDIT RELIEF

One of the obstacles producers face in their attempts to gain access to credit are poor credit ratings. Presently, 47,000 producers are listed as having poor credit ratings by rating agencies. In 2009, in an effort to remedy this situation and allow producers to once again access credit, we provided USD\$ 18,086 for the payments of 13,445 outstanding accounts whose individual value did not exceed USD\$ 46.38.

Out of the same interest and in an attempt to mitigate the impact of the decreased revenues resulting from low coffee production in 2009 we supported the extension of grace periods to 8,958 producers who had taken on credit from the Ministry of Agriculture through the National Program of Agricultural Reactivation (PRAN) for coffee producers.

Additionally, the Financial Reform enacted in Law 1328 of 2009 includes an article providing an opportunity to pay the remaining debts that were re-financed through the PRAN for coffee producers and Coffee Growers' Relief Program. We hope to provide this benefit for nearly 55,000 coffee growers.

3.1 Credit for productive infrastructure

Infrastructure is critical to the productivity of the coffee growing operations and the quality of the beans that they produce. Recognizing that investment in infrastructure requires large sums of money, our Federation has fomented the establishment of credit lines specifically intended to support it.

Among the items of productive infrastructure, wet mills hold an especially important place. Designed to efficiently de-pulp soaked coffee beans before their drying and transformation into parchment coffee, wet mills can have a profound impact on the quality of the finished product as well as the amount of water required to produce it.

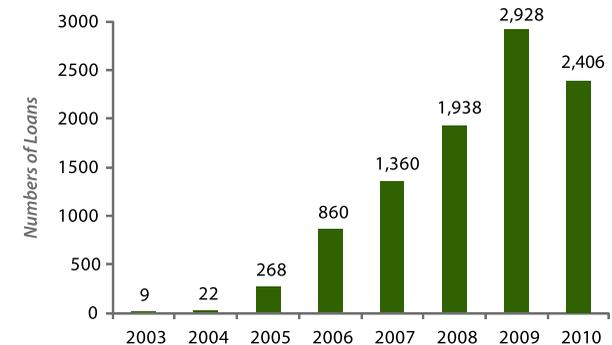
In light of this, we promoted the establishment of a credit line with a 40% investment incentive (ICR) to finance the construction of environmentally-friendly wet mills. In doing so we have worked to put in place productive infrastructure that, on the farm, helps improve the quality of coffee, promotes responsible water use, and has a positive impact on the environment.



FINANCING OF WET MILL CONSTRUCTION

Since its establishment the "special credit line" has provided loans for USD\$ 60.5 million for the construction of 9,721 ecologically-friendly wet mills. The coffee producers that own this infrastructure have been provided with USD\$ 16.3 in debt-forgiveness through the Rural Capitalization Incentive.

Number of loans provided through the Special Credit Line (2003-2010)





First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Luz Yailin Galeano Arboleda - [8 years old]
Circasia / Quindio - [2007]



Value-Added Sustainable Commercialization

- * 01 Adding Value to the Colombian coffee grower
- * 02 Positioning and defending the origin
- * 03 Penetrating new markets



““ *The closer producers are brought to end consumers, the greater value they obtain. The capacity to add value to coffee at its place of origin is fundamental to the sustainability of coffee-growing families.* ””

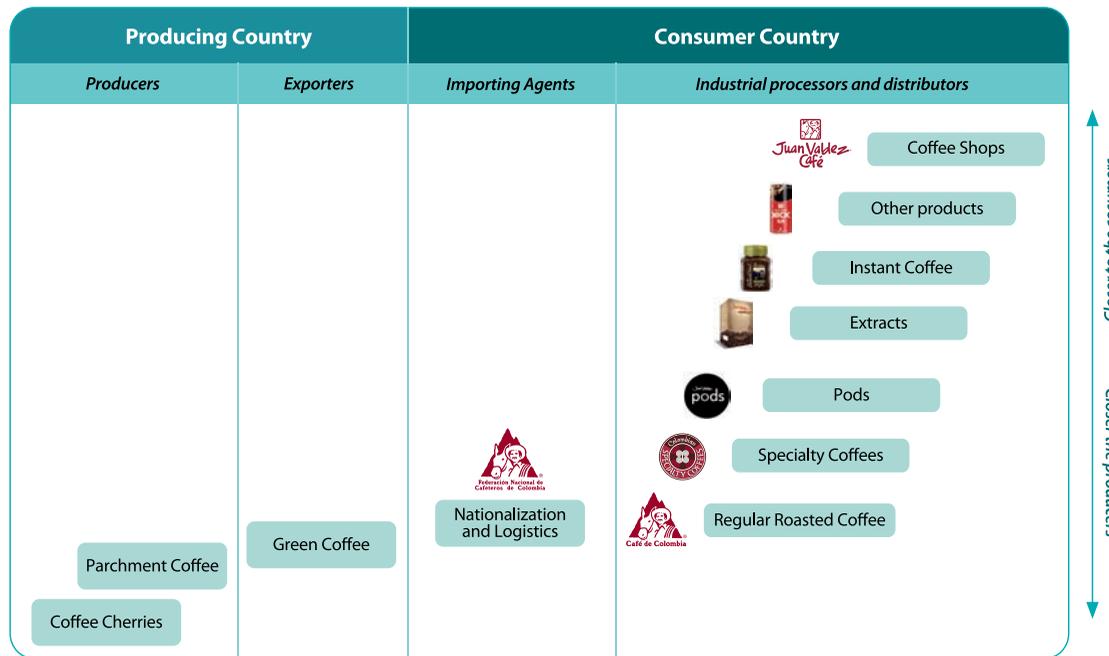


1. Adding Value to the Colombian coffee grower

A sustainable commercialization network for the coffee produced in Colombia allows producers to retain greater portions of the price paid internationally. This is possible thanks to our efforts to implement a value-added strategy that penetrates and consolidates new market segments. To do this, we have developed an innovative portfolio of products that adapt to different consumption patterns, the needs and tastes of our clients and those of the end consumers of Colombian Coffee.

Our strategy to add value strives to create and retain additional value for Colombian coffee producers. As part of this strategy, we offer a portfolio of distinct coffees that vary in their production methods and their individual cup profiles; this provides a whole range of different experiences to Colombian coffee consumers. By focusing on such differentiation, coffee ceases to be a simple commodity and turns into an entire portfolio of products, services and experiences that meet the needs of all our consumers from the most basic to the most sophisticated. In doing so, we add value to our coffee at its place of origin and contribute to the sustainability of the coffee industry in Colombia.

Adding value at the different stages of the coffee industry



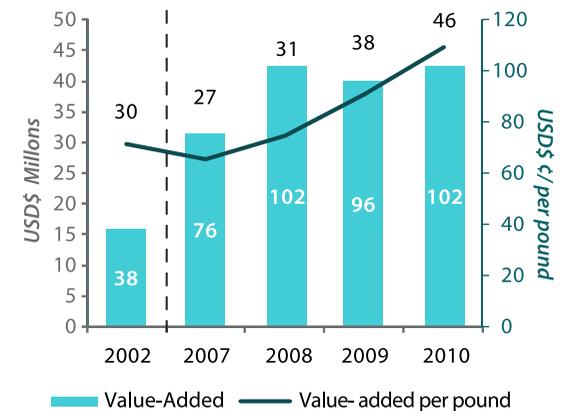
The added value strategy implemented by the Federation has allowed Colombian coffee growers to be present in every link of the trade chain and in different consumer settings.



ADDING VALUE

The added value per pound of coffee sold by our Federation, at prices higher than those of standard coffees, has grown substantially thanks to our strategy to add value. The value-added generated by these sales reached the equivalent of USD\$ 102 million for 1.7 million bags in 2010. Even though the volume of such value-added sales was 11% less than in 2009, the value generated by these sales was 6% higher. This can be explained by the decreased availability of Colombian coffee and by corresponding higher process, which in turn also was reflected in the higher premiums average premiums for value added coffees, which reached USD\$ € 46 per pound.

Value of value-added coffee sales made by the FoNC (2002, 2007-2010)

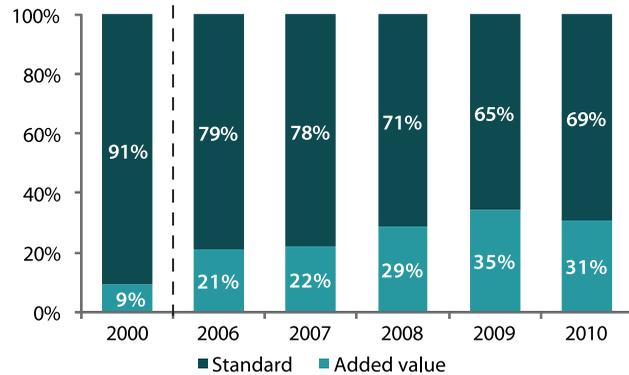




COMPOSITION OF COLOMBIAN COFFEE EXPORTS

Another direct result of our strategy to add value is the change in the composition of coffee exports. **At the start of the decade only 9% of shipments were made up of value-added coffee, while in 2010 thirty one percent of the volume of exports was either specialty coffees, processed or industrialized coffee.**

Percentage figures for standard and value-added coffee exports (2000, 2006-2010)



* Includes: Colombian Coffee Fund and shipments of industrialized coffee (ground, roasted, freeze-dried, decaffeinated, extracts, essences, concentrated and preparations) of the Colombian Coffee Industry.

1.1 Specialty coffees

Specialty coffees are one of the greatest expressions of the geographic and cultural diversity of coffee-growing areas in Colombia. The higher value offered by the market for these types of coffee provides an opportunity to generate more value for Colombian coffee producers.

We are very aware of the potential increase in revenue that the production and sale of specialty coffees offers to coffee-growing families. As a result, the supply of specialty coffees is structured around specific or regional places of origin, the commitment to sustainability and special methods of preparation.

In order for us to provide specialty coffees, the international markets must offer premium prices that can then be passed on to producers for cultivating this type of coffee. Our Federation has provided growers short and mid-term incentives to encourage the production of specialty coffees in order to successfully carry out this strategy. We

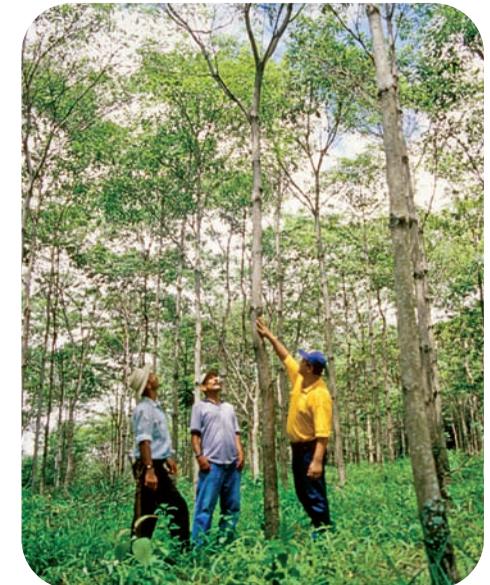
also stimulate demand for these coffees in international markets by promoting their distinct characteristics.

In order to meet the first of our goals we support the creation of producers' groups and provide them with technical assistance through our Extension Service (See page 75), the purchasing network of the Coffee Growers Cooperatives and the logistical capacity of Almacafé. In less than a decade, we have established a unique program of specialty coffees using these services, which has helped Colombia to become one of the biggest suppliers of mild, specialty coffees in the world.



2011 and Beyond :

In order to generate more value for coffee growers we will maintain this strategy by working to increase the proportion of value-added coffees in Colombian coffee exports.





PRICE PREMIUM PAID TO SPECIALTY COFFEE

The quality and cup profiles of Colombian specialty coffees, produced by growers with care and dedication in the mountains of our country, combined with the technical assistance and support provided by our Federation, have been key to create additional value for growers by selling at higher prices. As a result of this effort, Colombian specialty coffee producers received in 2010 additional income in excess of USD\$ 10 million, a significant figure when considering that during the year base prices were significantly higher than the average. **The total accumulated extra income captured for Colombian Specialty growers during the last 7 years amounts to USD\$ 107 million.**

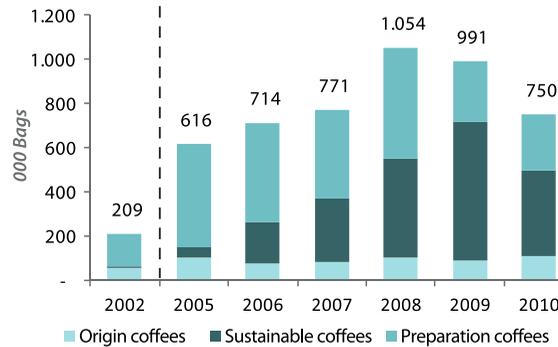
Premium prices paid to specialty coffees producers (2005-2010)



EXPORTS OF SPECIALTY COFFEES

Our efforts to increase the supply and demand of Colombian specialty coffees since 2002 are key to increase the competitiveness of Colombian coffee grower's communities. Despite the difficult price and supply scenarios that we have faced over the last few years, we have always strived to produce and sell those coffees that generate the most value added for growers. The effort to sell additional volumes of Specialty coffees has paid off. Total exports in 2010 reached 750 thousand bags, and were 258% higher than at the beginning of the decade. Furthermore, those specialty coffees that generate the most value added, belonging to the sustainable category, now constitute a greater proportion of our specialty coffee sales.

Volume of specialty coffee exports (2002, 2005-2010)



"The Federation's results in the commercial sale of specialty coffees in the last eight years is an example for the world."
Ric Rhinehart, Executive Director of the Specialty Coffees Association of America –SCAA.

2011 and Beyond :
In order to maintain the dynamic demand for specialty Colombian coffees, in 2011 specialty coffees will represent 50% of the total exports of the National Coffee Fund.

Our strategy to sell specialty of specialty coffees seeks to identify or create niche markets that require superior-quality coffee as well as information about its production, the economic transparency conditions for producers, and the sustainability policies that are followed in its region of origin.

To promote specialty Colombian coffees we also participate in international fairs and promote specialist events such as the Cup of Excellence, Illy Café, and The Best Alternative Development Coffee contests. We also sponsor the annual Specialty Coffee Fair, Expospeciales. These activities have helped place Colombian specialty coffees in the demanding international market for mild, specialty coffees.



Case Study
THE CUP OF EXCELLENCE
COLOMBIA 2010

In 2010, we held the eighth version of the world's strictest competition process managed by The Alliance for Coffee Excellence. The Cup of Excellence competition has allowed us to focus on our best coffees and to promote all of our coffees in the international marketplace. For the 2010 version, 875 four coffee lots entered the competition from 10 departments, and national and international juries selected 20 samples, to be auctioned to 76 international specialty coffee buyers.

The auction was a tremendous success. The final average price was USD\$ 12.40 per pound, which was the highest average price obtained in the ACE auctions made in nine different countries. The first place winner, a coffee grower from Buesaco (Nariño) sold his

coffee at USD\$ 40 per pound. His coffee received an outstanding grade by the international jure, 94.9 /100, which considered the sample "almost perfect".

The auction prices are paid directly to the winning farmers. This supports transparency and rewards hard work and quality.

"The Cup of Excellence program gives the same opportunity to all growers, large and small. When the FNC became a partner with us in this program, we understood their desire to support all of the coffee growers of Colombia, to produce higher quality and to invest in their farms." Susie Spindler, Executive Director, The Alliance for Coffee Excellence.



Case Study
BEAN TRACK®: TRACKING SPECIALTY COFFEES

Among the diverse facets of our strategies we have developed tracking systems for specialty coffee that allow us to guarantee the origin of the coffee a customer purchases comes from the farm, community or region stated on the package. In addition to this information, consumers may learn about the farm where the coffee was produced as well as what actors played a part in processing it. This is all possible through the Bean Track® system designed and implemented by Almacafé.

In order to offer this service to those clients that request it, the Bean Track® system connects different databases that operate through a SPARC platform, using a radio-frequency identification system to trace the path of bags of coffee from the farm to the final customer. The Expert's Corner consoles in Juan Valdez® Cafés (See page 66), also provide this information to consumers. The implementation of the Radio Frequency ID technology—RFID- in the Bean Track platform gave rise to the recognition to Almacafé of the "Best Use 2010" international award, given by the RFID Journal.



1.2 Sustainable Coffees

Customers who are increasingly conscious of their co-responsibility in protecting the environment and the rural communities that produce the goods that they consume have been the driving force behind the development of our sustainable coffee program.

Sustainable coffees form part of our specialty coffee category. To be considered as such, they must meet strict social, environmental and/or economic guidelines. By establishing these criteria, we seek to guarantee the future well-being

of coffee producers and their families. At the same time, sustainable coffee production foment a serious commitment within rural communities to protect the environment, to preserve the bio-diversity and the resources of rural zones, and to the social development of the producers themselves. In recent years, the demand for this type of coffee has increased more than 20% per annum.

In 2002, we initiated our sustainable coffee program with the sale of 4.649 sixty-kilogram bags of organic coffee. In 2010, we sold 383,000 sixty-kilogram

bags of coffee that met the demanding standards of the certification organizations UTZ Kapeh, Rain Forest Alliance, Orgánica, FLO (Fair Trade) as well as the 4C and Nespresso AAA verification guidelines.

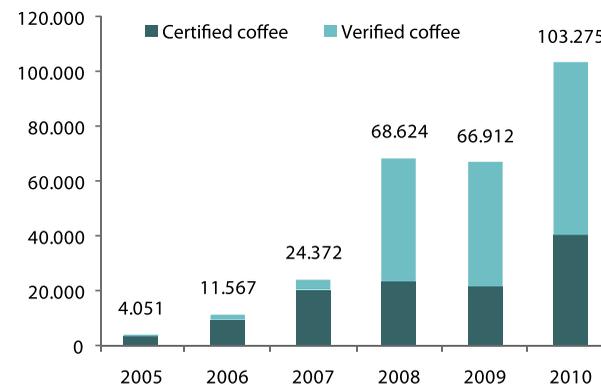
Our Federation has supported these different standards because of the significant impact they can have on coffee-producing regions and because of their commercial viability. The strategic relationships that our Federation has developed with international coffee roasters have greatly benefited the success of these programs.



PRODUCERS PARTICIPATING IN THE FEDERATION'S SUSTAINABLE COFFEE PROGRAMS

Producers, the first and most important actors in the sustainability of coffee-growing regions and the coffee industry itself, have echoed this segment's boost in demand. **In 2005, only 4,051 producers supplied coffees that were classified as sustainable; by the end of 2010, 103,275 producers were able to meet different sustainability requirements.** In order to do this, programs of quality management and continuous improvement have been implemented in line with the standards of different certification organizations.

Producers participating in the Sustainable Coffee Programs (2005 - 2010)



2011 and Beyond :
Continuing with our efforts to consolidate Colombia as one of the largest producers of sustainable coffees, in 2011 we will support those wishing to participate in our different specialty coffee programs.



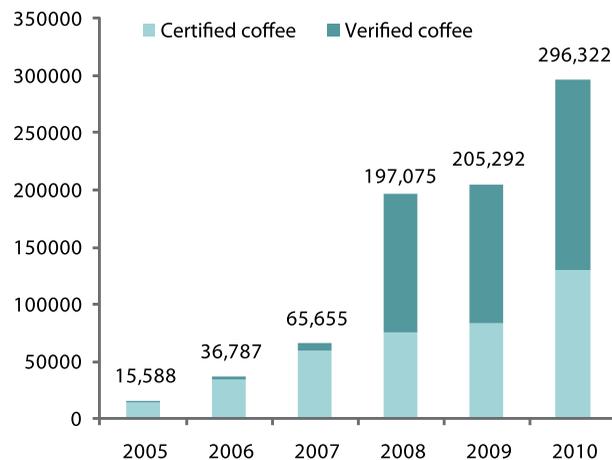


HECTARES OF COFFEE PLANTATIONS FOLLOWING SUSTAINABLE GUIDELINES

Sustainable coffees provide significant benefits in terms of bean quality, and the cultivation techniques used.

In 2005, only 15,000 hectares (37,000 acres) were part of this program; in 2010, over 296,000 hectares (over 730,000 acres) were under cultivation following these standards.

Hectares of coffee fields certified as sustainable (2005-2010)



Case Study THE NESPRESSO AAA SUSTAINABLE QUALITY PROGRAM



Nespresso, in collaboration with our Federation, has demonstrated its commitment to the sustainability of the coffee trade in Colombia by promoting the adoption of its Sustainable Quality Program. Close to 27,000 coffee-growing families have been affiliated to this program and as a result have received higher prices for their product. Together with Nespresso we also offer greater technical assistance through the 80 extension professionals dedicated to the dissemination of the philosophy behind the AAA certification to participating growers. Through this program we have also been able to position Colombian coffee as one of the origins most used in super premium espresso blends. One of the benefits of this alliance has been Nespresso's launch of its Rosabaya Colombia coffee—the company's first brand of coffee certified as 100% Colombian in origin and the first AAA certified grand crue Nespresso product.

"We are very happy to partner with FNC and work closely together to ensure quality and transparency in the commercial relationship whilst driving our efforts on sustainable development focusing on the coffee farmers integrating the AAA Sustainable Coffee Program in Cauca & Nariño". Richard Girardot, CEO, Nespresso.



1.3 Buencafé

Our Buencafé factory has been in operation since 1974. Through its optimized freeze-drying process, we add value to the coffee produced in Colombia.

Over time Buencafé has become one of the largest processors of freeze-dried coffee in operation; this has allowed us to export one of the best instant coffees in the world to dozens of countries. As a result, Buencafé has helped Colombian coffee producers conquer new markets and enjoy the benefits of adding value to their product through industrial processes.

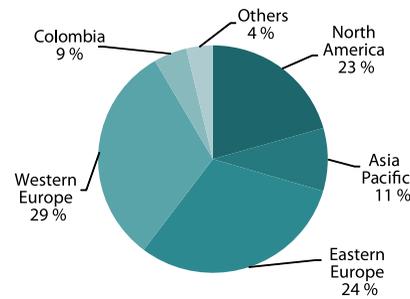


Case Study

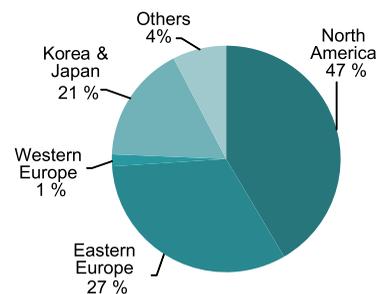
BUENCAFÉ: PENETRATING NEW MARKETS

It is interesting to note that the exports of Buencafé are distributed differently from the rest of Colombian coffee exports. While traditional coffee exports are concentrated in North America (42%) and Western Europe (32%), Buencafé has penetrated important markets in Eastern Europe (24%) and Asia (11%). This represents an opening of new markets for Colombian coffee, especially when one considers that the new consumers demand for coffee in emerging markets starts with the consumption of instant coffee.

Buencafé sales by destination (2010)



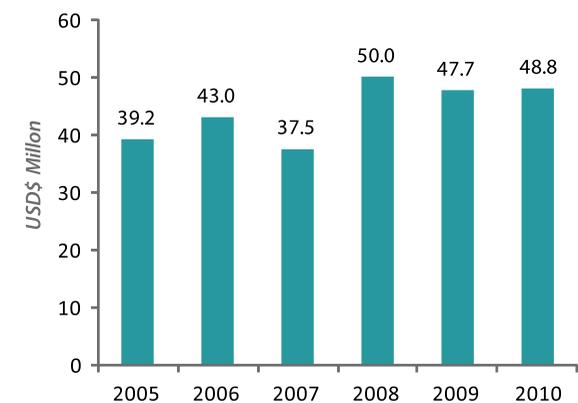
Colombian coffee exports by destination (2010)



VALUE ADDED GENERATED BY BUENCAFÉ

In 2010 Buencafé produced USD\$ 48 million in added value; USD\$ 9 million more than in 2005. This additional value, calculated on top of the 2010 higher than average raw material prices, represent additional resources invested for the long-term benefit of coffee growers and their families.

Value - Added generated by Buencafé (2005 - 2010)





1.4 The Juan Valdez® Brand

The international recognition of the Juan Valdez® character was the basis for the creation of this new brand owned by the coffee growers of Colombia. With it, we have created customer loyalty to the 553,000 families that carefully produce the coffee they consume daily.

Using the worldwide recognition of the Juan Valdez® character as our support, we developed a new brand owned by the Colombian coffee growers, and a portfolio of products that use the  **Juan Valdez** Signature as an effort to bring Colombian coffee growers and end consumers even closer to our product. The Juan Valdez® brand benefits producers in many ways, most importantly through the Juan Valdez® Cafés, which offer a display of the range of different Colombian coffee options to customers across the globe, repositioning Colombian coffee as an ideal product for different occasions and a leader in specialty coffees.

Since the launch of the Juan Valdez cafés in 2002, total sales of Colombian specialty coffees that provide higher returns to Colombian coffee growers have increased nearly 400%, as can be seen on page 60. In addition, the Juan Valdez® brand only sells coffee that guarantees premium purchase prices for producers, transferring nearly USD\$ 10.5 million in price premiums to coffee growers. The coffee shops also generate royalties for the brand, which reached an accumulated figure of nearly USD\$ 10,5 million by the end of 2010 and were used to finance different National Coffee Fund programs.

In addition, under the Juan Valdez® brand a number of new products and innovation models are tested, always making explicit the connection between the origin and the product quality. The objective is to reminding

consumers that behind their coffees there are over half a million coffee producers.

By successfully repositioning Colombian coffee in the minds of millions of consumers, the Juan Valdez® brand has become one of

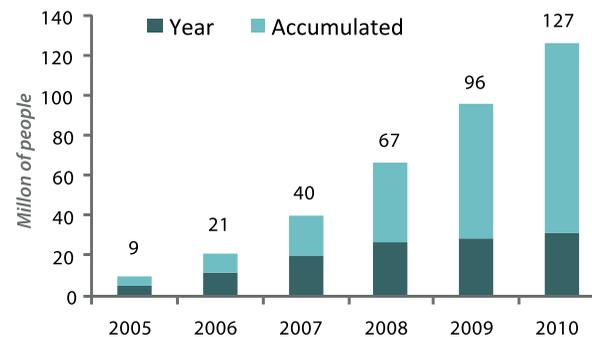
the most valuable instruments of Colombian coffee growers for the positioning of their product in diverse consumer segments and contexts. At the same time, this strategy has helped save millions of dollars in traditional advertising.



ACCUMULATED NUMBER OF VISITORS TO JUAN VALDEZ® CAFÉS

 **Juan Valdez** Cafés have strengthened their market position and consolidated a concept that is attractive to coffee consumers and provides a showcase for Colombian coffees. As a result, the number of establishments has reached a size similar to that of other nationally and internationally recognized chains. **Since its creation, 127 million people have tasted the richest coffee in the world in the stores owned by the coffee growers of Colombia.** In addition to these cafés, Juan Valdez® brand coffee is sold in over 3,500 supermarkets in eight countries.

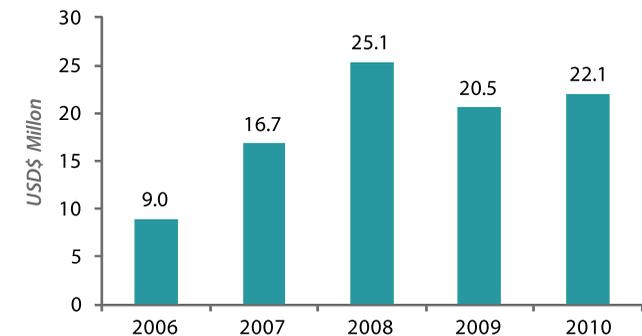
Number of visitors to Juan Valdez® Cafés (2005-2010)



VALUE ADDED GENERATED BY THE JUAN VALDEZ® BRAND THROUGH PROCAFECOL

In the last three years, **the value - added generated by the Juan Valdez® brand through the diverse initiatives of Procafecol has been more than USD\$ 20 million yearly.** Considering the total coffee volumes sold and the 2010 higher average coffee prices, these figures are very satisfying.

Value - Added generated by the coffee sold under the Juan Valdez® Brand through Procafecol (2006-2010)





Case Study

THE EXPERT'S CORNER, CONNECTING THE CONSUMER TO THE COFFEE GROWERS OF COLOMBIA

Juan Valdez® Café, with the support of the Inter-American Development Bank, introduced various modules to its website (www.juanvaldezcafe.com) and installed interactive consoles in Juan Valdez® Cafés using the name “The Expert’s Corner.” This initiative allows consumers to use the Bean Track® technology (See page 61) to obtain information about the production of the coffee they purchase including its place of origin and the growers that produced it.

In addition, consumers can find out about the cup profile of their coffee, its aroma, acidity, and body along with other characteristics central to its character; this creates a direct link between the consumer and the producers, which positively affects the higher esteem that Colombian coffee enjoys in the minds of consumers across the globe.

“The capacity to connect consumers to producers in such an innovative fashion was one of the essential elements that convinced us to finance the project that the Federation presented to us.” Alejandro Escobar, Senior Specialist - IDB’s Multilateral Investment Fund – FOMIN –.



2. Positioning and defending the origin

In order to maximize the income of coffee producers, we work to position and defend the implicit quality guarantee of Colombian Coffee in the minds of consumers.

Developing, maintaining and defending the reputation of Colombian Coffee and its different regional origins is one of the value-adding strategies we follow. For our Federation, the origin of the coffee should be communicated to consumers so that it may play a part in their purchase choice; without such information it would be difficult to reward the work of growers to produce superior-quality coffee.

To provide this information we have begun using innovative tools in international markets such as: the development of a geographical indications strategy; the implementation of regional denominations of origin and the use of advertising campaigns based around Juan Valdez and the producers he represents. Other strategies are the publicity of brands that are associated with Colombian coffee and the establishment of commercial alliances within the framework of the 100% Colombian program and the use of sophisticated technologies to verify the origin of the coffee.

2.1 Juan Valdez

Juan Valdez represents the traditions and the pride of Colombian coffee-growing families that produce, with care and dedication, the best coffee in the world.

Our Federation in 1960 created the Juan Valdez character; he reflects the family values, work ethic, and obsession with quality that 553,000 coffee-growing families in our country share. His mule, *Conchita*, is a reminder of the challenging mountain topography that produces mild Colombian coffee. Juan Valdez—as a famous character and icon—has a busy schedule within and outside of Colombia, and in all of his public appearances he is recognized as the ambassador of Colombian coffee growers.



Case Study

**THE JUAN VALDEZ CHARACTER:
FIFTY YEARS PROMOTING COLOMBIAN COFFEE**

During the first half of 2010, the Juan Valdez character made a tour in the US market supporting 100% Colombian coffee brands distributed in the North American continent, Juan Valdez went to Nueva York, Chicago, Los Angeles, Miami y Seattle and appeared in different media events and newscasts.

In an event that took place on August 26th, to which the President of Colombia and several of his cabinet members attended, an official ceremony took place in Bogota. By the second half of 2010, the official celebration of the character's 50th birthday was well under way. A number of additional events were designed to recognize its contribution to the Colombian coffee positioning in world markets and to support the full dimension what the character embodies and represents.



An itinerant exposition, aptly named "Juan Valdez: 50 years and a long way ahead", visited several Colombian cities reminding coffee growers and consumers of the character's past campaigns and its evolution.

"Together we will make the Colombian countryside a place in which each peasant, each peasant will be a prosperous Juan Valdez" Juan Manuel Santos Calderón, President of Colombia. In his speech when taking office on August 7th, 2010.

2.2 The 100% Colombian Coffee Program

We position our coffee in the international market through the 100% Colombian coffee program, thereby maximizing the return growers receive for the coffee they produce.

Creating the necessary conditions to sell 100% Colombian brands of coffee at prices higher than those paid for coffee blends from other countries is an essential element in defending the income of coffee growers. To do this it is necessary not only to guarantee that exports of Colombian coffee be of superior quality and that the 100% Colombian brands of coffee distributed by third parties carry the Colombian Coffee  logo as proof of that guarantee, but also to develop initiatives that strengthen the image of Colombian coffee around the world.

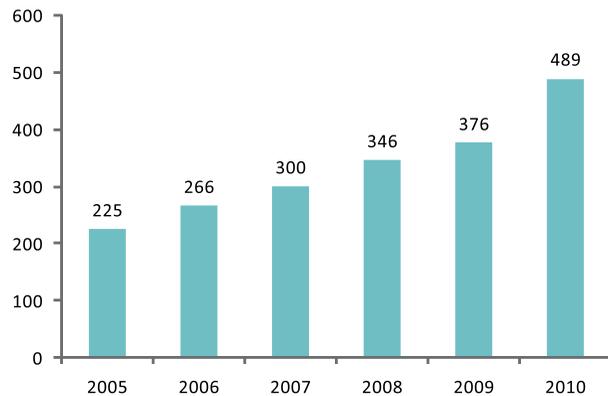
Our efforts to reposition Colombian coffee so that it can be sold at higher price ranges in different distribution channels is a way of making the sale of Colombian coffee profitable for our clients. This, in turn, allows them to pay higher premiums to coffee growers. As a result, this branding program is essential to guarantee both the mid and long-term demand for Colombian coffee as well as the value-added to it, which in turn increases the income of producers.



BRANDS BELONGING TO THE 100% COLOMBIAN COFFEE PROGRAM

Between 2005 and 2010, the number of 100% Colombian Coffee brands sold across the world grew 14% annually; **by 2010, we had a relationship with 489 brands that carried the Colombian coffee Logo and which are processed and distributed by 93 different companies belonging to our program.**

Brands belonging to the 100% Colombian Coffee Program (2005-2010)



Case Study

REPOSITIONING 100% COLOMBIAN COFFEE IN THE UNITED STATES

The evolution of the United States market illustrates the benefits that accompany the diverse positioning and defense strategies that our Federation has followed.

According to the data supplied by Information Resources Inc. –IRI, **the share of 100% Colombian coffee sales at higher price points increased to 14% from 10%, the observed share five years before. In addition, the total share of 100% Colombian coffee brands did not change during the period.** Thus, our repositioning efforts have created a space for increased demand for Colombian coffee sold at higher price points. This was possible to a large degree thanks to the role played by the Juan Valdez® Cafes in our brand architecture and the effective development and differentiation of the supply channeled through the certification of origin and our specialty coffees programs. As was noted in the section on specialty coffees (See pages 59-60), the increased supply and repositioning of the origin have directly contributed to the creation of an additional USD\$ 107 million in added value that has been transferred to the producers. This does not include the royalties generated by the use of brands owned by the coffee growers of Colombia.

Share of sales of 100% Colombian coffee brands in different price segments.

USD per IB	Price Segment	2004	2009
0 – 2.5	Value	12%	9%
2.51 – 5.00	Mainstream		
5.01 – 8.00	Premium	10%	14%
8.00 +	Gourmet		
	Total	11%	11%

Source: IRI

2.3 Denominations of origin

We have developed an innovative portfolio of legal instruments to defend the reputation of our coffee and guarantee that our growers receive higher prices for their product.

Our Federation has begun to develop powerful tools to defend the origin classifications and implicit quality guarantee associated with the coffee produced in our country. Within this strategy, we have used legal figures such as Protected Geographical Indications, Denominations of Origin and certification marks in countries where products based on Colombian coffees are sold¹.

These strategies have allowed Colombian coffee to obtain legal recognition and certification marks in the United States and Canada, *the Denominations of Origin Café de Colombia* in other Latin American countries, and the *Protected Geographical Indication “Café de Colombia”* in the European Union; we are promoting similar initiatives in other countries around the world.

¹ This strategy of defending the Colombian coffee origin is carried out according to the regulations of each individual country. Because it is an innovative strategy there are some countries that do not have precedents for its use and management; in conjunction with local authorities, the Federation has cooperated in the development of legal regulatory frameworks to be applied in such contexts.



Case Study

**THE CAFÉ DE COLOMBIA
PROTECTED GEOGRAPHICAL
INDICATION IN THE EUROPEAN UNION**

In the case of the 27 countries of the European Union, Colombian Coffee was the first non-EU product to apply for origin protection and the first to receive it, in 2007. As a result, we obtained the Protected Geographical Indication Café de Colombia in the European Union to benefit Colombian producers.

“The case of the Colombian Coffee Growers’ Federation is an example for all producers of how to defend and project their product internationally”. Ramón González Figueroa, President of the Regulatory Council of Tequila and the World Geographical Indications Network, Origin.

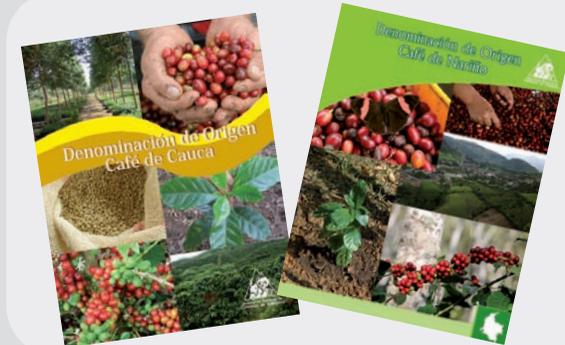


Case Study

**NATIONAL AND REGIONAL
COLOMBIAN DENOMINATIONS OF ORIGIN**

We have implemented a strategy to establish a Denomination of Origin for Colombian Coffee and Regional Denominations of Origin in an effort to segment Colombian supply through a portfolio of higher-priced regional coffees that effectively help position all Colombian coffee and generate higher income levels for growers.

To identify their cup profiles and the microclimates and environments that create them, as a first stage of implementation we carried out the necessary studies of the coffee from the departments of Nariño, Cauca, Huila, Santander and the region surrounding the Sierra Nevada of Santa Marta. Such factors are what allow these coffees to come under the protection of this legal instrument. As a result—once the scientific, technical and legal information was appropriately organized—in 2009, we presented the documentation requesting the Regional Denominations of Origin of Nariño and Cauca to the local Colombian authorities (Superintendence of Industry and Commerce.) Once this process is complete 121,000 coffee growers in these departments will start to benefit from the higher prices that will be paid for their product.



2011 and Beyond:

Following up on our effort to position Colombian coffee as a high priced product that generates more income to coffee growers, in 2011 we will file the request for the Huila Denomination of Origin. In addition, by 2012 we expect to file the request for two additional regions: Santander and Sierra Nevada.



3. Penetrating new markets

Our Federation has taken action to consolidate the presence of Colombian Coffee in new markets in order to take advantage of the opportunities of growth that they offer.

According to recent studies by the ICO, coffee consumption in emerging markets makes up 18% of world demand, or an average of 20 million bags a year. In some of these new markets, coffee consumption has increased over 100% since 1997; this represents an important opportunity for producer countries such as Colombia that seek new clients. At the same time, we have also identified an opportunity to strengthen the position of Colombian Coffee in coffee-producing countries—including Colombia.



EXPORTS TO EMERGING MARKETS

As a result of the international recognition of the quality of Colombian coffee, **the volume of exports to emerging markets has grown at an average annual rate of 8% since 2000**; it is worth mentioning the sales increase to such destinations like China (43% average growth rate), Russia (18%) and Korea (9% annual).

Colombian coffee exports to emerging markets (2000-2010, 60 kg. bags)

Country	2000	2010	Annual growth 2000 - 2010
Australia	23,756	55,355	8%
China	10	3,160	43%
Korea	121,868	267,129	9%
New Zeland	10,028	13,422	6%
Russia	17,548	82,318	18%
Syria	8,365	7,497	6%
South Africa	5,908	6,926	8%
Turkey	292	325	5%
Others	46,848	35,553	-4%
Total	234,623	471,685	8%





100% COLOMBIAN COFFEE LICENCES ISSUED IN EMERGING MARKETS

Licensing the use of the  is an effective method of penetrating new markets, stimulating coffee consumption and creating consumer loyalty to the origin of the coffee they consume. **By 2010, a total of 47 different roasters selling to different emerging markets had the authorization of use the Colombian coffee  in their brands, through ingredient brand trademark licenses.**

Total Colombian Coffee Logo use authorizations in emerging coffee markets (2005-2010)

Región/country	2005	2006	2007	2008	2009	2010
China	3	7	9	12	15	7
Australia and New Zeland	3	3	3	3	6	6
Western Europe and Russia	4	4	4	4	5	5
Far East	1	1	1	1	3	3
Middle East	7	7	7	7	7	7
South America	13	16	16	16	19	19
Emerging	31	38	40	43	55	47

Case Study
DOMESTIC COFFEE
CONSUMPTION PROGRAM

Our Federation, together with representatives of the Colombian roasting industry established an alliance to promote the consumption of coffee in Colombia. A number of initiatives under this cooperation agreement have been designed and implemented. Among them, during 2010 the following activities took place

- The launch of the new advertising strategy under the slogan “Life is better when you have energy”².
- A number of initiatives that contribute to the positioning of the coffee category included workshops with journalists and communications specialists, press conferences and visits to editors and opinion leaders.
- Topics that link coffee to gastronomy, well being, Denomination of Origin and culture have been developed, linking the product to a healthy and active lifestyle.
- Providing the service of giving updated scientific information related to coffee and health issues. Under the Coffee and Science initiative, alliances to share new scientific information have been developed, providing relevant and current information to over 8,000 health care professionals through conferences in different physician conventions.
- The Program has also developed an ambitious strategic objective to make the coffee category attractive and profitable to different distribution channels. This effort focuses in providing small business owners and employees the abilities to make coffee innovative, provide coffee preparation and brewing training and capitalize of communication opportunities between those who prepare and serve and consumers.

²Original in Spanish: “La vida es mejor cuando tienes cuerda. ¿Necesitas más cuerda? Toma café.”



2011 and Beyond:
We will work, together with the Colombian industry to create new markets for our own coffee in Colombia. We have the objective that Colombian coffee consumption will grow by 30% towards the middle of this decade.



5th Quindío Drawing and Painting Competition
"Let's paint Quindío"
Cristhian Leonel Torres Palacios - [14 years old]
Armenia / Quindío - [2008]



Sustainable Quality

- * 01 Quality comes from research and is backed by the Extension Service
- * 02 Improving coffee quality through productive processes
- * 03 Improving transformative processes
- * 04 Controlling the quality of exports Colombian coffee



“ Colombian coffee is recognized across the globe as having excellent flavor and aroma. Just as these qualities are the result of the climactic and soil conditions of the country, they are also the result of the dedication of Colombian coffee growers and their efforts to offer to the market a superior product ”





The quality of Colombian coffee is the result of the care that coffee-growing families take of their crops, the use of good agricultural practices, scientific research and technological progress in areas of bean processing, as well as the quality controls performed by FNC to the coffee exported to the rest of the world.

The intrinsic quality of Colombian coffee is the basis of our commitment to the income of 553,000 coffee growers. Maintaining this quality not only ensures that consumers receive a superior quality product, but also that such purchases contribute to improving the quality of life of Colombian coffee growers and their families.

1. Quality comes from research and is backed by the Extension Service

The quality of a given coffee depends on many factors including prevailing environmental conditions, the species and variety of the coffee tree, good agricultural practices, and well managed post-harvest processes.

In the case of Colombian coffee growers the research and innovation that is undertaken in our Coffee Research Center, Cenicafé, as well as the technical support provided by our Extension Service, have been a key factor to create an obsession with quality. Without this tradition, or “culture of quality”, it would not be possible for Colombian coffee to reach such levels of recognition by demanding consumers in international markets.

Thanks to the scientific work carried out by Cenicafé for over 70 years, we have also developed a “science of quality”, through which we have compiled an enormous amount of information regarding the factors that influence the

quality of coffee, as well as those attributes of the Colombian mountains make Colombian coffee unique and exceptional. The technology developed by Cenicafé is transferred to producers by the Extension Service through a number of training methods.

1.1 The science of quality

Since the creation of our Federation, coffee growers have given great importance to scientific research and the development of technologies that optimize not only productivity and returns, but that also understand and optimize the attributes that set Colombian coffee apart from those produced elsewhere.

With this in mind, in 1938 the Colombia’s coffee growers founded the Coffee Research Center Cenicafé, in order to stimulate the development of competitive and sustainable technologies that would allow the consolidation of the well-being of Colombian coffee growers.

Within the scope of this mission, Cenicafé has always focused its research and resources on disseminating the knowledge necessary to produce high

quality coffee. The different research programs developed by our research center—with 66 researchers, including as those 25 with post-graduate degrees—includes disciplines that focus on subjects such as entomology, plant physiology, genomics, genetic improvement, phytopathology, plant production, soil science, agricultural engineering, quality and environmental management, agroclimatology, conservation biology and biometry.

The knowledge gathered by each one of these different groups has allowed us to optimize quality, identify important characteristics and genes that prevent diseases, develop environmentally-friendly post-harvest processes, as well as agricultural practices that foment crop health and optimize crop interaction with individual environments of specific regions. One of the greatest contributions of Cenicafé to the quality of our coffee is the development of strains or varieties of Arabica coffee that increase crop productivity, lower disease control costs, and improve bean quality.



Case Study

CASTILLO® AND CASTILLO REGIONAL® VARIETIES

An example of a success case of our scientific research has been the development of the Castillo® variety of coffee, which adapts to the general coffee-growing conditions in Colombia. It is highly productive, and produces large beans of excellent cup quality. In addition, it is resistant to rust and tolerates the coffee berry disease, or CBD, which, up to now, has been limited to Africa. Subsequent developments have included different varieties that are better suited to specific regional growing conditions. These Castillo Regional® varieties include: i) Castillo Naranjal® for the regions of Caldas, Quindío, Risaralda and Valle; ii) Castillo El Rosario® for Antioquia, Caldas and

Risaralda; iii) Castillo Paraguaicito® for Quindío and Valle del Cauca; iv) Castillo La Trinidad® for Tolima; v) Castillo Pueblo Bello® for the coffee growing regions at the northern part of the country located in the departments of Magdalena, Cesar, La Guajira, and Norte de Santander; vi) Castillo Santa Bárbara® for Cundinamarca and Boyacá. In order to guarantee the quality of the genetic material used, the seeds of the Castillo® variety are produced by Cenicafé in its experimental farms and in selected coffee growing farms, following strict quality control guidelines.

“Since I first encountered the Federation and Cenicafé I understood that I have a valid and professional interlocutor that always thinks of the producers”. Peter Baker, Project Coordinator, Centre for Agriculture Bioscience International -CABI

1.2 Extension Service

FNC's Extension Service is key to ensuring the quality of the productive processes and the application of necessary cultural practices to provide both the quality and the profitability of crops.

This technically qualified body made up of over 1,500 extension technicians is the most important point of contact between the Federation and coffee producers; through this service we carry out programs to improve the social well-being of coffee growers and transfer technology developed by Cenicafé to coffee farms located in remote areas of the Colombian Andes.

It is clear that in order to provide service to over 553,000 producers it is necessary to use diverse extension methods, which range from individual contact to group sessions, and also include the use of mass media outlets.

The adequate provision of technical assistance services necessarily involves the implementation of monitoring systems. With this in mind, we created the Coffee Information System -SIC@ Web (check page 114), which holds the information of more than 1.3 million individual lots of coffee in the country. The information found on SIC@ Web is continuously updated by the Extension Service, and allows the monitoring of the progress indicators of different strategies that are intended to maintain young, productive, high quality crops.

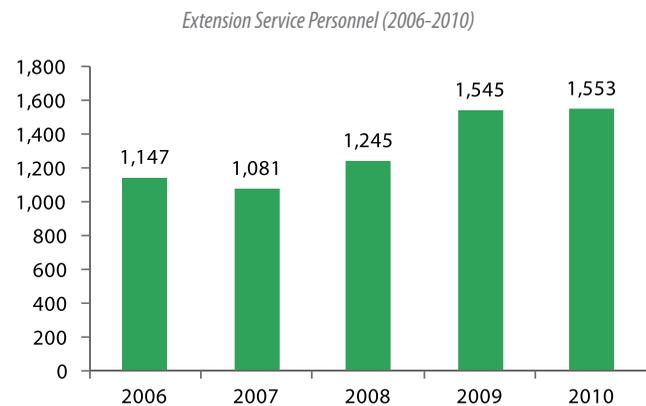


EXTENSION SERVICE PERSONNEL

In 2010 the Extension Service counted on the abilities of more personnel than ever before. This has allowed the Federation to increase the coverage of its direct technical services to coffee growers, with a support in areas related to crop and land management, credit access and coffee-related institutions.

The Federation's management of the Extension Service has allowed it to receive the support of both governmental and non-governmental entities which have boosted its coverage. Because of this support the service can rely not only on the full-time technicians employed by the Federation but also on the support of additional technicians that are financed through resources provided by the Technical Assistance Incentive –IAT (by its acronym in Spanish) of Colombia's Ministry of Agriculture and Rural Development, who provide direct assistance to coffee growers in general and those who are recipients of the Permanence, Sustainability, and Future Program (See page 50) in particular.

The Extension Service is also reinforced by additional technicians provided for specific projects undertaken by FNC with the collaboration of Nespresso and KfW, as well as those managed by the Departmental Committees by the funding provided by international aid organizations.



EXTENSION SERVICE ACTIVITIES

In recent years, our Federation has strengthened the presence of the Extension Service in the most remote regions of the country, and in doing so has increased both the number of activities with producers it carries out and the number of coffee growers that it directly assists. Through our technicians and the application of diverse training and education methods we foment the adoption of technologies that contribute to the sustainability of coffee production and the well-being of coffee growers.

In addition, we have aired “The Adventures of Professor Yarumo” on national television for more than 25 years, reinforcing the work of our Extension Service by raising awareness about the preservation of natural resources and highlighting the distinct cultural expressions of different regions in Colombia. Professor Yarumo is an extensionist character created by the Federation. He is synonymous with education, knowledge, progress and well-being— characteristics that have ensured his enduring recognition by and credibility with the coffee-growing families of Colombia. Apart from hosting television and radio shows, this character





also trains extension officers and coffee growers in technical and trade matters, and writes for the press on coffee-related subjects. More than 970 TV shows have been aired transmitting the realities of national coffee production as well as the richness and beauty of Colombia found in different geographic, economic, and natural regions of the country.

Our Federation also transmits radio shows and publishes regional newspapers with information about the different programs that it carries out and which are of interest to coffee growers. Currently, Departmental Committees offer 72 radio programs with regional and local coverage, and 9 Departmental Committees regularly print publications with an approximate circulation of 275,000 issues a year.

Extension Service activities (2007-2010)

Year	Individual activities	Group activities
2007	413,373	24,313
2008	437,278	24,657
2009	529,852	32,306
2010	524,198	36,193



COFFEE GROWERS' SATISFACTION WITH THE EXTENSION SERVICE

In 2010, and for the third year in a row, 1,733 coffee growers in 185 municipalities completed a survey measuring their satisfaction with FNC's Extension Service. The results of the survey allowed the evaluation of the efficiency of our Extension Service and indicated a high level of satisfaction in all different measurement areas, which is higher than the one obtained for services performed during 2007.

Results from the coffee grower satisfaction surveys (2007, 2010)

Extension Service Satisfaction	2007	2008	2009	2010
Access	83%	94%	93%	89%
Timing	85%	94%	94%	96%
Impact	77%	96%	96%	96%
Communication	86%	98%	98%	99%
National Average	79%	78%	86%	86%

"I feel that I am not alone, that there is a whole team made up of the Extension Service backing me in technical, social and environmental areas, and not supporting just me, but all of the surrounding towns and villages as well". Luis José Barbosa, coffee grower from the municipality of la Jagua de Ibirico, Cesar.



Case Study

THE EXTENSION SERVICE'S QUALITY CERTIFICATION UNDER THE ISO 9001:2008 STANDARD

Since 2009, our Extension Service has been quality certified under the ISO 9001:2008 standard. Making good use of over 50 years of experience assisting producers and their families, our Extension Service met this standard in just eight months. With this certification our Federation meets all of the requirements necessary to be a suitable administrator of the Technical Assistance Incentive, or IAT (by its Spanish acronym) given by Colombia's Ministry of Agriculture and Rural Development. Thanks to these resources in 2009 we reinforced our technical assistance services by contracting 333 new technicians that support the beneficiaries of the Permanence, Sustainability and Future Program (See page 50).

"The international regulation ISO 9001 was developed to build the trust of clients and interested parties by generating commitment and continuous improvement of all organizations. This globally-recognized certification received by the Extension Service of the Federation is an undeniable example of its commitment to the well-being of the coffee growers of Colombia." Fabio Tobón, Executive Director, ICONTEC.



Certificado N° SC 6591-1

2. Improving coffee quality through productive processes

The quality of Colombian coffee is the result of the effort of every coffee grower on his farm to produce a superior coffee, which allows him/her to obtain the highest possible price for his family.

The production of such high quality coffee depends on the capacity of coffee-growing families to maintain their crops young, healthy, and free of diseases. In order to do this it is very important to renew crops, plant improved varieties of coffee, and commit to the use of good agricultural practices, or GAP's.

In addition to scientific support provided to coffee growers by our Federation through the work of the research conducted by Cenicafé and the technical assistance provided by Service Extension we design programs —with the help of the Colombian government, regional governments, and other interested parties—aimed at creating incentives for producers to adopt new technologies and production systems that result in a more profitable, higher quality coffee.

In commercial areas, we have developed price incentives and purchase methods in which the quality of coffee plays a key role. To this goal, using the "Almendra Sana" (See page 45) purchasing method we provide additional rewards to producers who deliver a higher-than-normal percentage of undamaged beans. In this way we are able to emphasize the effects that damaged beans have on the ultimate quality of the beverage they produce. At the same time we create an opportunity to explain growers what factors cause damage in the coffee beans, such as deficiencies in the production, harvest, or post-harvest processes that they carry out, offering them a way of correcting such problems in the future.



Case Study

THE PRODUCTION PROCESS OF COFFEE IN COLOMBIA: *QUALITY AND ENVIRONMENT PROTECTION*

In each step of coffee production, from the selection of a specific lot of land for cultivation to the final attainment of beans ready for sale, different actions can be taken to preserve the coffee quality and contribute to the sustainability of coffee-growing regions. The following is a list of some of these actions:

- **Planting across slopes:** In Colombia, coffee is planted on all three Andes Mountain ranges, often on very steep slopes. This requires that coffee trees be planted in ways that help avoid soil erosion; when new lots are selected and prepared one method of doing so is planting rows in a terrace-like fashion along the slope of the mountain.
- **Reliable seeds:** Bean quality is guaranteed through the use of seeds that come from varieties developed by Cenicafé, produced in experimental farms following strict quality guidelines.
- **Ecological seedbeds:** Through the use of earth and decomposing coffee matter obtained from the de-pulping carried out after harvest, we contribute to the good nutrition and health of coffee seedlings.
- **Pest, disease and weed control:** Using good agricultural practices farmers are able to avoid the use of agrochemicals in crop management, thereby also contributing to the conservation of the resources of coffee-growing regions.
- **Shade-systems:** In Colombia, more than 51% of the area where coffee is presently being cultivated has some kind of shade; this contributes significantly to the conservation of both the environment and of the bio-diversity present in coffee-growing regions. Sun exposed areas use alternative means of conserving biodiversity.
- **Environmentally-Friendly milling process:** During the post-harvest milling process it is possible to use new, environmentally-friendly methods (See page 123) which significantly reduce the amount of water used in this process, as well as the amount of resulting waste water.





Coffee Production Process

1 PLANTING



1.1 SEED:

Obtained in experimental farms and coffee growers' farms under the supervision of Cenicafé, and according to the appropriate quality norms

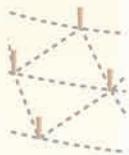
1.2 GERMINATOR:

This is considered a stage of great importance in obtaining a good quality coffee plant; Growers need to control *Sclerotium coffeanum*, a disease. The methods used are environmentally friendly



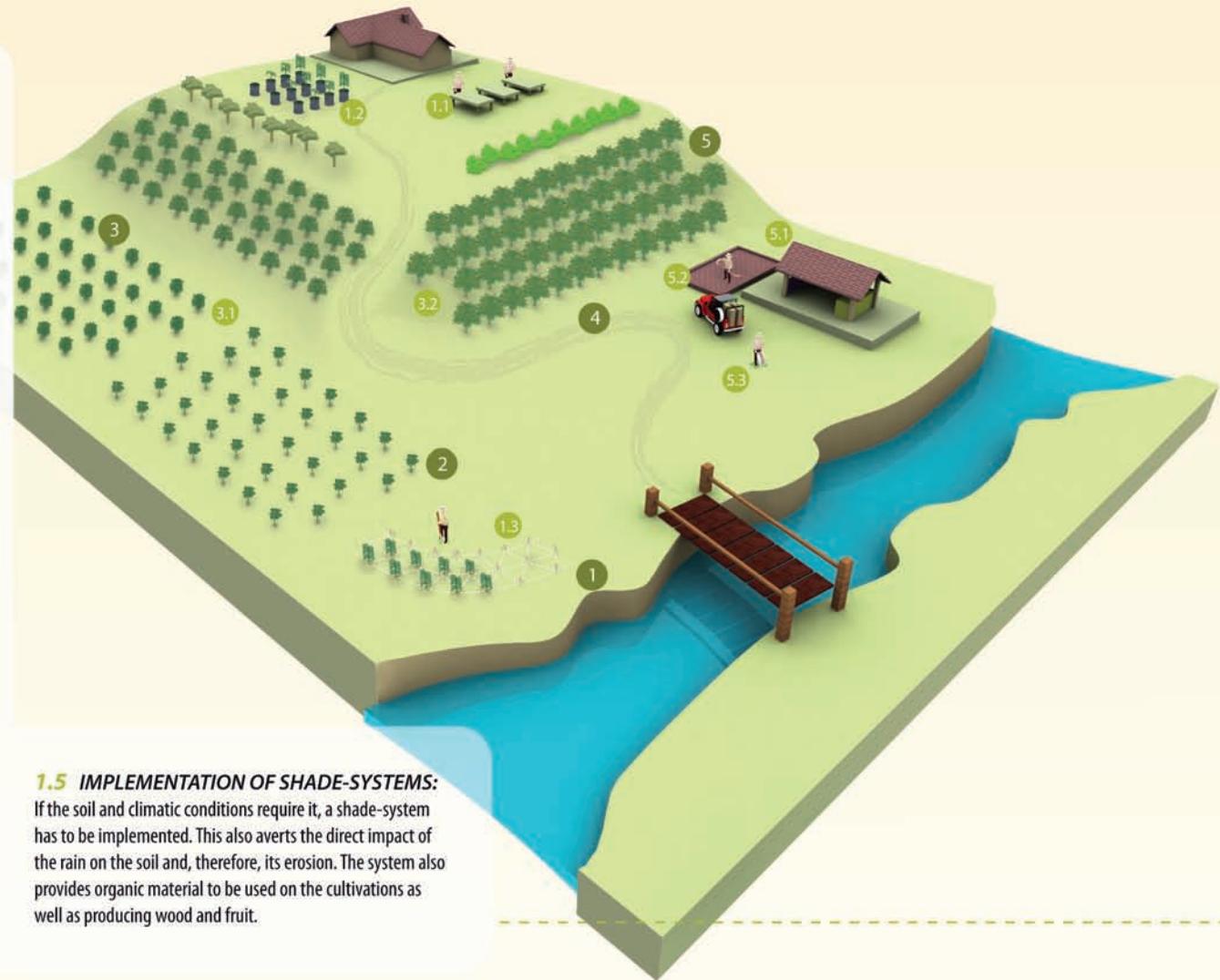
1.3 SEEDBED:

Soil mixed with decomposed coffee pulp as fertilizer produces healthy vigorous trees and, in turn, high quality coffee



1.4 SOIL ADAPTATION:

In Colombia, coffee is planted on the slopes of the Andes. In order to avoid soil erosion, the rows of coffee trees are placed so that they form triangles down the slope, and soil conservation methods are put into practice



1.5 IMPLEMENTATION OF SHADE-SYSTEMS:

If the soil and climatic conditions require it, a shade-system has to be implemented. This also averts the direct impact of the rain on the soil and, therefore, its erosion. The system also provides organic material to be used on the cultivations as well as producing wood and fruit.



2 GROWTH

2.1 INTEGRATED WEED MANAGEMENT:

This process involves removing plants that compete with the coffee plants and use cover plants to avoid soil erosion

2.2 INTEGRATED PLAGUES AND DISEASE MANAGEMENT

The application of a number of environmentally-friendly plague and disease management practices allow producers to grow healthy high quality beans

2.3 FERTILIZATION:

The adequate application of environmentally-friendly nutrients to the plantations, allow the beans to develop so that they have the high quality properties that consumers around the world demand

3 PRODUCTION

3.1 FLOWERING:

In Colombia, a plant that has been correctly cared for will flower and produce fresh coffee throughout the year



3.2 FRUIT

The ripe, quality cherries are the result of hard work and care, using soil conservation methods and good plantation management

4 HARVEST

PICKING:

Ripe coffee cherries are hand-picked one by one so that the fruit can then be processed using the necessary practices to preserve their quality



5 POST-HARVEST

5.1 WET-MILLING: Depulping, fermentation and washing:

Cenicafé developed wet-milling technology that uses the least possible amount of water. This helps to maintain the quality of the beans and reduces pollution. It also allows for the correct management of bi-products, such as the pulp and liquid waste, turning them into organic fertilizer and animal feed



5.2 DRYING:

Sun-drying is a fundamental pre-requisite to coffee with high physical and cup qualities

5.3 STORAGE AND TRANSPORTATION:

Correct storage means that coffee beans will not be damaged by fungus. When transporting the coffee it must not come into contact with contaminating agents or liquids





Case Study

THE MOST COMMON DEFECTS FOUND IN COFFEE AND THEIR CAUSES

Keeping in mind that the entire production process of coffee affects the final quality of the drink, we provide information to help Colombian coffee producers to identify bean defects and the processes that can be improved to avoid them. Almacafé's Quality Office has developed a careful method of identifying the most common defects found in coffee and their causes. It also has made a considerable effort to make these causes known to coffee producers, Extension Service technicians, and the coffee trade in general. Because of this work Colombian coffee growers are more conscious of the fact that the smallest mistake can affect the final flavor of their coffee as well as its appearance. For example, lack of water during the berry development leads to beans that range from brownish-gray to black in color, a defect that changes both the flavor and aroma of the final product as well as its appearance—all of which limits the possibility of successfully commercializing the coffee.

In the same vein, de-pulping berries in a poorly-set machine or harvesting of unripe berries leads to damaged or cut berries that ultimately result in oxidized beans. Extended fermentation or storage in humid environments can lead to the product being attacked by mold.



RESISTANT VARIETIES, A SOLUTION TO DISEASES THAT AFFECT COFFEE

The development by Cenicafé of improved varieties that are resistant to disease and produce bigger coffee beans, as well as the application of GAP's and the progress made in environmentally-friendly milling processes, directly affect the quality of coffee produced in Colombia. The transfer of such technology to growers is directly supported by FNC's Extension Service.

However, despite the many advantages of their use, improved varieties have not been adopted in most regions of the country. At the end of 2010, the area under coffee cultivation in Colombia planted using rust resistant varieties was the equivalent of 34.8% just 1.9% more than in 2006.

In order to achieve 100% of the coffee growing area in Colombia is cultivated with resistant, more productive coffee trees, as from 2010 we only award economic incentives coming from our renovation programs to those coffee growers that use for the renewal of their plantations coffee varieties that are rust resistant and certified by Cenicafé. This policy will also reduce production costs as growers will use less agrochemicals to control this disease.

SEE ALSO: COFFEE CROP RENOVATION (PAGE 49)

INCENTIVES FOR CROP MAINTENANCE (PAGE 53)



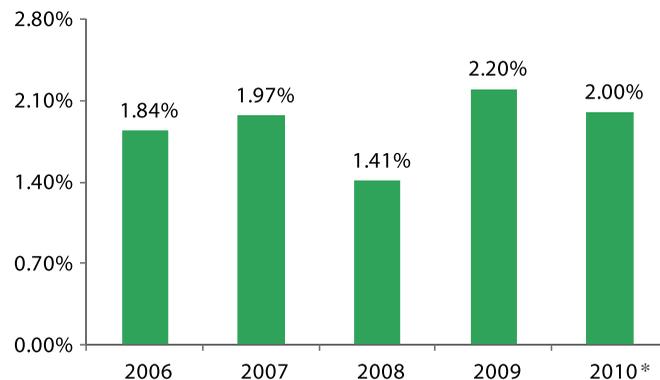
PERCENTAGE OF BORER INFESTATION, AN ON-FARM PLAGUE CONTROL MEASURE

The presence of the coffee borer, an insect that eats coffee beans, is reflected in the proportion of beans that have been attacked in a given sample. When a borer infestation is found on a farm, its level of infestation is a consequence of the specific field conditions and the grower's discipline in applying the control methods, more commonly known as "Re-Re" (See page 129).

We measure borer infestation from the parchment coffee beans that are brought to Almacafé in order to be processed and converted into green coffee. These data are a good representation of borer attacked beans found in the purchasing network of the Federation, or nearly 30% of the national coffee harvest.



Percentage of borer infestations (2006-2010)



*First estimation

Based on these figures, the national average figures for borer attacked beans have oscillated between 1.5 and 2.3% during the last five years. If these figures are compared to those registered during the 1990s—which were between 8 and 10%—one can note a significant drop in infestation levels. This reflects an improved application of agricultural techniques by growers on their farms, which is the result of the work of the FNC's Extension Service over the last few years, as well as the improvements made in Almacafé's warehousing and milling infrastructure.

SEE ALSO: REWARDING COFFEE QUALITY, THE ALMENDRA SANA –HEALTHY BEAN- PURCHASING METHODOLOGY OF (SEE PAGE 45)



2.1 Good Agricultural Practices – GAP's

Proper crop management and effective post-harvest processing help guarantee the quality of Colombian coffee. Through the Extension Service the Federation promotes the application of GAP's by growers; these include all activities carried out by producers on their farms to ensure that both the quality of their coffee and the ecosystem that produces it are preserved.

GAP's include crop management, which comprises everything from the selection of quality seeds to sow, to the final obtaining of dry parchment coffee that is ready for sale. Good hygiene practices in the packaging, storage and transportation of the beans also form part of these GAP's, as well as the treatment afforded to the workers that labor on the farm and the appropriate management of the facilities and equipment that are involved in processing the product and that ensure its quality and food safety.

Through the programs that incentive the production of sustainable coffees we try to get progressively larger number of growers to adopt GAP practices in their farms. To achieve this objective we count with resources of Colombia's government - at national, regional and local level – as well as with international cooperation, resources, which help us to develop projects that in which third party certification and verification is involved.



Case Study THE MIDAS PROGRAM FOR MICRO AND SMALL BUSINESSES, SUPPORTING SUSTAINABLE COFFEE PRODUCTION

Until 2009, this program was operated through two components, *Agribusiness* and *Micro and small business*, with coverage of over 199 municipalities. It allowed us to provide technical assistance in the application of GAP's to 30,000 owners of small, aged, low-density coffee plantations in order for them to begin producing sustainable coffees.

Through the *Agribusiness* component of the program we renovated 16,000 hectares belonging to 31,277 coffee growers, more than 19,000 producers than we had initially planned to assist. To do this we relied on USD\$ 2 million provided through USAID'S more investment for Alternative Development Program (MIDAS by its spanish acronym). Through the *Micro and small business* component of the program we provided technical assistance to 25,000 coffee growers to produce certified sustainable coffees; in this work we were supported by USD\$ 1.93 million to implement projects developed by the Manuel Mejia Foundation and 60 Extension Service technicians who provided the direct assistance to the beneficiaries of the program.



2.2 Productive infrastructure

In addition to the care given to the trees on the farms, processing beans in the appropriate way is fundamental to guaranteeing the quality of coffee. To do this, milling must be undertaken using suitable equipment.

Apart from the species and varieties of coffee planted, good crop management, and favorable environmental conditions, the appropriate harvesting and post-harvest processing of beans is necessary to ensure the final quality of the beverage produced.

To reach superior levels of quality and avoid over-fermentation or damage to the coffee berries during de-pulping, it is necessary not only that growers apply GAP's to every step of production, but also that they have access to appropriate, environmentally - friendly, and routinely maintained and calibrated equipment.

In addition, to minimize the use of water during de-pulping, and to ensure the appropriate management of water and residues resulting from the process, the Federation encourages the use of

environmentally-friendly milling (See page 123), and the construction of water treatment plants.

Environmentally-friendly milling uses a dry chute, or hopper, which allows the berries to fall to the de-pulper under weight of gravity; unlike traditional de-pulping, in this stage no water is used to remove the skin. The pulp left over from this process is transported by non-hydraulic means to designated decomposition areas where it remains for six months before it is subsequently used as organic material on the same farm.

Later, the fermentation and washing process may be undertaken in one of two ways: 1) through natural fermentation in tanks to which water is later added to remove the mucilage, or 2) through mechanical separation using the Becolsub (See page 123), which also washes the beans, leaving them ready to be dried.

Through these operations it is possible for coffee growers to supply an excellent quality bean that has been processed using principles based on a clean

production that is in harmony with the environment.

The drying process is also essential to bean quality. Cenicafé developed parabolic, tunnel, solar dryers that are built using materials available on the farms of small producers and which allow more efficient use of solar energy and result in a higher quality dry coffee. Using a

simple method of measuring the moisture content of the coffee in the solar dryers developed by Cenicafé, called Gravimet, producers can obtain a dry coffee with a moisture content that is within the established ranges for commercial coffee (10-12%) and more efficiently take advantage of the infrastructure found on their farms for solar dryers.



SEE ALSO: PARABOLIC SOLAR DRYERS (PAGE 132)

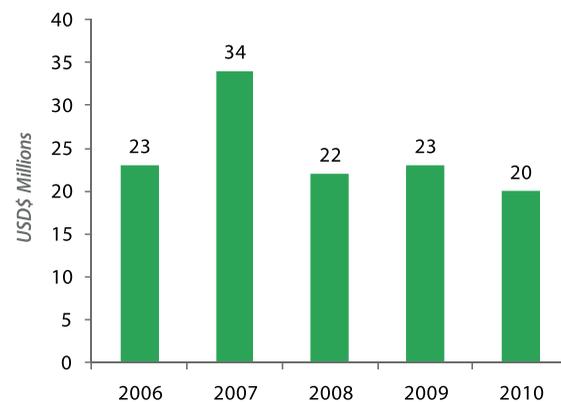
ENVIRONMENTALLY - FRIENDLY WET MILLING FOR BEST USE OF WATER
IN COFFEE POST HARVESTING (PAGE 123)



INVESTMENT IN PRODUCTIVE INFRASTRUCTURE

In an effort to guarantee the quality of the coffee exported from Colombia to international markets as well as the income producers receive for their product, in the last 5 years we have developed programs that have resulted in the investment of more than USD\$ 121 million in projects to build new or improve productive infrastructure in the coffee-growing regions of the country.

Social investment in productive infrastructure projects (2006-2010)



SEE ALSO: CREDIT FOR PRODUCTIVE INFRASTRUCTURE (PAGE 55)

2.3 Quality and productivity in harvesting

The quality of Colombian coffee in part depends on the selective harvesting of perfectly ripe berries, which guarantees a superior aroma and flavor. Developing systems to optimize the efficiency of harvest without sacrificing the quality of the beans collected is a key aspect of the profitability of crops and the sustainability of coffee-growing families.



Case Study

THE CANGUARO, A TOOL FOR INCREASED PRODUCTIVITY OF MANUAL HARVESTING

The *Canguaro*, developed by Cenicafé, is a harvesting tool designed to improve the work conditions of pickers and improve their productivity by 20%. After several years of field tests we were able to show that using this device also reduced the amount of berries dropped to the ground by 70%. As a result, using the *Canguaro* also leads to decreased levels of borer infestation in future harvests, which in turn leads to higher yields or better quality with decreased costs.



The development of the Canguaro was undertaken using Participatory Research, a scientific research process in which the feedback of producers and harvesters is essential. By using such a method the observations of participants are incorporated into the device design, thereby also increasing its acceptance.

"I began using the Aroandes and I liked it very much; now I use the Canguaro because I have seen the improvements they have made in its design. You have to try something out to see if it works better than what you used before." Cesar Augusto Muñoz, coffee grower from the municipality of Belén de Umbría, Risaralda.

3. Improving transformative processes

Almacafé is the logistical operator responsible for the transformation of parchment coffee into green coffee to supply the demand of both foreign and domestic markets.

In recent years Almacafé implemented its Mill Management Program. This program involves planning, coordinating and executing specific controls over the processing sequence that parchment coffee follows as it is transformed into green coffee. Through this program, and at the lowest cost possible, we optimize the use of resources and inputs, and guarantee the quality of Colombian *excelso* coffee and its co-products.

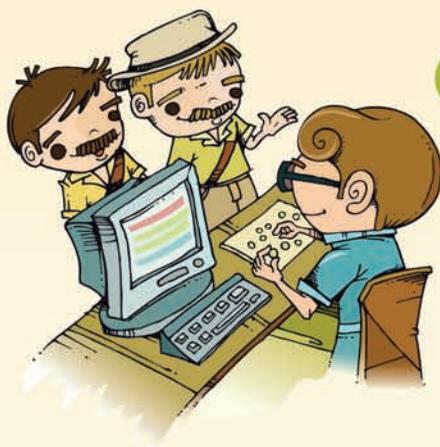
Once beans are received by Almacafé they are stored in warehouses in a manner that preserves their quality characteristics and properties until they are later milled, packaged, and transported. At the end of this cycle they have to pass through the final quality control steps at Colombian seaports.

In the milling process we transform dry parchment coffee into green coffee, which must meet specific quality requirements to become *excelso* export grade coffee (See page 91). All of the coffee that does not meet these requirements is turned into a co-product. Through the use of better equipment and the application of new technologies, we continually seek to make this process more efficient in its use of raw materials.

Warehousing and transportation also requires a combination of strategies and activities that allow the efficient control of these operations while at the same time preserving the quality of coffee. In sum, throughout the distribution chain, from initially receiving the parchment coffee from growers to the point where coffee is exported at a Colombian seaport, we perform different activities to ensure that coffee quality is maintained.



Selling and Milling Colombian coffee



1

Once the farmer has harvested and processed his coffee, he has the option of selling it to the nearest Coffee Growers' Cooperative purchasing point, or to intermediaries or exporters

If the coffee grower decides to sell his coffee to a Coffee Growers' Cooperative, the coffee must first be evaluated following the guidelines set by the "Almendra Sana" system in order to establish its purchase price. This process involves taking a sample of 100 g of dry parchment coffee, which is milled to remove its outer husk. The next step is to determine its degree of moisture and establish the percentage of healthy and damaged beans. This system allows us to immediately reward growers for producing high-quality coffee

2



3

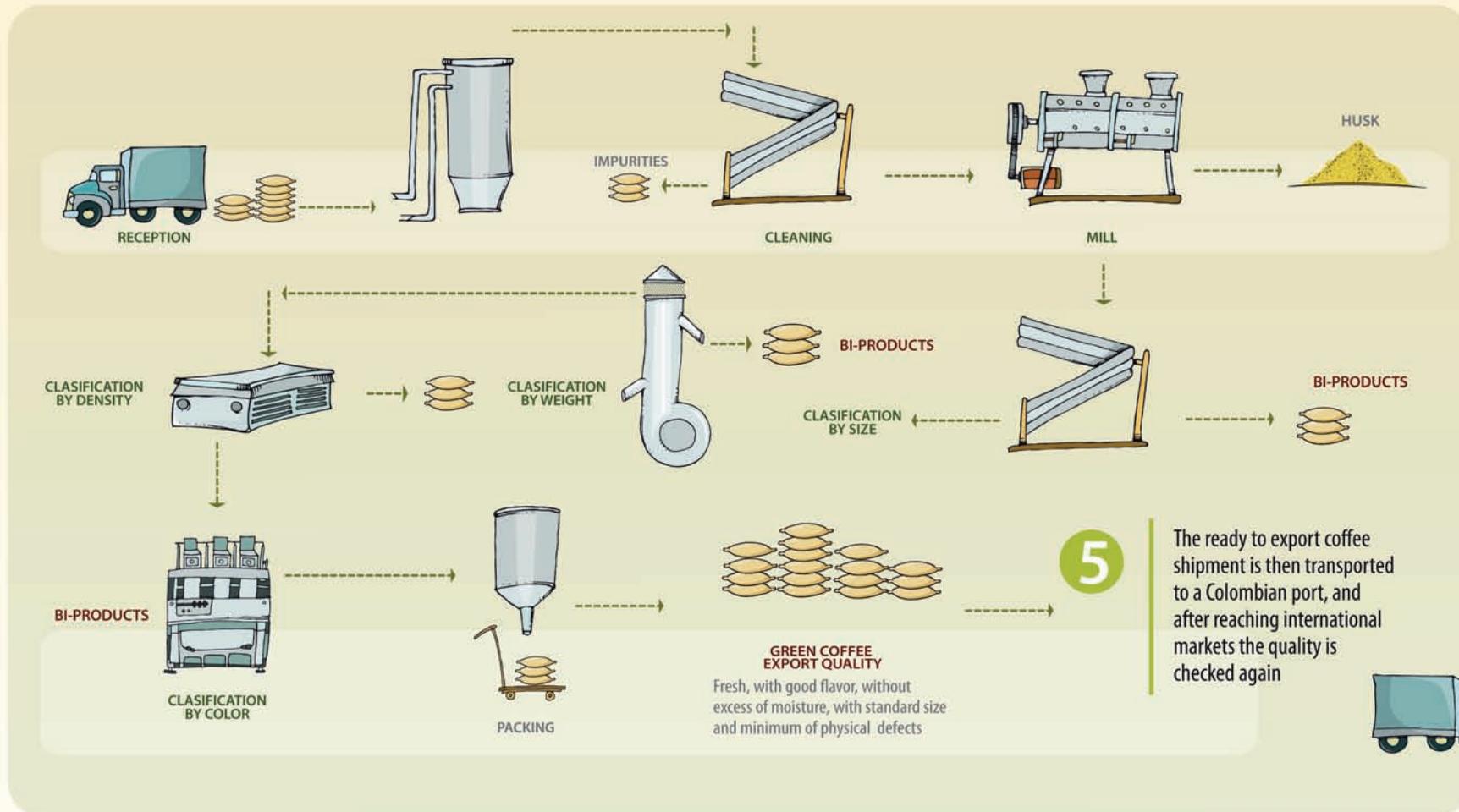
The next step is for the Coffee Growers' Cooperative to deliver the quantity of coffee that it purchased for the Federation to the nearest Almacafé warehouses.

In turn Almacafé—as the logistical operator—carries out a series of steps to classify, store, and transport the beans in a way that both guarantees the quality of the coffee and allows the different kinds of coffee to be easily identified



4

After receiving the coffee, Almacafé puts the parchment coffee through a cleaning process to remove impurities. The coffee is then milled to remove the husk, it is classified according to size, weight and color. This process turns dry parchment coffee into excelso export quality green coffee and undergrade co-products



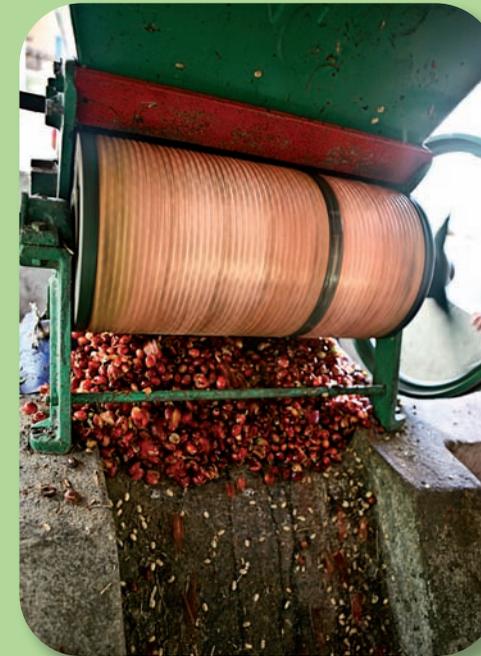
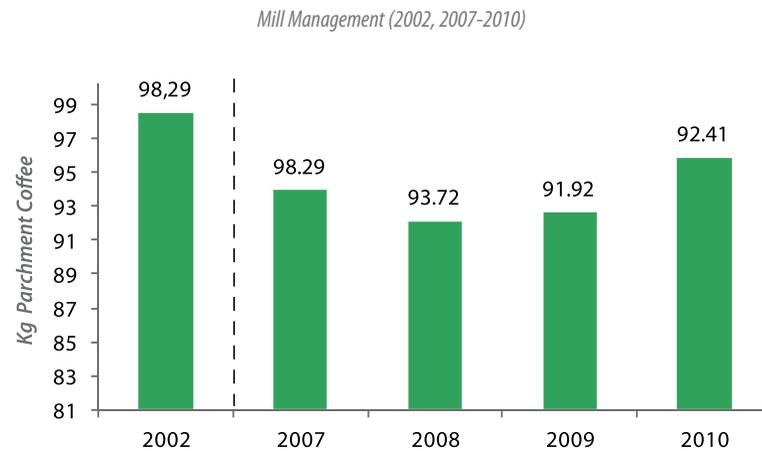
The ready to export coffee shipment is then transported to a Colombian port, and after reaching international markets the quality is checked again





MILLING YIELD FACTOR, AN INDICATOR OF THE EFFICIENCY OF THE TRANSFORMATION OF COFFEE FROM DRY PARCHMENT COFFEE TO GREEN COFFEE READY FOR EXPORT

The indicator used to measure dry mill efficiency by Almacafé is the yield factor of the industrial process for producing *excelso* green coffee for export. Since 2002 the evolution of this indicator has improved; initially requiring 98.3 kg. of parchment coffee to produce 70 kg. of *excelso* coffee, the use of raw material decreased to 92.41 kg. in 2009. However, in 2010 quality of coffee indicators were affected due to climatic conditions.



SEE ALSO: PERCENTAGE OF BORER INFESTATION, AN ON-FARM PLAGUE CONTROL MEASUREMENT (PAGE 83)



4. Controlling the quality of export Colombian coffee

As a complement to the work undertaken in laboratories, on plantations, and in the different steps of processing coffee, the Federation has also established different control points to test the quality of the exported coffee, both in Colombia and in the main consumer markets. It is no exaggeration to say that Colombia is the only coffee-producing country in the world that guarantees the quality of 100% of the coffee it exports.

As an initial step, all coffee that is exported from the country is inspected at a Colombian port to verify its quality and that it meets the requirements established to be considered *excelso* coffee: fresh flavor, complete absence of off-flavors, homogeneous appearance, no excess moisture, of established size, within the physical defects tolerance, and free of live insects. Thirty-two thousand samples of *excelso* coffee are taken each year, and subjected to physical and sensorial analyses, including cup profile tests, carried out in 20 Almacafé quality laboratories.

In addition to this, the Federation also analyzes nearly 1,000 samples a year

through the 100% Colombian (See page 67) program, through which it offers the use the *Café de Colombia* logo , the ingredient brand that is used to identify coffee which is 100% Colombian in foreign markets. These analyses not only entail ensuring that the *Café de Colombia* logo is correctly used, but also involves tasting the coffee that is exported to Asia, North America, Europe and Latin America.

Lastly, as part of our programs using the Denomination of Origin and the Protected Geographic Indication “*Café de Colombia*” (See page 68), we have designed evaluation processes and procedures that are undertaken

by the Coffee Certification Office, CAFECERT, which is part of Almacafé, and is responsible for certifying coffee as Colombian.





Quality Controls Applied by the Colombian Coffee Growers' Federation



1

Quality control before Colombian coffee is exported to international markets; this includes a physical and sensorial analysis of 32,000 samples a year

Our mystery shoppers collect samples of coffee that claim to be Colombian or to contain Colombian coffee from markets around the world. This is undertaken as a continuous and random activity.

Every three months our licensees and Geographical indications users also send us samples of 100% Colombian coffee references they sell for testing

2



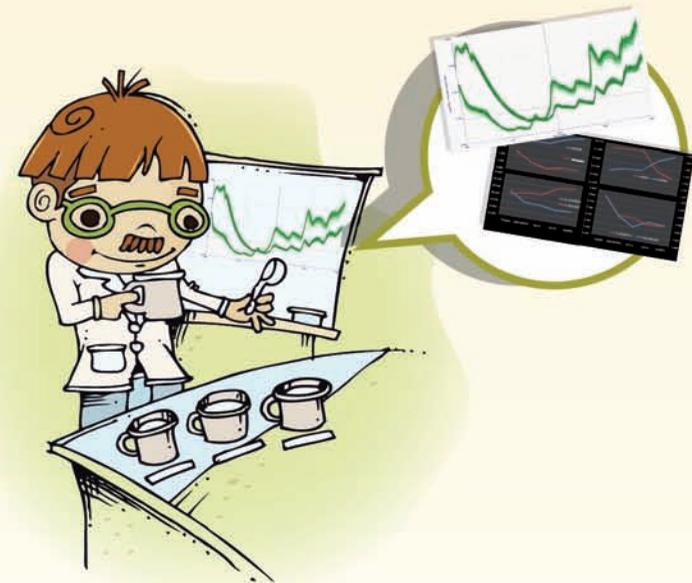


3

CAFECERT receives continuous and random samples from different world coffee markets authorised to use the Protected Geographical Indication -PGI "Café de Colombia" or Colombian Coffee

Using cutting edge technology developed in our laboratories and with standardised processes, samples whose initial testing suggests adulteration of origin are re-tested and the necessary measures are implemented according to the results

4





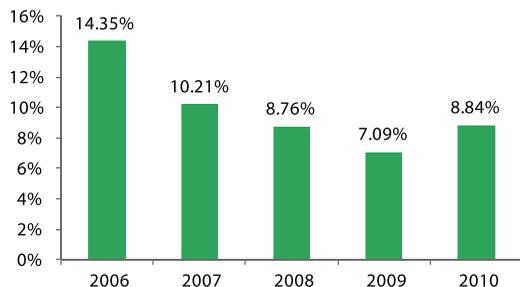
PERCENTAGE OF COFFEE WITH CUP PROFILE PROBLEMS, AN OBJECTIVE MEASURE OF THE QUALITY OF COLOMBIAN COFFEE

One of the most important characteristics of Colombian coffee is the quality of its cup attributes. It is thanks to these attributes that Colombian coffee has reached such high levels of distinction in international markets.

Even though it is possible to evaluate these characteristics at different points along the domestic chain of sales and distribution, the broad panorama of the quality of the coffee produced on a national level is best appreciated when that parchment coffee enters through the Almacafé system. The relationship between the total quantity of parchment coffee delivered and the amount of that coffee that shows to have any defect as a brewed beverage represents a good measurement of the quality of coffee produced in Colombia.

The percentage of coffee demonstrating defects in cup profile analyses has decreased thanks to the technical assistance provided to the producers by the Federation, as well as the improvement and/or construction of new de-pulping infrastructure, economic incentives that reward outstanding quality, and the purchasing mechanisms designed by our Federation. Effectively, while in 2006, 14.3% of parchment coffee delivered to Almacafé had some kind of cup profile problem and had to be reprocessed, in 2010, only 8.8% showed some kind of problem.

Percentage of coffee with cup profile problems (2006-2010)



“Throughout its exceptional history, that stretches back over eight decades, the Federation has played a vital role in supporting Colombian coffee producers. Its emphasis on quality has allowed it to build a sustainable base for producers.”
Ted Lingle, Executive Director of the Coffee Quality Institute.



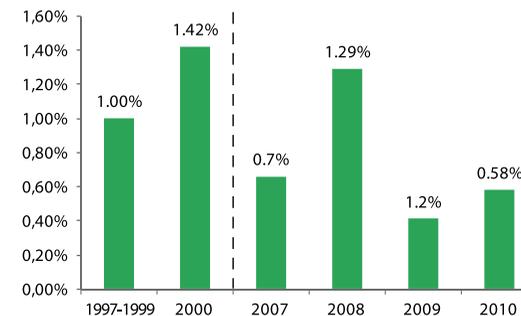
2011 and Beyond :
In 2011 we aim to achieve a continuous reduction of the volume of coffee that shows defects in the Almacafé system.



REJECTION AT COLOMBIAN PORTS, AN INDICATOR THAT SHOWS OUR COMMITMENT TO QUALITY

This indicator measures the implementation of minimum quality requirements for Colombian coffee to be exported overseas. It groups all coffees with problems “in the cup”, such as moisture, bean screen size, and other criteria under applicable regulations. In general, and thanks to the previous efforts made in FNC’s quality system, only a small percentage of those lots reviewed do not meet export quality requirements. The increase in 2008 was mainly due to problems associated with excess moisture due to the increase in 2010 rainfall that accompanied the la Niña Phenomenon that greatly affected coffee-growing regions.

Indicator of quality rejections at Colombian ports (1997-2000, 2007-2010)





Case Study

CERTIFICATION OFFICE, CAFECERT

A Imacafé established the Coffee Certification Office, CAFECERT, to support the product certification processes and provide the coffee industry impartial access to the Protected Geographic Indication, PGI, and the Denomination of Origin, DO Café de Colombia.

The mission of this office is to meet the users' certification needs through the application of consistent and impartial standards, which guarantee the authenticity of a certain coffee to the roasting and processing industries, as well as the final consumers of 100% Colombian coffee.

To do this, CAFECERT operates a certification system on a third-party basis, independent of producers and consumers. Additionally, it coordinates and administers the "Q Coffee System" developed by the Coffee Quality Institute in Colombia, under the guidelines established by the Specialty Coffee Association of America, to evaluate and certify select lots of high-quality Colombian coffee.

In August 2008 CAFECERT started operating, and up to December 2010 it had given 31 product certifications to 69 coffee references belonging to eight roasters and soluble operators based in Europe and in Colombia. As part of the PGI/DO program, all certified products are under a regular supervision by CAFECERT so that it can be verified that the products can keep their certification.

In 2010, CAFECERT received its accreditation as a Product Certification Agency in accordance with ISO/IEC 65:1996 standards from the National Accreditation Service, therefore certifying its compliance with all established requirements by European

Union and Colombian regulations with regard to Protected Geographical Indications and Denominations of Origin. Thanks to this step CAFECERT can offer its services to those Colombian coffees to be sold under DO regulations in the domestic market. To fulfill its tasks, CAFECERT also has access to coffee quality laboratories that are certified under ISO/IEC 17025:2005 standards.





First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Naren Dariana Pinzón Cano - [8 years old]
Balboa / Risaralda - [2007]



Development of Coffee-Growing families and their Communities



01

Improving the quality of life
of coffee-growing families



02

Strengthening the social
network of coffee-growing
communities



03

Promoting connectivity in
coffee-growing areas



“ Our greatest challenge and goal is to support the well-being of 553,000 coffee-growing families in the country. A large part of our efforts is dedicated to the implementation of projects that help to improve the education, healthcare, infrastructure and peaceful coexistence in coffee-growing communities. Executing these projects helps to improve the quality of life and reinforce the social network of coffee-growing communities, supporting the possibility of living in Colombia’s rural areas in peace. ”





The work of the Federation is about much more than coffee production. Its very existence is centered on the well-being and social development of coffee growers and their families. Not only do we foment their productive competitiveness as a way of increasing their income, but we also develop ambitious complementary programs designed to improve the living conditions of growers and their families.

1. Improving the quality of life of coffee-growing families

Throughout the history of our Federation we have focused on making Colombian coffee production sustainable in an increasingly competitive and changing market. We have also supported educational projects and improved access to health care, as well as food security programs. We also work on helping to enhance literacy, life expectancy and income levels of Colombian coffee producers.

Case Study

THE “RED JUNTOS” (OVERCOMING POVERTY TOGETHER) NETWORK

Since 2008 this project—executed in cooperation with the Colombian Presidential Agency for Social Action and International Cooperation, ACCIÓN SOCIAL—has allowed us to work as one of the implementing organizations for Red Juntos Network. Our goal within this network is to establish integrated strategies to support the poorest and most vulnerable populations of the country that are caught in the so-called “poverty traps”. It also promotes the improvement of living conditions by strengthening the families’ ability to take charge of their own development.

This project includes 34,975 families in 32 municipalities in the departments of Risaralda and Cauca allowing them to access government programs of social welfare, health care, nutrition, education, and housing, among others. A team of 230 social development workers—coordinated by our Extension Service—visits family homes to survey their socio-economic conditions in order to later help them establish effective plans to reach their goals.



“The Red Juntos Network has provided hope for us to be able to improve our quality of life. Through it we have been able to receive training . . . I am thankful that they considered my grandchildren when they enrolled them in a school close to our farm.

As a small producer I hope that programs like these continue to offer constant support.” Luis Erly Santa Arias, coffee grower in the municipality of Marsella, Risaralda.

2011 and Beyond:

Thanks to our agreement with the National Planning Department (DNP for its acronym in Spanish) for updating the database of the Identification System for Beneficiaries of Social Programs SISBEN III, in 2011 we will have current information about the socioeconomic conditions of producers and other residents of 1.100 Colombian municipalities, including the 588 that are part of SIC@ Web database.

1.1 Education

Good education is a tool that helps to ensure the development, stability and well-being of coffee-producing communities. In recognition of this, we support important formal and informal education projects as well as training through programs that are co-financed by national and international organization.

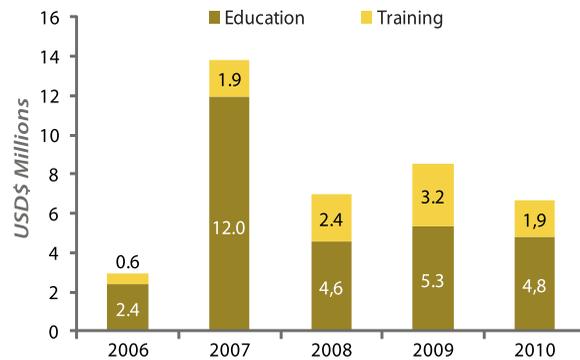
Education is fundamental to the development of a society, and in coffee production it plays a strategic role: it facilitates the adoption of new technologies and helps to improve operational farm management, which translates into higher income and better living conditions in rural Colombia. In addition to the work of the Manuel Mejía Foundation (See page 23), international aid has been fundamental to improving the education of coffee producers, their families and their communities.



SOCIAL INVESTMENT ON EDUCATION AND TRAINING PROJECTS

Over the last five years, *our Federation invested more than 38 USD\$ million in the execution of training and education programs in coffee-growing areas in Colombia.* In 2010, more than USD\$ 6.7 million were channeled into these programs thanks to strategic alliances that we have built with local and national government agencies and international aid organizations.

Social investment in training and education programs in rural areas (2006-2010)



"I believe that the work undertaken with the Coffee Growers' Federation in Caldas and in many other areas of the country... has been very important in terms of education. We especially work with FNC in rural areas where we need to reach children who are very isolated in remote villages." Cecilia María Velez White, Ex Minister of National Education.



2011 and Beyond:
In 2011 we will seek to channel at least USD\$ 4 million into programs, such as virtual training mechanisms, to improve the education levels of coffee growers and their families.



Case Study SCHOOL AND COFFEE

In 1996, as part of its work to educate the next generation of coffee growers, the Caldas Departmental Coffee Growers' Committee designed and implemented a basic primary and secondary education program called *School and Coffee*, which incorporates aspects of coffee production into the curriculum of public schools in rural coffee-growing zones. In addition, students gain practical knowledge about coffee production through educational crops that are planted on school grounds, and through projects that undertake on their own farms under the guidance of the Federation. Since 2006, secondary-school graduates of the *School and Coffee* program obtain a certificate of professional aptitude and can also receive certifications in such diverse areas as: Coffee plantlet maintenance; Quality, Efficient and high-yield coffee harvesting;



Wet-milling and Waste management to avoid contamination and Recycling of wet-mill co-products; Pest and disease management; Plantation management based on guidelines for sustainability and competitiveness.

According to a study undertaken by the Regional Center for Coffee Production and Business Studies, CRECE, the *School and Coffee* program promotes the continued attendance of school children, both boys and girls, in the country. At the same time, it improves the work conditions of children in rural areas thanks to their higher level of education and increased participation in the family decision making process. The benefits derived from this program are apparent from its results; from 2004 to 2010 it has been implemented in 1,655 rural schools in 11 departments, benefitting 72,000 children.

In 2003, the Organization of Latin-American States (OAS) presented the *School and Coffee* program with an award in recognition for its impact as an Education for Work strategy. Taking into account the Caldas experience, the program is being implemented in other regions of the country.

"I have acquired many tools for my family . . . and in school, thanks to the School and Coffee program, I have learnt how to do the books so that we know whether the harvest was profitable or not." Esteban Mazo Cataño, a coffee-growing family child from the municipality of Villamaría, Caldas.



Case Study

DISTANCE EDUCATION, A SKILL-BUILDING METHODOLOGY FOR COFFEE-GROWERS AND THEIR FAMILIES

In 2007, we established an alliance with the National Apprenticeship Service (SENA for its acronym in Spanish)—the entity responsible for the integrated professional education of Colombian workers—and the Manuel Mejía Foundation (FMM, for its acronym in Spanish), in order to offer training opportunities to producers in different coffee-growing departments and municipalities throughout the country. Through this training we help improve the competitiveness and social development of coffee growers and their families.

The following programs are offered within the framework of the distance-education project designed by the FMM: Food security promotion; Promotion and development of associativity; Farm management; and On-farm crop quality maintenance. For the development of these programs we combined the methods of distance learning with different strategies that have proven to be effective in teaching adults with tutors such as self-teaching, collaborative learning, and group learning.

Between 2007 and 2010 more than 57,000 coffee growers were trained through the different courses offered through this program. During 2010 seventeen of the twenty coffee-growing departments participated in these distance education programs, demonstrating their significant national coverage. Through such strategies we have been able to develop a highly-effective model of successful cooperation that reaches areas where training opportunities have traditionally been limited due to limited access and challenging geography.



2011 and Beyond:
We will continue to train Colombian coffee growers with accessible technologies and we will attempt to reach more producers through this program.



Case Study

BUSINESS MANAGEMENT

The purpose of this Extension Service program is to train coffee producers so that their farm becomes a successful and competitive business. To do this we have—in collaboration with the FMM—developed two levels of training. At the basic level, participants receive training that analyses their coffee enterprise through a participatory process. At the advanced level we teach the grower about administrative tools that can help him or her obtain the highest possible profit margin in her or his business.

Between 2002 and 2010 we trained 110,000 coffee producers through the Business Management program; in 2010 alone we trained 16,000. In total, the Federation together with SENA, the Colombian Agricultural Workers' Society (SAC for its acronym in Spanish) and the Ministry of Agriculture, have invested nearly USD\$ 6.3 million in this program.



“When I was invited to the Business Management course I thought it was very interesting because we know, or at least have some knowledge on how to cultivate coffee, but we do not know

much about managing the farm as a business..... after these courses we are no longer afraid of writing in a notebook all what we pay or invest in our farm”. Hernando Gamarra Serrano, coffee grower in the municipality of Galán, Santander.



2011 and Beyond:

In 2011 through this program, we hope to train more coffee producers in the process of having a competitive and successful coffee farm business.

Case Study

INTERNATIONAL ALLIANCES FOR EDUCATION

Thanks to the establishment of strategic alliances for resource management we have made in recent years, significant advances in the execution of educational projects. We have been supported in this by organizations from seven countries, with which we have undertaken different projects for USD\$ 6.6 millions that, thanks to their methodologies, help to improve the quality of education in coffee-producing regions.



Educational Projects Supported by International Aid Organizations (2006-2009)

Project	Impact	Location	International Partner
Café Kachalú: Education for sustainable development	73 children	Santander	Efco Foundation and Colruyt
Education in the Tambores School	200 children	Risaralda	RSM EMBA 2006 Charity
Education and management in the Coffee Region	3.047 children	Eje Cafetero	H + D Autonomus Community of Madrid
Improvement of the Basic Education "Hogar Juvenil Toledito"	80 children	N. de Santander	Community Coffee Company
Improvement of the educational conditions, Quinchía	70 children	Risaralda	Tchibo/Eduscho GmbH
Sowers of Peace I and II	New School: 13,456 children, School and Coffee: 33,095 children	Antioquia, Cauca, Huila, Magdalena, Nariño y Valle	AECID -Spanish Agency for International Development Cooperation, and H+D Foundation



1.2 Health Care

The well-being of coffee-growing families depends to a great degree on their access to health services and a healthy, balanced diet. For that reason we promote the growers' affiliation to the subsidized health-care system and the implementation of food security and nutrition programs.

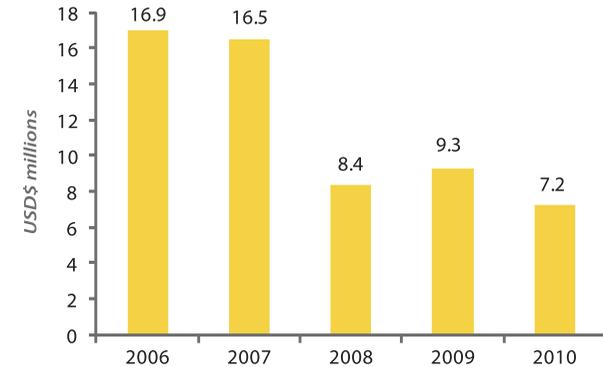
Access to health services is essential for the adequate development of coffee-growing families and communities. Our work to improve the health conditions of growers and to provide alternatives for their retirement is carried out through Government's subsidized healthcare system. Additionally, we develop programs to improve basic hygiene and living conditions, and we promote the adoption of balanced, healthy diets.



SOCIAL INVESTMENT IN HEALTH CARE

Our Federation works to facilitate access to health care and the adoption of a healthy diet. Between 2006 and 2010 we channeled more than USD\$ 58 million into health and food security.

Social investment in health care and food security projects (2006-2010)



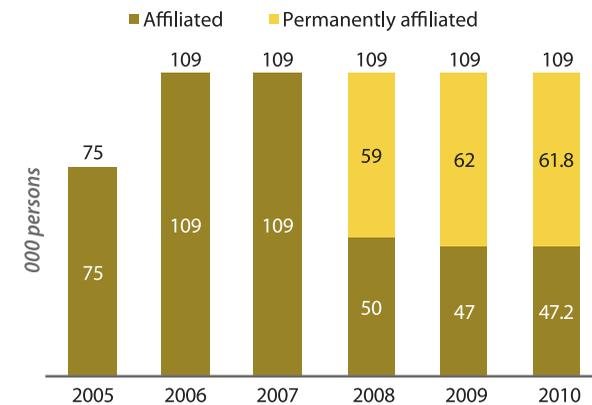
Case Study

SOCIAL SECURITY HEALTH CARE PROGRAM

The Living Conditions of Coffee-producing Households Survey taken in 2005 indicated that 73% of coffee-growing families did not have access to health care. Being aware of these conditions, our Federation, along with the Solidarity and Guarantee Fund (FOSYGA for its acronym in Spanish) and other entities, implemented the Social Security through Health Care Program. **Since 2004, we have been able to affiliate 109,448 individuals to this subsidized health care plan.**



Coffee growers affiliated to the Subsidized Health Care System (2005-2010)





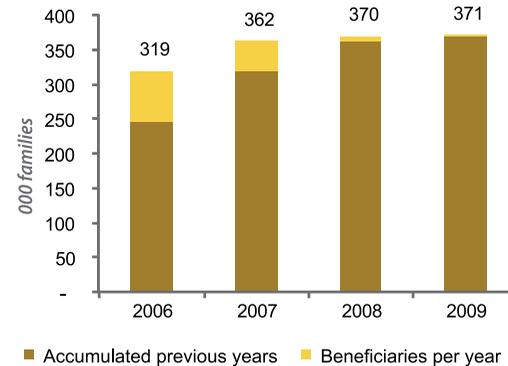
Case Study

FOOD SECURITY PROGRAM

Our continual support of the food and nutritional security of coffee-growing families has had a great impact in the country. Through the Food Safety Network (ReSA by its acronym in Spanish) methodology promoted by ACCIÓN SOCIAL, we have helped establish vegetable gardens on farmyards on coffee farms that help producers have their own food and follow a more balanced diet.

As a result, **we have benefited 371,000 coffee-growing families, 8,396 of which are indigenous families of the Nasa, Arhuaca, Wiwa, Yukpa and Kankuama tribes.** To do this we have channeled resources from ACCIÓN SOCIAL, the National Coffee Fund, departmental and municipal governments, regional corporations, NGOs and the coffee-growing community.

Number of families that benefitted from the food security programs (2002-2009)



1.3 Infrastructure

Projects to improve community infrastructure encourage the development of coffee-growing communities and have a significant impact on the rural sector in general.

Our efforts in this area include improving education, building aqueducts and sewers, installing rural electric grids, constructing and maintaining roadways, as well as improving health care centers and rural housing.

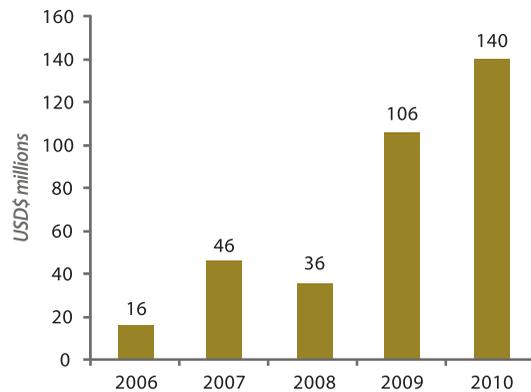
SEE ALSO: COMMUNITY INFRASTRUCTURE PROJECTS (PAGE 104)



INVESTMENT IN COMMUNITY INFRASTRUCTURE

In the last four years, our Federation has channelled close to USD\$ 344 million to community infrastructure projects. As a result, we have undertaken construction and maintenance projects in hospitals, health clinics, classrooms, roadways, bridges, and electrical grids among others. In 2010, we invested more than USD\$ 140 million of such funds through the strategic alliances that we have established with the national and local governments as well as with international aid organizations.

Investment in community infrastructure (2006-2010)



2011 and Beyond:
In 2011 we will continue working to improve community infrastructure by investing more than USD\$ 120 million in road and transportation improvement, hospitals and health clinics, schools and other community development projects.



COMMUNITY INFRASTRUCTURE PROJECTS

Of the community infrastructure investments we have made in coffee-growing communities, noteworthy works have been: improving or constructing more than 1,800 aqueducts and sewers, providing electricity to nearly 11,000 rural households, improving 2,330 classrooms for children located in coffee-growing regions, laying over 2,000 kilometers of roads and improving nearly 60,000 kilometers of additional roadways. We also developed projects to build 4,384 new homes and improve the living conditions of close to 27,000 houses.

Community infrastructure projects (2006-2010)

		Total 2006 - 2010
Aqueducts and sewers	Number	1,808
	Benefitted	771,320
Electrical bridges	Rural households	10,956
	Benefitted	99,031
Education	Classrooms	2,330
	Housings teachers	53
	Toilets	481
Roadways and bridges	Kilometres constructed	2,162
	Kilometres improved	60,550
	Bridges	194
Hospitals	Hospitals and health clinics	296
Productive infrastructure	Dry mills	59,413
	Wet mills	35,436
Housings	Constructed housings	4,384
	Improved housings	26,832



Case Study

INTERNATIONAL ALLIANCES TO BUILD AND IMPROVE EDUCATION INFRASTRUCTURE

Through cooperation agreements with organizations from three different countries we currently develop important projects to improve school facilities and resources in diverse coffee-producing, rural zones for USD\$ 736,000. These agreements help us to increase the



resources that are available to improve school infrastructure and the quality of education in such areas.

Investment projects implemented with the support of International Aid Organizations to improve education infrastructure and school resources (2006-2010)

Project	Impact	Location	International Partner
School resources in the Encinadas school -Samaná	171 children	Caldas	Sawai Coffee
Improvement of education infrastructure and diet - La Mesa	210 children	Cundinamarca	Costa Foundation
Park and child games in the "Anatoli" school , La Mesa, Cundinamarca	210 children	Cundinamarca	Costa Foundation
Sanity in Tambores school	200 children	Risaralda	RSM EMBA 2006 Charity
Improvement of education infrastructure and diet, Vergara; Cundinamarca	220 children	Cundinamarca	Costa Foundation
Improvement of Education Infrastructure in vereda San Juan, Quinchía	270 children	Risaralda	Tchibo /Eduscho
Information Technology and sustainability in Delicias School, Puente Nacional	304 children	Santander	EFICO Foundation
Three computer centres	240 people	Tolima	RGC Coffee

"The commitment, management capacity and ability of the Colombian Coffee Growers' Federation to bring people together has transformed building a school into a sustainable development program in which education becomes the tool to establish peace and provide a future for the next generation of coffee growers." Kevin Hydes, Marketing Director, Costa Coffee.



Case Study

ROADS IN SOUTHERN TOLIMA

In 2008, we signed an agreement with the Office of the High Commissioner for Peace, the Special Peace Programs Fund (FONDOPAZ for its acronym in Spanish), ACCIÓN SOCIAL, and international aid organizations to undertake social development projects to establish conditions that are conducive to the establishment of lasting peace in vulnerable communities. **Through this agreement, between 2008 and 2010 we built 31 kilometers of a road between the towns of Chaparral and Rioblanco and 44 kilometers of a road between Ataco and Planadas** in southern Tolima, a region highly affected by violence. Also, we have worked on the maintenance of tertiary roads and have built bridges and retaining walls in these areas.

"The re-establishment of peace in rural communities affected by violence is only possible through the presence of the State; the Colombian Coffee Growers' Federation has become a legitimate representative in carrying out this mission." María Inés Restrepo Cañon, Director of the Special Peace Programs Fund FONDOPAZ, Office of the President.



Case Study

CONSTRUCTION PROJECTS THAT REINFORCE PEACE IN COFFEE-GROWING AREAS

Through the “Community Action—Working for Peace” program and with funds provided by ACCIÓN SOCIAL, our Federation implemented several public infrastructure projects requested by the Colombian government in many vulnerable and poor municipalities in the country, providing benefits to communities that have been affected by violence, illicit crop production and poverty. To undertake these actions, we signed seven different agreements to build projects that included: the first phase of the construction of the Farmers’ Market of the municipality of Fundación, Magdalena; road works in Boyacá; the second phase of the construction of Children’s Home in the municipality of El Tarra, North Santander; the construction of the sports centres in the municipalities of La Montanita, Caquetá, in Coloso, Sucre, and in San Miguel, Putumayo. We also built educational infrastructure in the municipalities of Tibú, North Santander and Los Palmitos, Sucre; we improved community infrastructure in the municipalities of Bahía Cupica and Bojayá, Choco as well as in El Charco, Nariño, in San Miguel, Putumayo, in Rovira, Tolima, and in Algeciras, Huila.

Additionally, in 2008, we also launched the initiative “Program to Generate Fertile Conditions for Peace, Security and Development,” in conjunction with the High Commissioner for Peace, FONDOPAZ, ACCIÓN SOCIAL and other international aid organizations.

Through this program, and with the help of nine of our Coffee Growers’ Committees, in 2009 we completed 121 infrastructure projects in 17 departments to improve social



and sanitary conditions as well as roadways and electrical grids. In addition to this infrastructure work the Departmental Committees took part in education programs in the communities where construction took place, as well as in surrounding areas, to make sure communities adequately will use the new infrastructure.

“These infrastructure projects support the return of displaced communities and foment conditions of well-being for vulnerable communities such as indigenous groups. These efforts add to the development and commercialization of productive projects of alternative development that make the social recuperation of lost territories possible and help to limit illicit crop production and deforestation in areas that have been most affected by violence.”
Diego Molano, Director of ACCIÓN SOCIAL.

SEE ALSO: INTERNATIONAL ALLIANCES TO PROMOTE EDUCATION (PAGE 101)

SOWERS OF PEACE II (PAGE 108)

2. Strengthening the social network of coffee-growing communities

The development of some coffee-growing communities depends on overcoming the fragile situations that result from the armed conflict in certain rural areas. In recognition of this, the Federation establishes programs that help promote peace and strengthen the social network of these communities.

Studies of the impact of the armed conflict in coffee-growing areas have shown that the presence of the Federation not only makes production more efficient but also mitigates the effects of violence¹. Our objective is that coffee production in Colombia become a model for peace and equal social and economic development in rural areas through these programs that contribute to: better conditions of co-existence, generational change, keeping young people in the countryside, the creation of decent working conditions, and the promotion of gender equality.

¹ The rural armed conflict negatively affects coffee production and is also responsible for the social, political and economic instability in certain Colombian regions. These conditions can be reversed thanks to the institutional and productive support of the FNC. See MUÑOZ, Juan Carlos: Los caminos del café: una aproximación a los efectos del conflicto armado rural en la producción cafetera colombiana. (Coffee: a study of the effects of the rural armed conflict on coffee production). Universidad de los Andes, School of Economics (2009).



2.1 Peaceful Co-Existence

In the Federation we firmly believe that improving the conditions of co-existence in coffee-growing regions has a positive impact on the well-being of communities as well as on the sustainability of coffee production.

In order to support the Colombia's government in its efforts to establish a model of equality, development and peace in rural Colombian, we support programs that promote peaceful conditions and respect for human rights. These programs are complemented by initiatives to foment productive development in vulnerable communities, and also those aimed at building infrastructure in regions that have been widely affected by violence.

Case Study

RECONCILIATION COFFEE, A JUAN VALDEZ® COFFEE PRODUCT THAT PROMOTES CO-EXISTENCE

As a result of our strategic alliance with the Office of the High Commissioner for Peace, between 2004 and 2007 we developed a project aimed at building co-existence alternatives in coffee-growing regions of the country. As part of the presidential initiative to train one million Colombians as promoters of co-existence, our Federation trained 200,000 members of the coffee-growing community as “multipliers of co-existence” through the program, “Coffee Industry Promoters of Peaceful Co-Existence”.

In 2007, as part of this same strategy and thanks to the support of the High Commissioner Reintegration (ACR for its acronym in Spanish) we completed a second project aimed to support citizens that are in processes of re-insertion into civilian by benefiting from the same models of social and economic development applied by our Federation.

One result of the implementation of this plan was the launching of four editions of Reconciliation Coffees during the Christmas seasons at Juan Valdez® Cafés. The first edition, released in 2007, celebrated the efforts of the Ortega and Dinde communities in the municipality of Cajibío, Cauca. The following edition recognized the 1,000 coffee growers in the town of Santuario, Risaralda as exemplary representatives of peace. In 2009, we celebrated the peace process and harmonic co-existence of



the 2,500 inhabitants of Azúcar Buena La Mesa, Valledupar. The Azúcar Buena la Mesa edition illustrates the philosophy of this initiative. This town made up of indigenous peoples, farmers, displaced persons and ex-members of illegal armed groups is now an example of forgiveness and tolerance and of collective community-building where members live pacifically, respecting each others' differences.

Ten per cent of the sales of the special “Reconciliation Coffees” are invested in social projects that benefit the communities that





produced them. In the case of Ortega and Dinde, these resources were dedicated to cultural and educational projects for 616 children, the training of 30 teachers, and provided educational materials. In Santuario we built a

community computer lab equipped with 11 computers and provided users with a training course taught by the Technological Institute of Monterrey. And in Azúcar Buena La Mesa we built, with the support of several strategic allies, a community learning center where educational activities are held.

“When I understood the Federation’s capacity to implement projects in rural areas of the country I realized that they were one of my greatest allies in bringing peace and reconciliation to a growing number of communities. Who else would put a product like “Reconciliation Coffee” on the market?” Frank Pearl, Ex –High Commissioner of Peace and Ex High Presidential Advisor on Re-insertion Affairs, Office of the President.



Case Study

SOWERS OF PEACE II

Between 2004 and 2008, through the Sustainable Development in Rural Areas Program, we reached out to farming and indigenous communities that have been affected by violence and that have little access to basic goods and services, education, or stable incomes. The Spanish Agency for International Cooperation (AECID for its acronym in Spanish) and the Humanism and Democracy Foundation H+D provided resources for the implementation of this program.

Through this initiative, we maintained and expanded the coverage of the first phase of this program and we promoted stability, a sense of belonging to the community and peaceful co-existence workshops in farming and indigenous communities in Antioquia, Cauca, Magdalena, Nariño and Valle, and in the San Lorenzo indigenous reservation in Caldas.

The activities of this program are focused on improving levels of education, living conditions and income levels of the communities where the program is implemented. Some of these programs focused on educational issues by applying different models like “Adult Education”, “School and Coffee” (See page 99), “New School” and “Socially Sensitive Management”. We also built and improved 820 homes and 10 aqueducts; we re-planted 260 hectares of forest; we implemented productive projects to diversify crops by introducing cocoa, plantain, honey and other plants. Through our associated groups we were also able to initiate projects for the production of Organic and Rainforest Alliance certified coffee.



Number of beneficiaries of the Program "Sowers of Peace II"
(2005-2008)

Activities	Beneficiaries
Education	47,954
New School	13,983
School and Coffee	25,957
Adult Education	4,200
Pilot Training Centre	3,814
Productive Projects	927
Innovative Models: Young Coffee Growers	57
Organic Coffee Producers	510
Cooperative of Agricultural Workers – San Lorenzo Indigenous Reservation	220
Association of Women Coffee Producers – La Florida	140
Infrastructure	33,859
Home Improvement	5,185
Homes with access to drinking water	28,674
TOTAL	82,740

"Thanks to over ten years of combined work of the Federation and H+D, thousands of rural families have improved their living conditions. The quality, transparency and efficiency of these projects and the working results they obtain are what motivate us to continue in our strategic alliance for contributing to rural development in Colombia." Maribel Alañón, Director of the Humanism and Democracy Foundation, Spain.



Case Study

SUSTAINABLE COFFEE FOR THE PÁEZ COMMUNITY

The production of sustainable coffees represents another opportunity to establish conditions that promote peace in highly vulnerable communities. We set out to strengthen the capacity of the Páez indigenous community in Cauca to produce organic and fair trade coffee through improvements in infrastructure and wet-mill waste water management. Through these and other efforts we surpassed our initial expectations for the project and helped 404 families become certified organic coffee producers and 646 families certified as fair trade producers.

This project was developed through an agreement made with the Sustainable Development Foundation (FUNDESO for its acronym in Spanish), which combines the contributions of the Federation, the Autonomous Regional Community of Murcia in Spain, Café Mundi of Spain, the *Fundación Colombia Nuestra*, as well as the benefiting community.

In 2010, the beneficiaries of this project exported nearly 112 tons of organic coffee and 56 tons of fair-trade certified coffee. This coffee was sold in its majority to two famous cooperatives that specialize in the sale of fair trade products: Cooperative Coffees in the United States and Ethiquable in France.

Additionally, and also with resources of international cooperation, we are also working in rebuilding the social capital in Serranía del Perijá, a region that has faced difficulties as a result of violence. This project aims to achieve sustainable development of 300 coffee growing families that can achieve UTZ certification. Also, the Project addresses the improvement of home and production infrastructure as well as the community organization. In 2010 we finished the first phase of UTZ audits of the first group of coffee growers.

"Thanks to the seeds planted in people's quality of life has been improved through the implementation of economic alternatives that are in line with the cultural and ecological surroundings of the community." Rafael Guardans Cambó, President of FUNDESO.





2.2 Generational change

Our Federation is conscious of the fact that coffee production in Colombia depends on the incorporation of new generations of growers. In order to reach this goal, we develop programs aimed at achieving generational change for coffee growers and at motivating young farmers to remain in the countryside.

According to the Living Conditions of Coffee-producing Households Survey, carried out in 2005, the average age of coffee growers is 54, a considerable percentage of whom are older than 60 and does not have alternatives for retirement.

We carry out different initiatives to provide generational change for Colombian coffee growers and to develop strategies that allow older producers to live dignified lives. For young growers, we have developed productive projects that provide development opportunities within different areas of coffee production, educational methods that are appropriate for rural areas and that teach work-related skills, and promote permanent residence in coffee-growing regions. Recently, we have explored the design of social security programs that provide fair retirement conditions for older coffee growers.

Case Study

INNOVATIVE MODELS: YOUNG COFFEE GROWERS

Facilitating new generations of coffee growers to develop their own farm enterprises is the main objective of this innovative project developed in cooperation with the Inter American Development Bank –IDB and our Departmental Committees. The project helps young rural people, aged between 18 and 35 with an entrepreneurial spirit, to finance their own farms and develop a life project around coffee. The project also aims to reduce barriers to access to new production technologies, supporting the innovation and adoption of modern coffee growing techniques, while encouraging cooperation to achieve economies of scale benefits. This reduces individual investments and allows a better use of available assets, creating job opportunities in rural areas.

The project also brings retirement opportunities for older coffee growers by renting their farms that young coffee growers would use and eventually buy.

In addition to the project's quantitative results, we also measure its impact through the improvement of social capital among young coffee growers. The generation of trust, cooperation and cohesion among the

Results from the Innovative Models-Young Coffee Growers Program (2010)

Departament	Aplicants	% women	Hectares	Average Age
Antioquia	22	41%	244	29
Tolima	7	14%	112	32
Santander	16	0%	124	30
Risaralda	18	28%	118	30
Quindío	25	24%	159	30
Magdalena	14	43%	240	29
Norte de Santander	28	21%	406	26
Caldas	9	11%	56	23
Valle	12	33%	142	28
Total	151	24%	1,601	29

young and their families is a key indicator that we closely follow. By the end of 2010 our social capital measurement indicator reached 51.2, an increase of 11.2 points versus the year before.

During 2011 the project will finish its pilot phase and from the UCAE system (see glossary page 158). New schemes will be adapted so that individual coffee growers can identify their own plots of around 5 coffee producing hectares while maintaining the possibility of using common infrastructure.



“Visiting the Young Coffee Growers project was, for me, an exceptional moment; it revealed how the IDB and trade organizations such as the Federation can achieve tangible goals and create opportunities for young people across the American continent.” Luis Alberto Moreno, President of the Inter-American Development Bank IDB.

SEE ALSO: SCHOOL AND COFFEE (PAGE 99)

2.3 Associativity and leadership

Aware of the fact that there is strength in numbers, our Federation has actively promoted the formation of producers’ associations to facilitate the certification of specialty coffees and strengthen our Purchase Guarantee Policy

For us, promoting the establishment of local grower associations is a fundamental contribution to create prosperous coffee businesses. Through such associations we help producers meet the strict certification requirements of different specialty coffee programs (See page 59-60), and in doing so we provide sustainable production alternatives that contribute to the development of rural communities.

Unifying producers through associations not only ensures a stable supply of specialty coffees but also helps improve the quality of life of the growers and their families. We also support the formation of such groups by providing information and training about pertinent environmental, social, economic and legal issues, and by offering technical assistance, forums and sponsorship for their participation in coffee quality competitions.

All of these activities are designed to help meet farm certification requirements by promoting sanitary conditions, the implementation of Good Agricultural Practices -GAPs, productive infrastructure improvements, respect for the environment and workers’ rights—all of which help improve the quality of life and producers income. This strategy is one of our biggest contributions to the fight against rural poverty.

Also, throughout its history the Federation has promoted cooperative development and since 1959, when coffee growers of Risaralda founded the first coffee Grower’s Cooperative, FNC has awarded them economic incentives to cover part of their administrative costs. Thanks to the network of Coffee Growers’ Cooperatives, small coffee growers sell their coffee to FNC and other private exporters at higher prices.

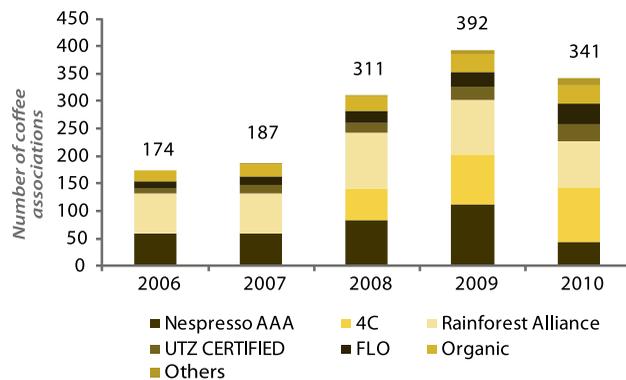




NUMBER OF COFFEE GROWER ASSOCIATIONS FOUNDED WITH FNC'S SUPPORT

The establishment of 341 associations that produce coffees that meet rigorous certification standards is a reflection of our efforts to promote the development, sustainability and leadership of coffee-growing communities.

Certified coffee associations founded with the support of the Federation (2006-2010)



2.4 Gender equality

Strengthening the role of women in rural areas and acknowledging the importance of their work are central to FNC's work as an organization that provides services to coffee-growing families and communities.

A pillar of social and productive development is the equal access of women to training programs and productive projects. To help the country become more inclusive, it is of great importance to increase the participation of

women in the decision-making processes of the coffee trade and of our organization.

As part of this commitment, in March of 2009, we signed, along with 14 different trade organizations, the "Labor Equality Agenda," an agreement drafted by the Presidential Advisor for Gender Equality.



PARTICIPATION OF WOMEN ON THE 2010 COFFEE ELECTIONS

During the coffee elections held at september 2010, women submitted their names as candidates in the 2010 coffee grower elections in comparison with the elections in 2006. Nearly 23% more women were candidates for Coffee Grower Departmental Committees, while the increase in female candidates for Municipal Committees was of 57%. This is a direct result of participative workshops directed to female coffee growers to improve their confidence, self reliance and leadership.





Case Study

**WOMEN'S
PARTICIPATORY
COUNCILS**

In 2008, as part of a collaborative effort with the Presidential Advisor for Gender Equality we developed workshops centered on the roles of women in the production and certification of coffee, as well as the role women play in maintaining the social network of communities through their positions in the family. **As a result, at the end of 2010, we had established 172 Women's Participatory Councils in 19 departments.** These councils represent an important opportunity for nearly 8,000 women to learn from each other and provide solutions to their needs. Apart from the expansion of these committees we have continued to work in projects that promote the participation and well-being of women and their families.

"What the Federation has accomplished in rural communities in giving greater voice and influence to women is an example for other agricultural products in Colombia." Martha Lucía Vásquez Zawadzky, Presidential Advisor for Gender Equality.



2.5 Working conditions

Establishing better working conditions for coffee growers, their families and pickers is one of our challenges. This commitment is an important part of our strategy for improving living conditions for families and promoting social sustainability for coffee producers.

In Colombia coffee is mainly produced on small family farms, on which the farmer is his or her own boss, and the work necessary for the family's development depends on the family itself.

The working conditions in coffee production must be analyzed in comparison to those of other agricultural sectors in Colombia. Currently only 15% of rural residents in the country have access to health insurance, while 85% of coffee producers have coverage. Out of this figure 83% of who are part of the subsidized system and 17% the contributive plans.

In the case of other agricultural workers such as seasonal pickers in larger farms, evidence shows that work conditions have generally improved. In addition to their wages, many workers also receive room and board and there are no situations identified in which forced labor or share-cropping exists. Nonetheless, there are many areas of

work and social security that can be improved, and the Federation is aware of the path that must be taken in order to improve the working conditions of coffee workers in Colombia.

The incentives that the Federation offers for the production of sustainable coffees also foment fair treatment and good working conditions that meet the standards of Colombian law and those of the International Labor Organization. In addition, for us it is absolutely essential that young workers in the coffee trade have opportunities to educate themselves, develop professionally, preserve their traditional family ties and have access to better living conditions.

SEE ALSO: SCHOOL AND COFFEE (PAGE 99)

INNOVATIVE MODELS – YOUNG

COFFEE GROWERS (SEE PAGE 110)



3. Promoting connectivity in coffee-growing zones

In the information age, our initiatives to increase the connectivity of coffee-growing areas are born out of our commitment to improve the quality of life of producers and their families by sharing with them recent advances in information technology.

Today there is an array of new technological tools that create value, provide more equal access to knowledge, and facilitate the integration of rural communities into a global community of progress. Taking better advantage of all of these technologies has become one of our highest priorities. To do this we have established programs focused on extending internet coverage, developing applications and contents focused on rural affairs, promoting virtual education, and connecting consumers with coffee producers.



Case Study COFFEE-GROWERS' INFORMATION SYSTEM SIC@WEB

The Coffee-growers' Information System SICA was implemented as a management tool to provide up-to-date information about growers and the characteristics of their farms and their crops. Through this system, our Federation is able to focus its development programs for the 553,000 coffee growers in the country by facilitating the work of the Extension Service and the support that it provides producers in converting their farms into young, high density crops.

Since 2009, the SICA database was consolidated under a single web based information system, called SIC@ Web, to provide socio-economic information, crop characteristics, and geo-referenced information on the location of all coffee fields in the country.

SIC@ Web is important tool for designing and executing the Federation's programs because it allows us to select the beneficiaries of different projects, obtain month-to-month information about new plantings, and to have detailed information about the characteristics of each lot of coffee in the country; it is part of a broad portfolio of virtual services we can now provide to producers. In the future Colombian coffee growers will be able to observe through the internet the specific lay-out of their farms in order to optimize their field management, design new schemes of lot distribution and renovation cycles, and update their information in the system so as to access the different programs designed by the Federation.





Case Study

INTELLIGENT COFFEE GROWER'S ID

Apart from acting as a means of identification for coffee growers, the Intelligent Coffee Grower's Id and the Intelligent Coffee Grower's Card act as a banking transaction medium that help provide financial services to the most remote rural areas of the country, many of which do not have access to banks. Through these instruments, which contain microchips and magnetic strips, coffee growers are paid for their harvests. In addition, this electronic tool allows growers to access directly all of the incentives, support mechanisms and other money-based programs provided by our Federation. These electronic transactions also ensure the transparency and traceability of a variety of FNC's support programs for producers.

The Federation has established agreements with many different commercial entities and electronic networks using data phones in order to allow producers to purchase products using the funds that are deposited in the Intelligent Coffee Growers' Ids and Cards. In addition, with the support of and the alliance with the *Banco de Bogotá*, producers can access a network of 2,416 ATMs operated by the Aval Group throughout the country.

The Intelligent Coffee Grower's ID also allows federated coffee growers to vote in the elections of the Federation using select data phones or their mobile phones.

These Coffee Grower's IDs and Cards are linked with the Coffee Growers' Information System, SIC@ Web, facilitating the exchange of updated information between the two databases.

In the three years that this program has functioned we have issued 318,000 Intelligent Coffee Grower's Ids and 12,000 Intelligent Coffee Grower's and made 1.6 million of deposits for a total of USD\$ 140 million. This has been possible through our strategic alliance with the Banco de Bogotá, which supplies the technological platform.





Case Study

CONNECTIVITY FOR COFFEE-GROWING AREAS

To strengthen our relationship with Colombian coffee growers, we have undertaken strategies that improve telecommunications infrastructure and computer access, training users to operate new technologies and create possibilities of permanent communication. To achieve these goals we developed the “Colombian coffee Growers’ Portal”, an extranet that brings together information and additional services for producers and that offers them access to an e-mail account, legal advice (See page 117), and SIC@ Web (See page 114). To implement this strategy we have sought out alliances with different suppliers that provide platforms for the service.

In order to maintain direct and continuous communication with the 90 members of the Departmental Committees that act as the maximum body of the Federation, in 2009 and 2010, we provided them all with lap-top computers with wireless internet access and e-mail accounts connected through the cafeterosdecolombia.org domain. Using this technology, our CEO provides the committee members with weekly updates through his “letters from the CEO”, which includes information about his management activities and other subjects of interest

to the industry. The letters are discussed in the weekly meetings of the Departmental Committees and have become an opportunity to provide feedback to the Federation leaders.

“You can never imagine how much you can learn through a simple computer. Thanks to the ones we received in the 2009 Coffee Congress, we can keep up to date on what the Federation does for us and for our families’ well-being by reading the CEO’s Letters.” **Álvaro Espitia, President, Huila Coffee Growers Committee.**





Case Study

LEGAL ADVICE FOR COFFEE GROWERS

In an effort to provide access to free legal advice to coffee growers we designed, in association with *Universidad Javeriana*, a system that can be accessed via internet through the website www.federaciondefaeteros.org. Using this technology, coffee growers simply need to access a computer near their farm instead of traveling long distances to get legal advice. **By December of 2010, 6,270 growers had made 5,913 virtual inquiries**, of which most were related to civil and family topics.

“For Javeriana University . . . the alliance formed with the Federation has been a great opportunity, given that the combined effort has produced a very important virtual social service that provides legal support to coffee growers in all regions of the country, eliminating distance barriers while at the same time providing an excellent opportunity for our students.” Carlos Ignacio Jaramillo, Academic Dean, School of Law, Pontificia Universidad Javeriana.



Case Study

VIRTUAL CLASSROOM

We began developing this program in 2006 as part of an alliance between our Federation and the Communications Fund of the Ministry of Communication. The goal of the project is to improve the basic technology skills of coffee growers. Virtual Classroom uses national internet services provided through Red *Compartel* and operates using the technological platform, academic and institutional support of SENA.



Virtual Classroom helped train 5,514 coffee growers in 180 computer labs in 156 towns across the country from its initiation up to December 2009; we also trained 330 Extension Service workers in the methodologies and strategies of the system.

The Manuel Mejia Foundation is presenting proposals to the Ministry of Communication that would offer special internet rates to coffee growers. Similar proposals are being made to IPColombia, the operator of Compartel the public internet access network for the country's for the rural areas, to provide access for coffee growers to the Centers of Community Internet Access.

“I want to congratulate Virtual Classroom for its interest in and efforts to participate in these training sessions. And I would like to thank the committee and Manuel Mejia Foundation for this tool; it offers us and our communities an opportunity to progress.” Libardo Aya Morera, coffee grower in the municipality of Icononzo, Tolima.



Protecting The Environment



01

Farm management using environmental guidelines



02

Respecting the environment in the management of our operations

7th Quindío Drawing and Painting Competition
"Let's draw our biodiversity"
Daniel Escobar Suárez - [11 years old]
Circasia / Quindío - [2010]



“

At the Federation we believe that coffee production should be compatible with environment protection. Our organization promotes the good use of natural resources and the improvement of production practices through education. We also help to guard biodiversity on the coffee-growing regions and contribute to the sustainability of one of the main economic activities in rural Colombia

”





For over 80 years we have focused our scientific and technological development on the creation of production systems that are both profitable and sustainable,

allowing Colombian growers to supply high quality coffee while causing minimal environmental damage. We have taken advantage both of the research undertaken by Cenicafé and the field

experience of our Extension Service technicians to better understand the relationship between coffee production and the environment surrounding it. We work to minimize such impacts and

create alternatives and new practices that promote the conservation of biodiversity and the environment.

Federation milestones of environmental sustainability (1927-2010)

Assistance is offered to coffee growers to improve the productive processes

Zonification, planting and soil conservation studies are undertaken.
Establishment of a participative planning program called: "Pequeñas Cuencas"



1927 **1938** **1959** **1981** **1985** **1985-1993**

Founding of the Federation

Founding of Cenicafé

Promotion of educational and soil and water conservation campaigns

Creation of the Extension Service

Cenicafé provides coffee growers with the Colombia variety which is rust-resistant and does not require the use of fungicides that are harmful to the environment

Launch of the "Re-Re" campaign aimed at fighting the coffee berry borer through cultural practices, minimizing the use of insecticides to combat plagues



COFFEE ECOLOGICAL FUND

Magdalena River
Forest Program

National clean production
policies

Cenicafé develops the modular system
for the anaerobic treatment of water and
leachates in the SMTP milling process

The results of research undertaken on the
biodiversity existing in the coffee region are
revealed

Cenicafé wins the National "Blue Planet"
Ecology prize given by Banco de Occidente for
the development of Belcosub



The Federation is awarded the
"Corporate Prize for Global
Sustainability" by the Rain Forest
Alliance. The measurement of the
coffee growing carbon footprint gets
underway

1993-2002

1997

1999

2005

2006

2008

2009

Buencafé receives
the ISO 14000
certification

Cenicafé provides the
coffee growers with the
Castillo® variety, resistant
to rust and the coffee berry
disease -CBD

The Forest-Warden
Families program
begins in association
with the Colombian
government

The Federation's
environmental
policy is approved by
the National Coffee
Committee



1. Farm management using environmental guidelines

Maintaining the sustainability of coffee farms is one of our biggest commitments. We encourage growers to operate their farms in an environmentally-sustainable fashion, which combines traditional and contemporary practices to manage the natural resources.

1.1 Water conservation

The traditional coffee post-harvesting process uses significant quantities of water. Our Federation, in coordination with local communities, supports the protection of river basins and micro-basins through the protection of primary and secondary forests, reforestation, the establishment of environmental clean-up plans, and environmentally-friendly processing.

For the conservation of basins and micro-basins in coffee-growing regions our Federation has developed successful alliances with international aid organizations and local communities that have executed innovative local and regional conservation programs.



Case Study

ECOLOGICAL COFFEE FUND FOR THE PROTECTION AND RECOVERY OF THE ENVIRONMENT

This fund was created in 1991 thanks to the import tax exemption provided by the European Economic Community to Colombian coffee through its General Preferences System; this provided the necessary resources for one of the biggest basin protection and restoration projects undertaken by our organization. As a result of the implementation of this Fund, our Federation shored up significant resources throughout the first half of the 1990s, which were mainly dedicated to integrated basin management, the construction of rural aqueducts, and the removal of pollutants from water sources found in coffee-growing areas.

Among the objectives we reached through this initiative are: the recovery and conservation of soil, water, and forests; the education of communities in matters of protection and conservation of natural resources; reforestation through commercial and protective projects, and the conservation of water sources to guarantee a stable potable water supply for the communities.

Thanks to the long-term approach taken in the activities of the Ecological Coffee Fund, their results are still providing benefits. Some of these are listed here:

- The protection and restoration of 1,600 micro-basins;
- The acquisition of 8,000 hectares strategically located in the areas immediately surrounding the micro-basins;
- The installation of 2,000 kilometers of protective fencing surrounding river waterfronts, 3,962 hectares of protected areas, and 1,136 community nurseries for plant production;
- The development of 1,187 waste management programs, and more than 15,000 community education and training activities;
- The construction of 65 kilometers of civil works to control soil erosion, the execution of more than 20,000 works to remove contaminants from water sources and the establishment of 20 water treatment plants.



Case Study
**BIODIVERSITY AS A COMPONENT
OF COFFEE GROWING IN NARIÑO, QUINDIO
AND VALLE DEL CAUCA**

In an alliance with the United Nations Development Programme (UNDP) and the Global Environmental Facility (GEF), we started this Project in 2010 in 13 municipalities of Nariño, Quindío and Valle del Cauca with the objective of fomenting a sustainable and biodiversity friendly productive practices for certain coffee producing landscapes. This project, in which nearly USD\$ 8 million are being invested, also targets to improve the quality of life of coffee growers and to increase their incomes by being compensated for environmental services and for the sale of certified products, as well as the improvement for municipal planning regulations and the support of those farms that favor biodiversity in their productive systems. By the end of 2010 we had certified and verified productive systems in 10,000 hectares created at these 13 municipalities and have provided training to 5.314 producers in certification and verification processes, as well as to 247 coffee growers in biodiversity conservation and environmental services.

2011 and Beyond:
Between 2011 and 2014 we will certify and verify 27,000 coffee growing hectares and we will establish an additional 450 hectares of biodiversity conservation corridors.



Case Study
**ENVIRONMENTALLY-FRIENDLY
COFFEE PROCESSING, AN INITIATIVE
TO OPTIMIZE WATER USE IN COFFEE PRODUCTION**

In order to carry out the final, post-harvest processing of coffee (see the production process diagram on page 80-81) following sustainable criteria—while maintaining the quality for which Colombian coffee is known in international markets—Cenicafé has developed technologies that can be applied to different coffee farms sizes, and which substantially reduce the volume of water used and the level of water contaminated in this process. These technologies include:



Environmentally-Friendly Processing and Sub-Product Management (BECOLSUB for its acronym in Spanish): This is a de-pulping technology that significantly diminishes the amount of water used for this process, increases producers' income, and helps prevent the contamination of water sources.

The BECOLSUB technology, awarded with the Blue Planet National Ecology Prize in Colombia by Banco de Occidente, integrates three machines that, together, eliminate over 90% of the water contamination that occurs during the wet milling process carried out on coffee plantations. The three machines that make up the BECOLSUB process are: i) a de-pulping machine that operates without water, ii) a machine, DESLIM, that removes the mucilage from the shelled coffee beans, and iii) an auger.

De-pulping beans without using water reduces over 72% of contamination. The remaining contamination that would normally be present is prevented thanks to the mix of concentrated mucilage and pulp found in the auger. Given that the removal of the mucilage in the DESLIM machine is the only step which utilizes water, the water use for the entire process is 1L./Kg. per dry parchment coffee produced; this is a significant reduction in water use when compared to traditional methods which used 40L./Kg. The BECOLSUB system does not ferment coffee berries to remove mucilage, a process which introduces high levels of contaminants to water, and, when combined with the reduced water use from the dry steps described above, greatly reduces the environmental impact of processing coffee berries.

This system also helps contribute to the income sustainability of coffee growers thanks to the fact that the resulting mixture of pulp and mucilage can be used as food for Californian red worms to produce organic fertilizer referred to as "worm compost". Yet another option is to keep the pulp

and mucilage separate, and use the latter to replace up to 20% of commercial feed for hogs. In both instances, the otherwise unusable co-products of bean processing can be used to save money on the purchase of commercial fertilizers as well as feed for animals, which contributes to the food security of coffee growers and their families.

In studies performed by Cenicafé we have shown that the berry processing done using the BECOLSUB system maintains coffee bean quality and saves up to 10% of growers' production due to the fact that no beans are lost to over-fermentation, and the fact that the co-products of coffee can be sold.

Environmentally-friendly berry processing using natural fermentation in vats: The same process of removing mucilage from beans can be done by storing the de-pulped beans in tanks with rounded edges and corners. This process is advantageous in that the beans may be washed in the same tank where they are stored, once the mucilage has loosened from the beans.

Through the use of these methods of berry processing, both water usage and contamination are greatly reduced. The residual water from processing is treated using technologies developed by Cenicafé, which allow the water to be returned directly to local water sources completely free of contaminants.



SEE ALSO: FOREST WARDEN FAMILIES (PAGE 126)

CREDIT FOR PRODUCTIVE INFRASTRUCTURE (PAGE 55)



1.2 Forest conservation

The Federation promotes forest conservation and foments the establishment of shade-grown production systems in those regions that can support them; this also helps contribute to the environmental sustainability of coffee-growing regions.

Natural forests are home to thousands of species and play a key role in the conservation of water, soil, and bio-diversity. In addition, coffee production is an activity which requires certain nutrients and, in certain regions of the country, can suffer from excessive exposure to sunlight. Thus, our Federation encourage the provision of shade by intercropping with coffee, plantain trees walnut acacia and naked albizia trees.

For these reasons our Federation has developed different strategies to conserve water sources, top soil, and bio-diversity.



Case Study "MAGDALENA RIVER" AND "SYLVICULTURE" FORESTRY PROGRAMS, AS PRODUCTION ALTERNATIVES IN COFFEE-GROWING AREAS

Since the establishment of the Ecological Coffee Fund at the beginning of the 1990's our Federation has undertaken forestry projects that help to stabilize the water supplies and reduce soil erosion at watersheds, which are important sources of water for the middle and upper Magdalena River valley. We have also initiated sustainable logging programs and developed projects to recover and conserve forests on slopes in highly-eroded areas. In order to achieve these goals we created the Magdalena River Forestry Program, which, between 1993 and 2005 recovered 30,000 hectares of forest using resources provided by German international aid agencies.

As an extension of this program, in 2005 we established the "Silviculture as an Alternative Production in Marginal Zones of the Coffee-Growing Region Program" that has USD\$ 59 million¹ in funds to operate until 2016, which were provided the Ministry of Agriculture, KfW and the MIDAS Program of USAID. Thanks to these resources the Forestry Program has accumulated 62,000 hectares and benefitted 8,788 coffee-growing families by 2010, and is projected to reach a total of 72,000 conserved hectares by 2012.

In addition to establishing forestry plantations, the program also helps establish Associative Centers for Timber Transformation, two of which has been constructed in the towns of Chará and Curití, in the Santander Department.

Over the last four years the program has also undertaken special measures to support families by improving their food security and nutrition. These efforts have made it possible to evaluate the economic, nutritional and social conditions of participating families. Also, in 2010 we obtained additional funds for USD\$ 4.3 million that allowed to start a new component that deals with biodiversity conservation and reduce water contamination in those areas where we have been working

¹ Projected value until 2016 on the exchange rate of COP \$ 1,800 per dollar. There are included different contributors, including KfW, MIDAS, MADR, the coffee growers and the FNC.



Case Study

FOREST WARDEN FAMILIES

This program was designed by the Colombian government to prevent the expansion of the boundaries of illicit crop production, which destroys forests, along with their biodiversity. Thanks to our alliance with ACCIÓN SOCIAL—the Colombian government agency in charge of operating the program—we developed training and production projects in 31 municipalities located in 10 departments between 2006 and 2009. These projects benefitted over 15,000 coffee-growing families by investing USD\$ 6 millions in the construction of 4,641 environmentally-friendly wet mills and the renovation of 1,305 hectares of coffee trees. We also provided training in waste-water management and high-quality coffee production. In addition, during this period over 12,000 people received training in different areas, took part in “field days”, witnessed technical demonstrations, received farm visits and went to group meetings about technical subjects relating to coffee cultivation and post-harvest processing.

“At first it was difficult to change my attitude. It was difficult to stop producing illicit crops, but with the support we received from the Government and the Federation, this program has become our main source of support to survive.” Gerardo Ordoñez, coffee grower in the town of San José de Albán, Nariño.



Case Study

IMPROVING COFFEE QUALITY AND PROTECTING THE ENVIRONMENT

This program supports “Forest Warden Families” through the restoration of forests and/or protected areas, the improvement of processing and drying equipment, and training workshops focused on good agricultural practices.

Financed by the Mitsubishi Corporation, ACCIÓN SOCIAL and the Federation, this project has over USD\$ 1.9 million in funds that are to be used over the course of a ten-year period that began in 2009, and are destined to assist coffee growers enrolled in the Forest Warden Family Program in the departments of Boyacá, Cauca, Guajira, Huila, Magdalena, Nariño, Norte de Santander, Santander and Tolima.

As a result of this initiative, during 2010 we trained 561 families of Huila and Nariño in topics related to good agricultural practices, ecological wet milling, residual water disposal and community work. Additionally we also contributed to build 4 ecological wet mills and 4 coffee sun drying systems.



1.3 Bio-diversity

The conservation of biological resources is a growing necessity in the modern world; understanding the relationship between production and its impact on ecosystems is one of our priorities. We carry out scientific research in many areas, including conservation, genetic varieties, different production methods effects on regional bio-diversity, and the development of mechanisms to preserve bio-diversity that can be applied on coffee plantations throughout the country.

The coffee-growing zones of Colombia are home to particularly large populations of birds. In studies conducted by Cenicafé, 504 species of birds were identified in the coffee-growing regions of Colombia; that is 26% of the national total and 60% of the Andean zones of the country—a clear confirmation of the richness of the bio-diversity in the natural surroundings where Colombian coffee is grown.

In the Cenicafé Biology Conservation program we research the bio-diversity of coffee-growing regions, using a participatory approach which involves members of local communities and the Extension Service, in an effort to identify the migratory and endemic bird species and their habitats.

Community participation in this process is fundamental to change

attitudes toward their environment and lead to an increased appreciation for the bio-diversity that surrounds it. Also, this program has designed educational initiatives of bio-diversity appreciation for basic and higher education institutions in rural areas.

Maintaining this rich bio-diversity also has the potential to become an additional source of added value for the coffee produced by growers.

We have continued to research the bio-diversity of coffee-growing regions and have focused especially on the identification and development of conservation mechanisms.



Case Study

PARTICIPATORY CENSUS OF BIRDS TO CONSERVE THE BIO-DIVERSITY OF COFFEE-GROWING REGIONS



The Participatory Census Program is a model in which community members take part in the research of bird species. Over the last seven years we have undertaken such projects in 31 coffee-growing communities located in 26 municipalities in the departments of Caldas, Cauca, Cundinamarca, Huila, Quindío, Santander y Tolima.

Particularly important work has been undertaken with the Associative Groups of San Isidro and Las Acacias in Huila, which have helped us to develop strategies to conserve forests that contain black oak trees, the natural habitat of a number of important bird species -including several that are threatened and endangered. Also, these forests provide other important environmental goods and water resources to communities.

Cenicafé and the University of Florida made an evaluation of this project's impact. It was found that the participatory approach had very positive effects to promote the environmental sustainability in coffee growing regions. The results were published in the book "Coffee growing birds of Southern Huila", which was distributed among the communities that participated in the bird census.

In addition, we conducted an evaluation of the social, economic and environmental results of applying the principles of the Sustainable Agriculture Regulation.



"In this program I have learned to recognize birds and to take care of the environment. I've also met different people and I have gotten to know other participants better". Jilan Jenifer García, eleven years old, Huila.



1.4 Cultural and soil conservation practices

The quality and stability of soil is one of the most important factors in coffee production; it is crucial to control soil erosion on the slopes of the Andes, where Colombian coffee is grown.

In Colombia, coffee is grown on steep hillsides in areas with heavy rainfall. Soil in such areas is generally composed of volcanic ash and igneous and metamorphic materials, which give it excellent physical qualities and high fertility levels. However, when under intensive production, these properties also make the soil highly-susceptible to erosion and landslides.

In recognition of this delicate balance, since 1945 the Federation, through Cenicafe, has performed continuous research on the different processes of soil degradation such as water erosion and landslides in an effort to create technologies to prevent and control such situations.



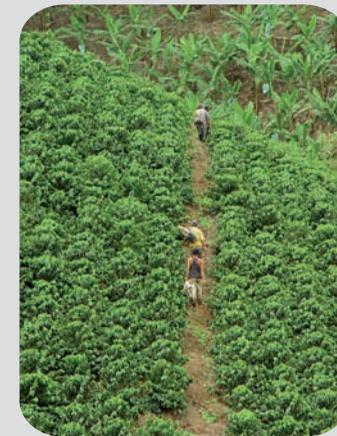
Case Study

INTEGRATED WEED MANAGEMENT, AN EFFECTIVE SOIL CONSERVATION TECHNOLOGY FOR COFFEE-GROWING REGIONS

Integrated weed management is a convenient combination of methods to control soil erosion and promote moisture retention through the selection of “noble weeds” that help prevent soil erosion without competing excessively with coffee trees, and at the same time helps limit the impact of traditional weed control methods on the environment, people, and other organisms.

This technology, developed through research undertaken since 1982, has effectively prevented between 95 and 97% of soil erosion, which is a rate similar to the protection provided by natural forests. In addition, this technology has led to a reduction in the costs of herbicides of up to 85% in some cases.

To implement the Integrated Weed Management Program by planting “noble weeds”, Cenicafe developed a “Weed Selector” device, which provides solutions to the disadvantages of traditional spray equipment. Some of the most noteworthy advantages of this system are: low and selective use of herbicides, minimal water transport, reduced risk due to unintended air transmission by wind, and improved safety for the operator, the crop, and flora and fauna.



Case Study

CROSS-SLOPE PLANTING: A SUSTAINABLE METHOD OF PREVENTING SOIL EROSION

Coffee crops in Colombia are planted along the slopes of the Andes Mountains, making it necessary to implement different strategies to prevent soil erosion.

One important method of preventing soil erosion is planting coffee trees along slopes in a triangular pattern. Because the trees criss-cross between one furrow and the next, they form a natural barrier that impedes soil erosion in coffee fields.



Case Study

USING ORGANIC MATERIALS THAT ARE CO-PRODUCTS OF THE ENVIRONMENTALLY-FRIENDLY PROCESSING OF COFFEE BERRIES

Once it decomposes, the outer “shell” or pulp of coffee becomes an excellent organic material that can be used in different stages of coffee production, as a substratum in seedbeds, in holes that have been dug for new trees, and as a fertilizer. The use of this organic material improves the physical and biological conditions of the soil, contributing to its stability and preventing soil loss due to rainfall.

SEE ALSO:

THE ECOLOGICAL COFFEE FUND FOR THE PROTECTION AND RESTORATION OF THE ENVIRONMENT (PAGE 122)

ENVIRONMENTALLY-FRIENDLY COFFEE PROCESSING, AN INITIATIVE TO OPTIMIZE WATER USE IN COFFEE PRODUCTION (PAGE 123)

“RE-RE” AND BIOLOGICAL CONTROL, TWO ENVIRONMENTALLY-SUSTAINABLE ALTERNATIVES TO CONTROL COFFEE BORERS (PAGE 129)

1.5 Waste and agro-chemical management

The Federation seeks economical and socially efficient methods of managing the waste produced by coffee production.

We have developed a method of re-using coffee pulp by operating “worm farms” (See page 124). We also research different methods of producing bio-fuels based on coffee pulp.

The environmentally-friendly methods of post-harvest processing developed by Cenicafé substantially reduce the possibility of contaminating water sources when coffee berries are washed.

Also, the development of rust-resistant and “Coffee Berry Disease”-resistant varieties of coffee is another of our strategies to modify traditional practices in order to positively affect the environment. To control pests such as borers, Cenicafé has developed alternatives such as the “Re-Re”, or biological controls which use fungus and wasps, natural enemies of that insect. The application of these technologies helps reduce the use of chemicals to fight pests and diseases, as well as to reduce the effects of chemical contamination on the environment and on the health of coffee-growing families.



Case Study

THE “RE-RE” AND BIOLOGICAL CONTROL, TWO ENVIRONMENTALLY-SUSTAINABLE ALTERNATIVES FOR CONTROLLING COFFEE BORERS

When coffee leaf rust and borers began affecting Colombian coffee crops, growers were forced to use synthetic chemicals to manage them, unfortunately disturbing the natural biological balance in some regions. The effects of these practices are on occasions made worse due to the fact that many coffee growers have a very low level of education, and as a result use such products in an unsafe fashion or in excessive quantities.

A solution to the problem presented by rust has been to plant rust-resistant varieties of coffee developed by Cenicafé. In the case of borers, Cenicafé developed alternatives to biologically control this pest by minimizing



the conditions in which it reproduces and by strengthening the internal biological balance of coffee plantations.

Thanks to this research our Federation is able to offer coffee producers biological alternatives for integrated borer management. That include: i) the use of *Beauveria bassiana*, a fungus that is a natural enemy of borers due to the fact that it inhibits its ability to ingest coffee beans, ii) the cultural management of borer populations by using the “Re-Re”, which consists of the exhaustive removal of ripe, over-ripe and dry berries both from trees and the soil, thereby eliminating the most propitious environment for its reproduction. In addition to having the smallest environmental impact in coffee-producing ecosystems, this last method is the most used (92%), and the most understood by growers (85%).



Case Study

ALLIANCE WITH THE CAMPO LIMPIO (CLEAN COUNTRYSIDE) CORPORATION FOR THE ENVIRONMENTALLY-SUSTAINABLE DISPOSAL OF EMPTY PESTICIDE CONTAINERS

Beginning in 2007, and as part of an effort to foment an environmentally-sustainable coffee-growing culture in Colombia, Cenicafé developed a pilot project to implement an Integrated System of Good Agricultural Practices Management. As a result of this initiative, we were able to work with the *Campo Limpio* Corporation, an entity which was founded by companies which produce and sell agrochemicals, and that are members of the Chamber of Cultivation of the National Businesses Association of Colombia (ANDI for its acronym in Spanish), to provide environmentally-sound methods of eliminating empty pesticide containers. The joint activities of this initiative have been focused on training producers and technicians, as well as on offering collection and disposal of empty containers. The main achievements of this project thus far have been:

- Container pick-up services were extended to the entire Caldas Department through an initiative undertaken in association with the Departmental Coffee Growers Committee of Caldas, the Coffee-Growers’ Cooperatives of Aguadas, Alto Occidente, Anserma, Manizales and Northern Caldas, the Mayor’s Office of Anserma, and the Ecological Foundation and Coodesarrollo.
- The Campo Limpio Corporation built a warehousing center to temporarily store agrochemical containers in the Naranjal Central Station of Cenicafé in the municipality of Chinchiná.
- In conjunction with the above-mentioned entities, a time-line was set to carry out 32 pick-up days between October, 2008 and December 2010, in which 14,335 kg. of dangerous residues were gathered (See table below).





- In order to contribute to generate awareness to these initiatives, 1,965 coffee growers received training on the importance of environmental management in coffee production, environmental legislation that covers the disposal of agrochemical containers, as well as on the obligations of the different actors along the chain of use and disposal and the “wash thrice” practice that is absolutely necessary to guarantee the safe management of dangerous residues.

Clean Countryside

Region	Municipalities	Weight (kg)
Centro - Sur	Neira, Manizales, Palestina, Chinchiná y Villamaría	8,780
Bajo Occidente	Viterbo, Belalcazar, Risaralda, Anserma y San José	1,012
Alto Occidente	Riosucio, Supía y Marmato	584
Norte	Aguadas, Salamina, Aranzazi, La Merced, Filadelfia y Pácora	3,314
Oriente	Marquetalia	545
TOTAL		14,235

“My life as a coffee grower has changed since the Campo Limpio program, with the support of the Caldas Coffee growers Committee and the Cooperative, comes and picks up the empty pesticide containers, so that we can get rid of these materials”. José de Jesús Ibarra, coffee grower from Betulia, Caldas.

2011 and Beyond:
In 2011 we will expand the coverage of this program to nine Innovative Models— Young Coffee Growers (See page 110) projects in the hope of converting these farms into examples of the benefits of properly disposing of dangerous waste. Also we will seek to involve the other Departmental Coffee Grower Committees in the education of producers on the importance of properly disposing of agrochemical containers.

1.6 Creating alternative energy sources

The Federation is committed to the use of alternative energy sources and the preservation of present resources. Because of this we have promoted the use of coffee co-products in the manufacture of bio-fuels as well as the creation of new methods of sun-drying coffee.

In addition to initiatives undertaken on coffee plantations, within the industrial processes managed at Buencafé we have also designed strategies to turn by-products such as the parchment and remaining coffee solids into bio-fuels. These and other strategies have allowed Buencafé to reach significant savings in the usage of energy, as is shown in the following chart.

Savings in energy (2009-2010)

Consumption	% of reduction
Electric energy	10%
Natural gas	7%
Oil-based fuel	46%
Coffee waste	8%
Co-products of coffee	46%
Water	17%

The ISO 14001 certification Buencafé has received since 1999 is a confirmation of our commitment to environmental policies both on coffee plantations and at industrial level.



Case Study

PARABOLIC COFFEE SUN DRYERS

Expanding the use of parabolic dryers is one way of supporting coffee growers through technological innovations that can be easily applied on farms and which promote environmental conservation. This system, developed by Cenicafé, has been in continuous improvement process ever since the first prototype was built and evolved into the “Solar Tunnel Dryer for Parchment Coffee”. This technology is not only inexpensive for producers, but it also makes the most of sunlight and is simple to build and use. Furthermore, recent models have generally been made out of materials with which growers are familiar, such as *guadua*, a local bamboo.

“We used to have big problems with wet coffee because the drying systems out there were too expensive. What’s worse, that equipment went without use for much of the year. Thanks to the Federation we could access a solar dryer that allowed us to dry coffee, as well as beans and corn during other times of the year, without having to use expensive fuels.” Huber Leandro Giraldo Henao, coffee grower from the municipality of Jardin, Antioquia.

1.7 Sustainable Coffees

The Federation promotes the production of sustainable coffees, which help make coffee production more environmentally friendly and also encourage continuous improvement of productive processes.

It is worth noting the contribution that sustainable coffees can make to environmental conservation. These coffees are produced following guidelines established by clients or certification organizations².

Our Federation has worked considerably in this area in recent years. In 2002, only 342 farms covering an area of 1,148 hectares were certified through agencies or were taking part in voluntary review programs. Thanks to the participation of our Extension Service and the Federation’s involvement in these processes, at the end of 2010 a total of 103,275 farms covering 296,322 hectares were participating in one of these programs (See page 59 for more information).

² In Colombia sustainable coffee production is certified and verified by worldwide known organizations such as UTZ Kapeh, Rainforest Alliance, 4C or FLO, among others, and verified directly or under supervision of certain clients. In all cases the FNC’s Extension Service is a crucial actor to help producers adapt and follow the different guidelines.



2011 and Beyond:

In the future we will seek to meet the following objectives:

- a. Open dialogue with international certification organizations so that they incorporate in their guidelines the results of the scientific research undertaken by Cenicafé, as well as the Federation’s knowledge of sustainable coffee production.*
- b. Increase the number of farms certified following locally and regionally established guidelines.*
- c. Seek explicit recognition by certification organizations of the Federation’s contribution to these initiatives.*
- d. Begin to develop environmental sustainability indicators that can be applied to all coffee produced in Colombia, as well as to that commercialized by our Federation.*



*“When we awarded the Corporate Prize for World Sustainability to the Federation we were doing so to acknowledge many years of work undertaken by an organization that is still relatively little known in the environmental community”.
Tensie Whelan, CEO Rain Forest Alliance.*

1.8 Cultural coffee landscapes

Our cultural coffee landscapes are a priceless cultural and aesthetic asset. In recognition of this value, the activities of our organization are focused on ensuring the sustainability of the coffee industry and include participating in territorial zoning strategies to preserve the use of soil for coffee production instead of other activities that go against environmental conservation.



Case Study

CULTURAL COFFEE LANDSCAPES, A WORLD HERITAGE

At the Federation we are focused on preserving coffee-growing culture and its traditional territories. With this in mind, and in cooperation with the Colombian Ministry of Culture, between 2006 and 2009 we spearheaded the initiative to place the Colombian coffee-growing landscape on the list of World Heritage Sites of UNESCO, a petition that is being reviewed since 2010. The initially considered area covers part of the rural areas of Caldas, Quindío, Risaralda and Valle del Cauca.

Such a distinction would represent an added value to our coffee-growing industry in that it would lead to a greater recognition of the uniqueness of the culture and environment of coffee growing in Colombia. At the same time it would necessarily lead to the design and implementation of public policies and development plans that acknowledge the efforts of coffee producers to preserve this landscape.

*“The contribution of the Federation to the Coffee Cultural Landscape project was crucial to its success, not only because of the incredible social capital that it possesses in this and other coffee-growing regions, but also because of its dedicated support for the initiative requesting that UNESCO recognizes the region as a world heritage site”.
Paula Marcela Moreno, Ex-Minister of Culture.*





1.9 Climate change

Our Federation has already begun to put in place its strategy to mitigate and adapt to the effects of climate change, which is based on the results of scientific research and the implementation of policies to improve energy efficiency and decrease emissions at all levels of the coffee life cycle.

Different climate change models predict that in Colombia the greatest expected effects on vegetation, agricultural production systems and bio-diversity will take place in the Andes Mountains. This will lead to higher in temperature as well as changes in water supply.

This increase in temperature will affect how bio-mass is accumulated in coffee trees, and the changes in rain patterns will have consequences on the flowering and fruit-bearing cycles, affecting productivity. The existence of pests and disease will also increase and soils will become more vulnerable to depletion, negatively affecting the sustainability of coffee production.

Given these projections, the future of coffee growers greatly depends on production planning, the recuperation and protection of natural resources, the new technologies and mitigation strategies they choose to adopt, as well as the production and income diversification that they

undertake. Because coffee is a tropical plant that is highly vulnerable to these changes, the Federation—together with growers—has diligently worked on diverse strategies which will help to keep Colombian coffee production viable in the future.

As mentioned in other parts of this chapter, there are various initiatives in different departments which are focused on the conservation of river basins and watersheds, as well as the reduction of water usage.

The development of new coffee varieties is also a fundamental part of these efforts. The work of Cenicafé in genomic and functional studies has been crucial not only by improving coffee quality while increasing disease and pest resistance, but also by possibly increasing adaptation to temperature rises and changes in water and nutrient availability (See page 82).

Our mitigation strategy not only includes the development of new varieties of coffee but also includes the reforestation of vulnerable areas and changing land use in lower altitude areas to agro-forestry systems. It also encompasses protecting and enriching forests, replacing non-renewable energy with solar and green energy sources, principally in the coffee drying process.

To calculate the efficiency of carbon sinks, we developed the CREFT® model, which calculates the carbon capture of different native and non-native species according to the specific tropical environments where they grow. With this tool we can estimate the net emissions of the same plant in different altitudes and with different number of hours with exposure to the sun. We started developing the CREFT model in 2006 as a tool to measure the carbon footprint of Colombian coffee and since then, the FNC have started working on the complementary methodologies to calculate the net emissions from the coffee plantations all the way to the distribution of the final product to consumers. Thus, our approach is a product life cycle approach, where all participants in the industry must measure and evaluate their footprint so that the consumer can make educated decisions based on solid and consistent information.

“The advanced technology projects that we have undertaken with Cenicafé to identify the coffee genes that will contribute to the viability of crop production in the face of climate change are based on the continued collaborative relationship of science and technology that has existed between Cornell University, the Federation, and Cenicafé for two decades.”
Dr. Herb Aldwinckle, Professor, Department of Plant Pathology and Plant Microbe Biology, Cornell Director University of the collaborative project of the Federation, Cenicafé and Cornell University.



Case Study

**MEASURING THE COFFEE LIFE
CYCLE CARBON FOOTPRINT**

Improving the productivity and profitability of the Colombian coffee industry in harmony with the environment is one of the most important goals established by the Federation. In accordance with this goal, and with global concerns about climate change, we believe that Colombian coffee production can actively help to mitigate the increase of greenhouse gases by decreasing the emissions caused by coffee production and offering products which are carbon neutral.

Studies performed by Cenicafé have allowed us to establish baselines as well as strategies to measure emission levels and determine their surpluses at different stages of the coffee life cycle (production, transformation, industrialization, and preparation). Using this information, which can be compared with the information that is on the SIC@ Web database (See page 114), as well as advanced tracking technologies, the Federation is developing a method of calculating emissions levels throughout all stages of the coffee distribution channel. These stages are divided into the following systems: production of dry, parchment coffee on the farm; transformation and/or industrialization of coffee; and final preparation of coffee.

2011 and Beyond:

In 2011, we will complete the development of the first method of measuring the emissions levels of the subsystems found within the coffee industry. With these baselines we will start improvement processes to reduce the carbon footprint of our different activities, including those related to cultivation, domestic procurement, industrial operations as well as foreign sales and consumer distribution.

2. Respecting the environment in the management of our operations

In addition to the different programs and policies that are designed to protect the environment and bio-diversity of rural coffee-growing areas, our organization also undertakes different initiatives to educate our associates about the need to change our habits and reduce our environmental impact.





2.1 Buencafé

At Buencafé we are conscious of the importance of protecting and preserving our natural resources.

Buencafé Freeze-Dried Coffee of Colombia is an industrial operation that uses advanced technology and is managed by the Federation. It uses both water and energy in its production processes. Buencafé carries out research and undertakes special efforts to reduce the environmental impact of its operations. Our environmental management system has been continuously certified under the ISO14001:2004 regulation since 1999, and in line with this certification we measure and work to reduce the environmental impact of each unit produced by Buencafé.

For more than 20 years, Buencafé has invested in environmental management programs. Some noteworthy initiatives include: use of by-products of production such as used coffee solids and coffee parchment as bio fuel, use of refrigeration equipment that does not affect the ozone layer, classification of waste materials at their source, treatment of waste water and prevention and mitigation of noise emissions, 98% of the water needed for cooling is internally re-circulated and used multiple times, among other things.

In addition, Buencafé does not generate considerable emissions of particulate matter because it uses clean energy. The gases emitted from the chimneys of the factory are considerably less than the current limit set by Colombian law. In 2009 we began to measure our net emissions

and in 2010 we achieved the ISO 14064-1 standard, becoming the first Colombian operation as having an effective system for the measuring of greenhouse gases.

*Reduction of Buencafé's ecological footprint
(2009 and 2010)*

Indicator	% of reduction
Carbon footprint	5%
Liquid waste	11%
Recyclable residues	11%
Waste	43%
Dangerous residues	9%



2.2 Almacafé

The environmental management of milling and warehousing coffee is one of the most important parts of ensuring the sustainability of our coffee industry.

Almacafé is the entity responsible for the logistical processes of stocking up, transporting and milling coffee. For

the last seven years it has placed special importance on the environmental management of its activities and has undertaken steps to improve its milling processes by modernizing its equipment, improving its electrical, sanitation, and particulate matter collection systems.

Also, in 2009 it began to formally implement its Environmental Management System. After performing an environmental diagnostic of its operations in 26 different work centers throughout the country, different processes that have environmental impacts were identified. This provided an opportunity to improve different areas such as natural resource management, solid and dangerous waste management, control of atmospheric and noise emissions due to the milling and roasting process, and the control of residues.



2011 and Beyond:

Beginning in 2011, Almacafé will set specific goals and objectives in its different management areas, establishing strategies to steward and conserve the environment.



2.3 Procafecol

Procafecol S.A. is the Colombian coffee growers' company that is responsible for commercializing value-added products under different brands, including Juan Valdez®. Because it represents yet another stage of the coffee trade it is also a part of our project to measure the carbon footprint from a coffee life cycle perspective. (See page 135), and also develops initiatives associated with specific products that support environmental conservation.

Because it is the most publicly visible part of our companies, Procafecol is responsible for transmitting the works and initiatives which are designed to raise environmental awareness. One example is the H2Origin bottled water; a portion of the sales of this product is dedicated to projects that help conserve water sources in coffee-growing regions of Colombia.

The Juan Valdez® Sustainable Coffee lines is another example of how Procafecol supports environmentally-sound practices that help preserve the coffee-growing ecosystems and generates value for growing communities. As part of this initiative it supports the cultivation and the sale of internationally certified coffee and has introduced in its portfolio the “Forest Warden Families” coffee (See page 126), among other product lines.

Also, Procafecol has begun to eliminate items such as cups and trays made from non-recyclable materials in its operations.





First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Daniel José Martínez Jaimes - [12 years old]
Labateca / Nte. Santander - [2007]



Business Responsibility



01

Human talent in our
companies



02

Social investment by our
companies and branches



“ “ *For FNC¹, corporate responsibility entails achieving our mission goals in a way which is environmentally sound, results oriented, and focused on the personal and professional development of our associates. Thanks to the application of these principles we have become leaders in the Colombian business world.* ” ”

¹ Our organization includes the Colombian Coffee Growers Federation (FNC) with its Coffee Growers Departmental Committees, its research center –Cenicafé and the industrial operation better known as Buencafé Colombian freeze-dried coffee. Additionally in this report we include references to independent companies that have originated at the FNC's initiative, such as the logistic and quality control operator Almacafé S.A., Procafécol S.A. the company that operates value - added projects including among others the Juan Valdez Café operation, the Manuel Mejía Foundation and the *Fundación Parque de la Cultura Cafetera*, which operates the National Coffee Park.



In the 2009 Business Elite Survey published by the business newspaper, Diario Portafolio, FNC was rated as the best agricultural business by Colombian business executive and recognized as one of the biggest contributors to social causes in the country. In 2010, the same survey rated FNC as one of the most esteemed businesses; one of the best managed businesses, and applauded the effective management of one of the country's most important brands, Juan Valdez®. Source: Business Elite Survey, Diario Portafolio, May 2009 and 2010.

1. Human talent in our companies

One of our strategic objectives is “to ensure the quality of human capital in our organization”. This endeavor involves permanently seeking new ways to attract and select the best possible human talent, as well as guarantee that such talent is appropriately trained in order to ensure that workers may fulfill their responsibilities in the organization. We work so that our associates are evaluated objectively based on the quality of their work, and we strive to design training and education programs that stimulate both personal and professional growth thus benefiting our organization, the employee's family, and society at large.

1.1 A Description of our human talent

Any person who works for the Federation displays at all times leadership, discipline, a desire to serve the common good, creativity, honesty, responsibility and transparency

Our associates are individuals between the ages of 19 and 63, come from every region of the country, have diverse (both in area and level) educational backgrounds, and have been with our organization for an average of 9 years. There are over 2,600² men and women that contribute to the day-to-day work that guarantees the well-being of Colombian coffee-growing families and their communities.

We are conscious of the fact that the level of satisfaction that Colombian coffee growers have with our services and the accomplishment of our institutional goals greatly depends on the capabilities and knowledge of our associates, who are called on to work in an extremely demanding environment. In light of this we continually strive to offer the best possible work environment so that our associates feel satisfied by their work and, at the same time, grow personally and professionally, becoming the leaders that the Colombian coffee industry needs.

Also, our employees understand that working for our organization is a way of

genuinely contributing to our country development. By communicating this goal to our associates we seek to get them to commit for the sustainable development of Colombia's countryside.

- **Profile:** Our human capital is committed to understanding and meeting the needs and expectations of Colombian coffee growers. We use a framework to evaluate the results of our work, based on innovative practices that contribute to the continuous improvement of our processes. We are well aware that professional commitment, responsibility, leadership and honesty are the fundamental pillars that inspire associates to be an active part of our organization.
 - **Diversity:** The Federation's associates and the companies that make up the Colombian coffee institutions are diverse, because we are fundamentally committed to respecting differences of gender, race, age or religion. By maintaining such a policy of respect we demonstrate our commitment to providing equal opportunities to all associates. The integration and interaction with people from different backgrounds have, and will continue to be, fundamental to maintaining an excellent organization.
- In 2009, we joined other private companies from different fields in the Work Equality Agenda promoted by the Presidential Counselor for Women's Equality to reinforce the value placed on gender diversity in our programs and services.
- **Prohibition of child and forced labor:** In strict accordance with our organization's policy and in line with Colombian labor law and a basic respect for human dignity, child and forced labor are categorically prohibited. This policy is explicitly laid out in our Internal Work Rules that are publicly available.
 - **Freedom of association:** Our Federation respects the right to organize. Currently, there are two unions active in our organizations. One, *Sintrafec*, is a business union and has 187 members, and the other, *Sintrainducafe*, is an industrial union and has 103 members. At the end of 2010, the two unions had a combined membership that equaled 7% of our associates.

² Does not include Procafecol, Almacafé and the previously mentioned foundations.



OUR HUMAN TALENT IN NUMBERS

Staff members and distribution by gender in the Federation (2010)

Branch	Number of employees	Female	Male
Head office	260	55%	45%
Regional offices and others*	2,385	31%	69%
Total	2,645	33%	67%

*The branches listed include: 15 Departmental Coffee Growers' Committees, the Extension Service, Cenicafé, and Buencafé.



At the end of 2010, our Federation had 2,645 associates, 67% of whom were men and 33% of whom were women. Individuals of all ages contribute to the daily activities of our institution; 59% were born between 1960 and 1979, 24% were born between 1980 and 1990, and 17% were born between 1940 and 1959.

Age distribution of our associates (2010)

Generation	% of reply
Born between 1940 and 1950	17%
Born between 1960 and 1979	59%
Born between 1980 and 2000	24%
Total	100%

Distribution of our employees by contract type (2010)

Contract type	Total	% of reply
Fixed term	1,126	43%
Indefinite	1,088	41%
Project based	431	16%
Total	2,645	100%

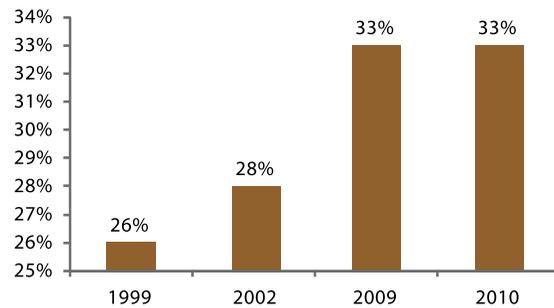
Work stability and formality are key elements to the employment provided by our organization. Effectively, 84% of the 2,645 associates working at the end of 2010 had a permanent work relationship, while 16% assisted in our mission through specific contracts for programs and projects that were funded by resources from our strategic allies.



WOMEN'S PARTICIPATION IN THE WORK OF OUR FEDERATION

The participation of women in the workforce of our Federation has evolved considerably. In 2010, 33% of our associates were women. This figure is even more telling when one takes into account that it is 7 percentage points higher than in 1999.

Evolution of women's participation in the work of our Federation (1999-2010)



In terms of gender equality, our Federation has achieved a remarkable large number of women who hold management positions. A total of 41% of our director and/or coordinator positions at headquarters and 53% of the professional positions are held by women. Buencafé is a good example of women's participation as it has been managed by a woman since 2009. This is even more remarkable when one takes into account that 86% of workers carrying out the industrial labor in the factory are male.

Number of women in management positions at the head office of the Federation (2010)

Position	% Female	Male
Director and/or coordinator	41%	59%
Professional	53%	47%
Support	66%	34%
Total	55%	45%

Field positions in the Extension Service in rural areas, which is one of the most important public goods provided by our Federation to the coffee growers in the country, are still predominantly male. Throughout its 50 years, however, women have played a key role, and in recent years their participation has increased significantly; in only four years the number of women in the Extension Service went from 25% in 2006 to 31% in 2010.

Evolution of women's participation in the Extension Service (2006-2010)

Position	2006	2008	2009	2010
Extensionist	13%	17%	22%	23%
Coordinator	20%	26%	33%	17%
Others positions	50%	50%	55%	77%
Total	25%	28%	29%	31%



"It has been a journey full of dreams, aspirations and constant challenges. Since I began working at FNC as an accounting assistant. I have had to make great efforts. This has offered me great personal and professional satisfaction. It is great to recognize that as an employee, as a person, and as a professional I have had the privilege of being involved in all of the processes with which I have been involved.

At the same time I feel grateful and also proud to belong to one of the most important and admired institutions in the country." María del Pilar Orozco Acuña, Director of Administrative Services, Departmental Committee of Cundinamarca.

1.2 Training, education and development of our employees

We create different training and education programs that allow associates to develop and strengthen the capacities that would give them the chance to improve their job performance; this allows them to reach new professional heights and contributes to their development and growth and to the organization's results.

Convinced that our human capital is an important part to obtaining the results that our organization seeks, we train and educate our staff in areas that increase knowledge, competitiveness, commitment, and also stimulate personal and professional growth, productivity and helping to establish a good work environment.



TRAINING ACTIVITIES

Thanks to an investment of nearly USD\$ 190,000, in 2010 we carried out 22 workshops nationally in which 262 associates participated. Some of the subjects covered in the workshops were: fomenting creativity, innovation and initiative, results-oriented thinking, and leadership.

It is extremely important to maintain our associates up-to-date on industry practices, especially given that Cenicafé is permanently researching and creating new sustainable, competitive technologies to benefit the well-being of Colombian coffee growers. To accomplish our goal of keeping our associates well-trained, in 2010, we continued to offer scholarships and financial support to carry out post-graduate studies in fields of scientific research.

We have also supported our associates' education, both domestically and internationally, in post-graduate programs that cover subjects related to technical assistance to coffee farmers, social development, finance, and administration. As a result, 79 associates are currently enrolled in undergraduate, graduate, and language programs and 173 others took part in seminars and continued education courses.

In another educational venture, since 2003 we began working with the SENA to implement the Virtual Training Program through its educational website to further train our Extension Service, recognizing that the better our associates are trained, the better technical assistance they can provide to producers and the more technology they can transfer to them.

Using this platform—the content of which is developed by the Manuel Mejía Foundation—we promote the continuous training of the Extension Service technicians and Cenicafé scientists in areas of technology, economics, society, the coffee trade, and information systems. In 2010 a total of 1,405 collaborators took



part in the virtual training courses provided. Additionally 2.489 associates took the virtual course on coffee elections.

Among the institutions affiliated with our Federation it is worth highlighting the training and educational processes undertaken by Buencafé, which provides its associates with a career plan and professional program. This promotes the acquisition of the necessary skills for each staff member to execute their individual work activities.

Almacafé has also invested considerably in training programs, and during 2010 invested in developing and maintaining the technical capacity required of its associates to carry out their responsibilities. Eighty eight associates attended seminars and continued education courses, 14 associates had the opportunity to take part in undergraduate, graduate, and specialization programs in diverse areas, and a total of 24 workshops for 354 collaborators were held on topics such as communication, creativity, order, quality, continuous improvement and leadership.



MEASURING PERFORMANCE

The Federation has at its disposal a Development and Performance System aimed at strengthening our team, optimizing the organization's results and enhancing our human team knowledge in five different areas: customer satisfaction, immediate supervisor evaluation, job-specific skills testing, evaluation of virtual and classroom education knowledge, which are all indicators of the strategic goals in our Balanced Scorecard.

All of the associates who work in the Social Development areas of our Extension Service and Cenicafé participate in this evaluation process annually. This evaluation provides feedback on different aspects of associates' work using diverse sources of information and it represents an integrated perspective. The following table shows the number of associates that have been evaluated using the Performance and Development System, and indicates a steady rise in the number of participants since the inception of the program in 2007.

National results performance and development system (2007-2010)

2007		2008		2009		2010	
Staff	% of reply						
1,252	93.6%	1,244	95.0%	1,574	99.6%	1,693	100.0%



The following table shows the national average performance indicator in each one of the five areas analyzed in the system. This rating reflects a significant improvement in overall job performance in those who take part in the evaluations.

Performance measurement results of our Federation (2007-2010)

Work Dimension	2007	2008	2009	2010
Client Satisfaction	85	78	85	86 ▲
Knowledge and capacity	86	87	91	91 =
Strategic Indicators	81	78	90	73 ▼
Skills	81	85	87	88 ▲
Immediate Supervisor	89	91	92	92 =
Overall result performance measurement	84	83	88	86 ▼

Almacafé has also undergone a similar process. In 2008, this company began implementing the Performance and Development System in order to improve its customer service, identify areas that could be advanced through training, and establish development and education programs. In 2010, during the second evaluation period, 99% of the associates of Almacafé and 90% of its logistical services clients took part in the evaluation.

Performance results from the Almacafé evaluation (2009-2010)

Work Dimension	2009	2010
Client Satisfaction	85	87 ▲
Strategic Indicators	81	92 ▲
Skills	82	85 ▲
Skills	84	85 ▲
Overall result performance measurement	83	88 ▲



Case Study

VIRTUAL TRAINING COURSES ON WORK RELATIONSHIPS AND COMMUNITY MEDIATIONS
SUBJECTS: *TEACHING OUR ASSOCIATES ABOUT HUMAN RIGHTS*

Creating a respectful, safe and harmonious environment is a key part to our corporate culture and our work practices; teaching our associates about human rights is the guiding light in building such a culture. The Manuel Mejía Foundation has designed a virtual course covering work environment in two different modules: peaceful coexistence and communication; and conflict in workplace environment. To date we have trained 1,485 associates in an effort to establish a more healthier and pleasant work environment.

In addition, we designed the “Community Mediator” course to train Extension Service collaborators to help facilitate the communication, interaction and consensus that are necessary for peaceful coexistence in rural areas. This course was originally a part of the “Coffee Industry Promoters of Peaceful Coexistence” program (See page 107) that was implemented in 2004 in collaboration with the Office of the High Commissioner for Peace. By 2010 we trained 387 Extension Service personnel in this topic, who logged 46,440 training hours.



Case Study

LEADERSHIP SUMMITS

In April of 2009, we held the first “Por la Excelencia” (Achieving Excellence) National Leadership Summit, which hosted 420 associates in management positions.

Through the different recreational and academic activities at the summit we were able to analyze and deepen the understanding of FNC’s Strategic Plan 2008-2012 and its achievements and future goals. Using sports, knowledge-based activities and tests our associates were able to internalize the goals and mission that our organization has established to ensure the well-being of Colombian coffee growers. Thus, Federation leaders from across the country were able to meet and interact. They were tested on teamwork, communication, leadership, results, creativity and innovation. We reaffirmed that each one of the associates of the Federation is a leader because each individual plays an important role in this excellent and effective organization.



Case Study

COACHING

Coaching became one of the capacity building programs, and was designed to increase the skills of the Federation leaders.

This training took place in two phases. The first phase consisted of a workshop to focus the development of leadership using conceptual and practical tools that focused on coaching. During the second phase, we carried out 81 individual and group accompaniment sessions until a total of 8 hours per participant were reached; in this phase we focused on a personalized method of deepening understanding of specific areas that were covered in the Coaching Workshop for Leaders. At the same time participants identified and explored aspects of how personal, family and social life can affect an individual’s performance at work.

*Case Study***STRENGTHENING SCIENTIFIC SKILLS AT CENICAFÉ**

Reinforcing the skills of Cenicafé's human capital requires high levels of education such as master, doctorate and post-doctorate studies in cutting-edge laboratories that generate strategic scientific knowledge, which can be put to use by coffee growers and their families.

To meet this objective we undertook the "Biotechnology for the Improvement of Elite Coffee Varieties" project in collaboration with Cornell University. This project aims to make effective use of genetic resources to manage borer problems in coffee plants, limiting the reliance of farmers on synthetic chemical products for which they incur both on economic and environmental costs.

In a second phase of the project involving the University of Maryland and the Institut de Recherche pour le Développement –IRD of France as well as Cornell University, we promoted the doctorate and post-doctorate studies of four associates in genetic improvement, entomology, and plant pathology, which have focused on genetic resistance to coffee leaf rust as well as biological control of borers. These studies have helped us introduce the use of new,



environmentally-friendly and sustainable methods of managing the principal diseases and pests that affect coffee in Colombia.

More recently, and with the support of Colombia's Ministry of Agriculture, we have undertaken the "Coffee Genome Study Initiative", through which we have provided funds to six associates to complete post-doctorate studies in bio-information and studies on the effects of environmental components on coffee quality. The knowledge gained about genetics in these programs can be applied to subjects with a direct impact on coffee production, such as disease resistance, managing environmental changes, and denominations of origin.

"I had the opportunity to participate in the "Biotechnology for the Development of Elite Varieties" program, which is part of a long standing cooperation between Cornell University and the Federation. As part of an expert team in specialized topics on coffee tree diseases, molecular biology and bioinformatics, I was able to write my PhD thesis on research applied to coffee biology and cultivation in Colombia. As a result of this work two international patents were obtained. When I came back to Colombia from the US I joined a team of Cenicafé scientists trained at the postgraduate level thanks to the continuous support from the Federation for many years, and today we all belong to Cenicafé's Biology Program. We are proud of being able to provide significant knowledge on coffee genomics, integrated pest management and biodiversity research for the benefit of our coffee growers and their environment. We are also helping to educate the next generation of researchers that will continue the efforts in finding solutions to the many challenges that our country faces in terms of agriculture and sustainability"
Álvaro Gaitán PhD, Scientific Researcher and Biology Program Coordinator, Cenicafé.



Case Study

COMMITMENT BUENCAFÉ'S TO CONTINUOUS IMPROVEMENT THROUGH TRAINING ITS ASSOCIATES

The Certification of Work Skills is a management practice used continually in Buencafé. In 2010, a total of 179 individuals received the following certifications: Industrial Lab analyst, Lab Instrument maintenance, Metrologic maintenance and assurance. To date, 95% of Buencafé's operations personnel has a skill certification.

The virtual improvement programme brings the conceptual and methodological elements required for the different performance systems and technical and production processes that Buencafé requires. There are 31 virtual courses out of which seven were introduced in 2010: Welding, Industrial maintenance, Breakdowns and faults, Industrial instrumentation, Planned maintenance, Industrial electricity and Industrial cooling. These courses were taken by 170 employees and 50 engineer technicians, who were supervised by 25 tutors that are also Buencafé collaborators.



"At first we had many questions and many expectations because no one understood what TPM was. Once we began the training sessions we realized what kinds of benefits the system could have. For example, we had equipment that had many technical failures, and we had simply taken to fixing them whenever they broke; now we prevent those break-downs. The operators that participated in the PGP's learned skills that they didn't have before, and that offered them greater autonomy; they can diagnose problems and solve them before a machine becomes damaged. TPM has opened the door to a more prosperous future for the company and it will lead us to a 'zero loss' operation. What's more, the TPM philosophy is also applicable to our home lives—you become more organized and disciplined." Mauricio Hernández Arias, Mechanic, PGP Transformers, Buencafé.

At the same time, in 2010, we implemented Phase I of the Total Productive Maintenance methodology or TPM process, a management system focusing on the optimization of company performance. The system consists of a socio-technical process that stimulates people to continuously improve their work by following a "zero loss" model (zero accidents, breakdowns, defects or returns, zero adjustment, zero contamination, zero minor stalls, zero customer complaints).

In March 2010 we launched the six TPM pillars (Safety, Environment, Autonomous Maintenance, Planned Maintenance, Education and Training) to all Buencafé personnel. We used playful activities and theater, in which over 600 people participated, to explain the different concepts. In addition 17 Small Primary Groups, known as PGP autonomous maintenance, were created, which have already provided significant benefits such as significant monthly savings and an added packing capacity.



2011 and Beyond:
The TPM process will continue to be implemented to all the factory processes in 2011

1.3 Work-family balance

Our well-being activities help stimulate the “comprehensive development” of the associates of our Federation and their families.

These activities generate a healthier work environment that lead to a sense of belonging and facilitates integration through sports and cultural events in harmony with our strategic plan.

The programs that have been implemented are based on celebrating the special personal and professional days of individuals, on sports activities that are recreational and stress-relieving, social integration activities that promote interaction by celebrating solidarity and teamwork, and on the development of strategic alliances with different companies which provide additional benefits or added value to employees.



BENEFITS RECEIVED BY OUR ASSOCIATES

During 2010, the work benefits provided to our associates included education subsidies, health insurance, transportation subsidies, cellular phones, as well as accident and life insurance policies for more than 1,300 employees at a cost of almost USD\$ 340,000. In addition, the Federation also helped 365 families enjoy time in its vacation centers located in the cities of Cartagena and Santa Marta.

In some branches of the Federation, associates also have access to facilities that serve to complement the proposed objectives; in the case of Buencafé and Cenicafé, employees and their families have access to a sports center that includes football fields, basketball courts, squash courts, tennis courts, ping-pong tables and a swimming pool. Classes are also offered and include: spinning, aerobics, recreational vacations, cultural activities, and healthy living styles. There is also the Buencafé Cinema, as well as a cooking class, drug and alcohol abuse prevention classes, nutrition classes, and career advice for the children of workers.



“I play football and volleyball at least once a week. The Sports Center is a common area where we can integrate with our colleagues and their families. It is an important space for socialization, with comfortable, pleasant installations. All companies should take into account that such space is of utmost importance for their workers.” Libardo de Jesús Peña Ante, Boiler Operator (Calderas), Buencafé.



1.4 Selection and induction processes

We believe that to bring in new ideas and produce excellent results as an organization we must begin by selecting the most qualified, exceptional candidates possible.

The Federation seeks human capital that is committed to satisfying the needs and expectations of our clients; our selection, contracting and induction of employees is vital to ensure that all our staff shares this commitment.



EMPLOYEE SELECTION AND INDUCTION

In order to offer the necessary technical assistance to the beneficiaries of the Permanence, Sustainability and Future (PSF program, see page 50), and the Nespresso AAA program, we reviewed during 2009 and 2010, the résumés of over 1.040 candidates in search of individuals who had the necessary skills to help carry out rural extension activities. As a result of this process we were able to hire 384 new technicians for the Extension Service.

It is worth noting that to undertake the induction of the employees hired in 2010 we were able to use the virtual courses on “Coffee Institutions”, “Workplace Coexistence” and “Our Strategic Plan”, that supply relevant information

and ease the process of adapting to our organization by providing a standardized national system.

In a similar fashion, for the last three years the selection and induction process for employees of the Buencafé plant has made use of a training process based on work-specific skills certifications under the “Operation of Industrial Plants” course provided by SENA. Close to 150 high school graduates from the town of Chinchiná met these requirements, which opens the door to working in industrial plants across the country. At the end of the process, 80 new employers were hired by Buencafé.



“I participated in the selection process and obtained my certification in work skills as an Industrial plant operator in 2009. First, more than 100 individuals were pre-selected. Those of us who remained in the top twenty were offered a cash bonus. In the end there were almost 60 of us. We had to go through medical exams, and then we began working. I have been in different areas doing different things. Up to now I have felt motivated and good. In the training and work skills certification process a person learns a lot, and that’s satisfying; it also opens the doors to other jobs if one ever ceases to work with Buencafé. I’m thankful to Buencafé forgiving me the opportunity to participate in this process; it has been very gratifying.” José David Gómez Patiño, solid extracts management operator, Buencafé.

1.5 Compensation policies

The salaries of our associates are determined by the position that the person holds. Our benefits package meets Colombian labor standards. In addition, it provides development opportunities and rewards exceptional performance.

Wages in our Federation are determined according to the complexity and responsibility of the position, and are compared to surveys of prevailing market pay, in order to analyze external competition and maintain the internal equality of our organization in terms of fair and competitive salaries. This has allowed us to retain the best possible human talent. In 2010, the average salary of our operators was 52% above the Colombian minimum wage.



Case Study

RESULTS-BASED INCENTIVES

During the first National Leadership Summit, “Por la Excelencia” we introduced a program to provide performance-based bonuses that follow our Balanced Scorecard built in line with the objectives of our Strategic Plan 2008-2012. This national program covers all of the employees of the Federation.

Through this system we were able to increase the annual income of our associates by 3.5%.

1.6 Healthcare policy

The Federation is committed to the integrated development of our associates and their families; we seek many ways to help maintain their physical and emotional well-being, both from the social and the professional perspectives.

Every one of the associates of the Federation is represented by 16 emergency brigades and the Joint Committees on Occupational Health. They hold activities that communicate the professional risks of accidents, illness, and control of environmental impact in an effort to promote the prevention of health risks and provide greater well-being.



Case Study

OCCUPATIONAL HEALTH AND SECURITY (S&SO)

The occupational health program of the Federation and Almacafé is designed to meet the standards laid out in the regulation OHSAS 18001:2007, which governs the implementation of Occupational Health and Safety Systems Management. This program has involved all branches of the Federation and Almacafé and has assigned responsibilities at all levels, improving security standards, identifying continuous risks using the Job Risk Analysis (ARO for its acronym in Spanish); it also consolidates the management of the Occupational Health Committees (COPASOS for its acronym in Spanish) of each branch and implements programs to control hygienic risks, safety risks, and public risks, and evaluates the impact of these factors through periodic occupational medical exams when employees enter and leave work.



With the support of our Professional Risk Administrator (ARP SURA), we also pre-audit and define safety standards and skills training for high risk tasks. In 2010, we executed the third audit of the S & SO of each of the branches of the Federation and Almacafé, evaluating the different components using standard criteria. For example, in our back pain prevention program, we evaluate physical fitness standards, appropriateness of work environment conditions, and posture.

During 2010 our accident rate was reduced to 4.35%, a rate lower than SURA ARP reports for the food industry, which was 11.44%. This implies that we prevented 22 accidents and 148 days of absenteeism due to accidents since 2009. In addition, during 2010 we did not have any case related to occupational related diseases, nor we had any fatalities at work related activities.



Case Study

COMPLIMENTARY PLAN OF PRE-PAID INSURANCE

Guaranteeing that effective actions are taken to maintain and improve the health of workers and members of their nuclear family is important. Since 1995, our Federation has provided access to complimentary healthcare plans using the pre-paid policies offered by CAFESALUD MP, increasing coverage and collectively negotiating rates to expand preventive programs that guarantee access to, and use and effectiveness of healthcare services. This improves the quality of life of our entire company community.

Through these efforts we have obtained better coverage for our associates, providing for prostheses, orthoses, osteosynthesis materials, transplants, cancer medications, and have improved certain services such as ambulances, hospital visitors' beds, which are not normally covered by insurance companies.

These improvements have allowed us to assist 3,717 individuals (workers, ex-workers, and their dependents) using contributions of more than USD\$ 2.2 million made by our organization and its associates. These figures represent a significant savings when compared to the market cost of an individual pre-paid insurance policy.

We also operate a medications program that, in 2010, covered 72% of the commercial medication costs that were not covered by the mandatory health plan.



2. Social investment by our companies and branches

In addition to all the initiatives implemented by the Federation for the 553,000 coffee growers and their families, which are described in other chapters of this report, our organization and its related companies are also involved in local and community related programs under what could be termed as “traditional” Corporate Social Responsibility initiatives. What follows is a brief description of some of them.

2.1 Departmental Committees

The Departmental Coffee Growers’ Committees and the Municipal Coffee Growers’ Committees are the closest link to local communities. Because of this, they are fully committed to improving the well-being of coffee growers and their families.



THE SOCIAL INITIATIVES OF THE DEPARTMENTAL COFFEE GROWERS’ COMMITTEES

In 2010 our Departmental Coffee Grower Committees contributed with local development initiatives in each of the key action pillars that help guarantee the sustainability of the coffee growing industry: coffee farms, rural communities, the connectivity of rural areas, and the environment. As a result of these investments we were able to serve more than 113,000 coffee growers and their families through projects that improved the productivity and competitiveness of their operations. Also, we took action to help educate more than 152,000 children and carried out activities to strengthen the social network in coffee growing communities, protect the environment and improve access to new information and communication technologies.

Below we relate just a few of the initiatives executed by our Departmental Coffee Growers’ Committees to improve the well-being of coffee growers and their families and to help develop rural communities:

- With the objective of improving the life conditions of 300 displaced and highly vulnerable families from the municipalities of Agustín Codazzi, Becerril, Chiriguaná, Curumaní and La Jagua de Ibirico, the *Departmental Committee of Cesar-Guajira*, in cooperation with the Cesar Governor’s office, the Dutch Embassy and the Douwe Egberts Foundation implemented the Sustainable Colombian

Coffee Project. The initiative supported community organization and infrastructure improvement, and provided new wet mills while supporting the renovation of coffee plantations. Total investment was USD\$ 3.6 millions.

- The Departmental Committee of Cesar-Guajira, in conjunction with ACCIÓN SOCIAL, the Office of the High Commissioner for Peace, the Special Programs for Peace Fund Fondopaz, INVIAS, the local governments of Cesar and Guajira, and local indigenous communities built Umuriwa, Seykun and Dumingueka—three indigenous areas dedicated to protecting the ecosystems of the Sierra Nevada of Santa Marta. Together, they have worked to improve living conditions, and educational and community infrastructure, benefitting more than 17,000 indigenous of Arhuaco, Kogi, Kankuamo and Wiwa ethnicities. These investments of USD\$ 1.1 million have helped the social, cultural and economic development, as well as the permanence of future generations of indigenous peoples in this area.
- In an effort to prevent children from coffee-growing families from dropping out of school, the Departmental Committee of Huila teamed up with 9 of its municipalities and invested over USD\$ 47,000 to provide transportation to 6,310 children in rural areas of Huila. The Departmental Committee undertook the same project and provided transportation to 2,081



students studying in 15 different schools located in 14 different towns in the department.

- The Departmental Committee of Caldas, in cooperation with the departmental government, invested USD\$ 1.1 million to improve education through seven projects: the New School, rural post-primary school, middle school education, School and Coffee (See page 99), Virtual School, School and Food Security, adult education, and one pilot project of higher learning for professionals and technicians. The investments helped provide education to 55,407 students in 2010.
- Through the Healing the Children Program sponsored in part by the Departmental Committee of Huila, surgery was performed on 379 children for conditions such as: burns, bowlegs, harelip, cleft palate, congenital hip dislocation, as well as other serious conditions.
- For over 26 years, the Sharp Vision Program operated by the Departmental Committee of Quindío has worked to improve and preserve the vision of children in pre-school and the first years of primary school in the rural areas of the department. In 2010, 1,468 children from 126 schools were evaluated, and 560 of these were referred to optometrists; of those, 383 were

prescribed and provided glasses, and 4 children were sent to ophthalmologists.

- As another boost to education the Departmental Committee of Quindío also provided 8,310 kits of school supplies for students in 227 different primary schools to help prevent children in rural areas from dropping out of school.
- The Departmental Committee of Cundinamarca in cooperation with UK's Costa Coffee Foundation, Cundinamarca's Education Secretary and the mayor of Vergara, invested 2010 over USD\$ 77,000 in the nutritional program for La Esperanza school in Vergara, benefiting 148 students directly and indirectly to 80 students from nearby schools, as well as 150 families.
- With the support of the indigenous authorities, the Social State Enterprise known as –ESE Cxyu^Jxut (sacred Word in the Páez language that means “Happy herb”) and Acción Social, the Cauca Coffee Growers' Committee is building the Jambaló Municipality Hospital. Similarly, in Guapi's municipality renovation and maintenance of the local hospital is being made.
- Also, in cooperation with Colombia's national government the Cauca Coffee Grower's Committee participates in the construction

Agrupados y Múltiples Homes for the Infant attention program, so that youngsters from Miranda, Timbío, Jambaló, Caldono, Rosas, Totoró, Puracé and Cajibío can be provided with first care and nutritional elements. Total investment is of about USD\$ 1.4 million.

- The Departmental Committee of the Valle del Cauca operates different programs through the Cooperative Foundation for Education FECOOP to reinforce rural education. During 2010, 8,337 students and 356 teachers benefitted through different programs such as: New School, School and Coffee (See page 99), and the Tutorial Apprenticeship System SAT.
- Finally, in 2010 the Federation and its Committees, the Norte de Santander Committee, Almacafé, Procafecol and the Manuel Mejía Foundation collaborators decided to help the inhabitants of the coffee growing municipality of Gramalote that lost their homes during the rainfall season of 2010. The monies provided by employees were leveraged with the support of Banco Agrario, creating a fund of over USD\$ 500,000 to rebuild 100 houses.



2.2 Buencafé

Because it is such an important part of its surrounding community, Buencafé is a responsible business that gives back to Chinchiná—where it is located.

Buencafé supports the local community through the following social programs.

School Breakfasts: In cooperation with Nutrir, an NGO that works with poor children, Buencafé has supported food programs in the urban area of Chinchiná for over 12 years. These programs, which are designed to prevent irreversible mental retardation due to malnutrition, have meant that 1,310,000 breakfasts have been served to poor school children under high risk of malnutrition.

Only in 2010 Buencafé provided 184,000 nutritional, high-calorie breakfasts served in six school cafeterias. In addition, Buencafé gave 500 Christmas boxes to children during the holiday season.



Community leadership groups: For over ten years Buencafé, in association with the Leadership Institute of Caldas (EMAO by its Spanish acronym), has supported the creation of leadership groups to help teach about values, interpersonal relationships, communication, and self-esteem. In 2010, we focused our training programs on leadership and entrepreneurial courses to 70 students of EMAO. Our goal is to contribute to develop responsible leaders and citizens that would serve the community's interests.



"I have been in charge of this program for six years, and the experience has been enough to say that the fruits of this project are priceless. The children at the school come from very poor backgrounds, and have some of the worst social difficulties and family problems that a person can't even imagine. I have been able to see how children without hope for a future six years ago, are now young adults with life projects. In 2010 we had a marvelous experience. The program became an important support for the teachers and even the parents of the students. The 'values crisis' of these children is very serious, and this experience reinforces them, and helps the children grow as better individuals. As I said before, the most important part of this program is the future benefits that it provides."
Carmen Ruth Valencia Buitrago, teacher at the Juan José Rondón School.



Furniture and appliance donations:

For 36 years Buencafé has made donations of furniture, equipment and appliances to educational and other entities in Chinchiná, such as the SENA, the Chinchiná Fire Department, the San Marcos Hospital, the Manuel Mejía Foundation, several retirement homes, the Municipal School of Arts and Trades, EMAO, the Mayor's Office, and other not-for-profit institutions that may need them.

Recycling Program: The recyclable material resulting from production at Buencafé (scrap metal, cardboard, glass, plastic, paper, etc.) is sold through the Development Corporation of the Red Cross Children's Hospital of Caldas (CORPOINFANTIL by its Spanish acronym), which buys, collects, and transports these materials to be sold at the price established by recycling businesses. This money is donated to different entities chosen by Buencafé such as: the Nutrir Foundation, The San Jose of Chinchiná Retirement Home, the Chinchiná Nursery School, San Francisco Primary School, the Symphonic Orchestra of Caldas and Batuta, and the Alejandra Vélez Mejía Foundation of the Children's Hospital of Caldas, which is dedicated to the research and treatment of cancer.

2.3 Procafecol

Through its cafes and different product lines, the Juan Valdez brand has supported the reconciliation of Colombian society by helping disseminate a message of peace and union.

From its establishment in 2002 to the end of 2010, Procafecol contributed close to USD\$ 10.4 million in royalties that had been paid for the use of the Juan Valdez brand to the National Coffee Fund to finance a growing number of social and productive investment programs that are described in this report.

In conjunction with this work, the company has undertaken diverse initiatives that are associated with specific products and projects. For example, in 2010, several noteworthy projects included:

Juan Valdez Bracelets: Thanks to the alliance with the Manuel Mejía Foundation, the sales of Juan Valdez bracelets in Juan Valdez Cafes provide 5% contribution to improve and guarantee the education of the children of Colombian coffee growers.

Best Buddies: This project is designed to open doors to the social integration of individuals with cognitive disabilities. Working through companies associated with the program, these individuals have an opportunity to establish friendships with individuals who do not have disabilities and help them develop the necessary tools to integrate into society

and gain employment. Through the Juan Valdez Cafes, Procafecol, has been involved with this international program since 2006, annually offering employment to four individuals who do the same work as any other employee, with the exception that they do not manage either the cash register or any money.



*Case Study***SPECIAL EDITIONS OF COFFEE SOLD UNDER THE JUAN VALDEZ® BRAND**

The special edition coffees sold under the Juan Valdez® brand showcase a specific social investment program of our Federation, or a special commemoration of different communities throughout Colombia. Some examples of these initiatives are the Young Coffee Growers' edition, the Tierradentro edition which celebrates the work of indigenous communities, and the Azucar Buena La Mesa edition, which highlights the resolution of conflict and social reincorporation of vulnerable populations through coffee production.



Young Coffee Growers': This edition is the fruit of the Innovative Models Young Coffee Growers' project operated by our Federation with funds from the Inter-American Development Bank. When our clients purchase this product in Juan Valdez Cafés® or in supermarkets they not only help finance the program, they also make its work known to the public (See page 110).

Tierradentro Coffee: The Tierradentro Origin Coffee was launched in April 2009. It is produced in the north-eastern part of the department of Cauca. This coffee is the result of the collective work of 315 families that belong to the



Council Association of Juan Tama, who came together to search for alternative ways of developing their community following the principle of respecting nature, a key part of the Paez indigenous culture.

Reconciliation Coffee, Azúcar Buena la Mesa 2009: The Colombian Coffee Growers' Federation, Juan Valdez® Café, and the Office of the High Commissioner for Reintegration (ACR by its spanish acronym), united to support the community of Azucar Buena la Mesa, Cesar, which has come together through the cultivation of coffee as an alternative, sustainable path to development and co-habitation.

Juan Valdez Bird Coffee: Climate change and deforestation not only affects our planet as a whole. It also endangers the habitat of thousands of species in Colombia. In Huila department, the San Isidro coffee grower group tirelessly works to preserve the woods and the birds that are threatened by extinction that live in them. The Special Juan Valdez® Bird Coffee edition, launched in September 2010, is recognition to the coffee growers from southern Huila, whose work and commitment to the protection of birds and their habitat deserves to be known by all consumers.



Glossary

A

- **100% Colombian Coffee Programme:**

An alliance between coffee brands all over the world and the producers of Colombian coffee. The 100% programme is unique for its dimension and its capacity for communication. The members of the programme accept to fulfill certain ethical and behavioral codes and to respect the Colombian coffee origin in order to use the

Colombian Coffee  Logo as a distinctive mark and symbol of the community's interests and values: hard work, quality, effort, a willingness to do things well and, thus, offer the market a superior quality product.

- **Aged Coffee**

Plantations: Sun-systems with an average tree age of more than 9 years or shade or semi-shade systems with an average tree age of over 12 years.

B

- **Basic Sanitation:** Comprises all the work undertaken to improve the health and sanitation conditions of a home. Toilets, septic tanks, and

waste recycling are fundamental for basic sanitation.

- **Biological Corridors:** A biological or ecological corridor is an area of connection, with a significant biodiversity, between protected areas in order to prevent the fragmentation of such habitats.
- **Biomass:** Organic material, either spontaneous or provoked, originating from a biological process and which can be used as fuel.
- **B-learning [Blended learning]:** Is a semi-presential process since it includes presential classes and virtual (e-learning) activities.
- **Business Management:** A programme aimed at consolidating the business know-how of coffee growers by teaching them efficient farm management skills, strengthening

their human values, and training producers to manage their own coffee businesses efficiently and facilitating the viability and permanence of the coffee business.

C

- **Coffee Berry Disease**

[CBD]: Is a disease caused by the Colletotrichum Kahawae fungus, which attacks the plant in every stage of its growth, from fruits and flowers and sometimes even the leaves.

- **COD [Chemical Oxygen Demand]:** Parameter used to characterise organic contamination of residual water, which



is measured through the amount of dissolved oxygen necessary for the chemical degradation of the organic pollutants it contains.

- **Coffee Bean:** Known as green coffee and gold coffee in some countries, coffee beans are used to produce roasted coffee, instant coffee and coffee extracts. They are green in colour and have a typical fresh coffee aroma and a humidity of 10 to 12%.
- **Coffee Bean Size:** The size of a coffee bean expressed as 64ths of an inch and measured using a net or sieve.
- **Coffee Business Units - UCAE [for its acronym in Spanish]:** Small companies made up of selected young coffee-growers, who get social, business, legal and technical support to put together a partnership and, with

the income from the farm, buy the land they occupy.

- **Coffee Cherry:** The fruit of the coffee plant which is picked when ripe. Each cherry contains 2 coffee beans.
- **Coffee Contribution:** A contribution that coffee growers make from their own incomes generated from coffee exports. This contribution goes to the National Coffee Fund for developing programs to maintain the coffee growers' and their families well being
- **Coffee Extract:** Concentrated coffee used as an ingredient for drinks, essences, sweets, liquors, confectionary, etc.
- **Coffee Growers' Id:** A document issued by each Departmental Coffee Growers Committee to federated coffee growers, which allows them

to vote or be voted for in the coffee elections.

- **Coffee Origin:** Coffee grown in a region or a farm with unique properties. Customers prefer them for their special aroma and flavour attributes. There are three sub-categories: regional, exotic and state coffee.
- **Coffee Processing:** Group of operations undertaken to process coffee cherries into dry, parchment coffee.



- **Dry Parchment Coffee:** The result of the milling process

obtained once the mucilage have been removed, and after it has been washed and dried up to a humidity of 12%.



- **Extension Service:** A system or service, which, through educational procedures, helps producers to improve their agricultural methods and techniques, increase their productivity and, in turn, their income. It also helps communities to improve their level of well-being and highlight the community's educational, social and cultural norms.



F

- **Fair Trade:** Commercial initiative to help small-scale coffee producers (and of other agricultural products) improve their trading conditions by being paid fairer, more stable prices.
- **Fertilization:** Optimum nutrition for coffee plants to obtain the highest yield possible, a good quality and the lasting vigor and general well-being of the plantation.
- **Food Security:** Permanent availability and access for individuals or groups of people to the food necessary for a healthy and active life, with emphasis on the quantity, variety and quality. When considered within the framework of sustainable development, food safety concerns itself with the food safety and is part of healthy life habits.
- **Formal Education:** The education imparted in approved educational establishments, in a regular sequence of elective cycle, in accordance with progressive curricular guidelines, which lead to graduations and academic titles.
- **Freeze-Dried Coffee:** Soluble coffee, freeze-dried to preserve its flavour, aroma and natural perfect balance. Liquid coffee is frozen and then introduced into a vacuum chamber. This eliminates its water from a solid state to a gaseous one, without going through a liquid state.

G

- **Genomics:** The group of sciences and techniques dedicated to the integral study of the functioning, content and origin of the genetic information belonging to a particular organism.
- **Germinator:** The place above or at ground level, usually covered with a layer of washed river sand, in which coffee seeds are planted so that they can germinate. The plantlets are left there until the appearance of the first couple of leaves.
- **Good Agricultural Practices [GAP's]:** Sustainable usage of basic natural resources for production of food and non-consumable innocuous healthy products. At the same time, GAP's

contribute to the agriculture producers' economic viability and social stability.

I

- **Instant Coffee:** Soluble or instant coffee is the powder or the granules that are obtained after the water has been removed from coffee extract. It is stable and it can maintain its quality for many months, or even years, given that it is less vulnerable to oxidation.
- **Intelligent Coffee Growers' Card:** A document



with magnetic strip and smartchip that is used as ID by non-federated coffee growers that it allows them to be paid for their harvest and receive and incentives generated by the FNC.

- **Intelligent Coffee**

Growers' Id: A document with a magnetic strip and smartchip that is used as ID by federated coffee growers and it allows them to be paid for their harvest and receive support and incentives generated by the FNC.



- **Leachate:** Fluids produced due to the decomposition of organic

material which, as they flow, dissolve substances and drag particles contained in the residue.

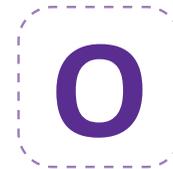


- **Mild Coffee:** Arabica coffees typical for their mildness (pronounced acidity and moderate bitterness). The main Arabica varieties grown in Colombia are: Típica, Borbón, Maragogipe, Tabi, Caturra and the Castillo® variety.
- **Milling:** Process by which dry parchment coffee is stripped of its endocarp by using special machinery. It then becomes green coffee, and is classified according to size and quality.



- **Non-Formal Education:**

Offered to complement, up-date, and supplement knowledge as well as train in academic and professional fields not bound by the leveling and grading system established by law for formal education.



- **Organic Coffee:** This coffee is grown without the usage of

chemical products such as fungicides, herbicides, insecticides, and fertilizers, which are replaced by organic fertilizers, often made up on the coffee farms themselves.



- **Plagues:** Any species, race or plant or animal biotype or any pathogen which damages the plants and vegetable products.



- **Plant Sanitation:** A series of conditions and actions that allow us to keep the plant propagation material at such levels that they minimize the spread of diseases that lead to economic damage.
 - **Pods:** Ground coffee-bag, vacuum packed in a controlled environment, for individual portions that keep all the flavour and aroma until the packaging is opened.
 - **Post-harvest:** Milling and drying process undertaken after picking the coffee cherries.
 - **Poverty Traps:** Any mechanism or vicious cycle that allows the persistence of poverty, despite a country's increase in economic growth and/or income.
 - **Production Infrastructure:** Aid packages for coffee production infrastructure such as germinators, seedbeds, mills and drying facilities, among many others.
 - **Protected Geographical Indication [PGI]:** A distinctive mark with a specific geographic name used to identify products that come from that particular origin. The quality of the products is directly linked to that origin.
 - **Public Good:** Goods or services available to everyone, that can be used by more than one person at the same time.
-
- **Renovation:** The work entailed in keeping coffee plantations young and productive. It is advisable to establish a yearly plan whereby every year 1/5 of the plantation is renewed. Renovation can be done by growing and ratooning.
 - **Renovation by Ratooning:** Renewal method that consists in cutting the tree to a height of 30cm from the ground. Of the new shoots 1, 2 or 3 are selected in order to increase the density without going over the ideal number of plants for each production system.
 - **Roasted Coffee:** The processing of green coffee by means of heat application, which produces physical changes, and chemical reactions that develop its highly appreciated aroma and flavour.
 - **Robusta Coffees:** A variety of *Coffea canephora* that is more resistant to many coffee diseases, in particular, rust. It produces a strong, bitter drink with a higher concentration of caffeine. It is generally grown at altitudes of less than 1.000 m.a.s.l., in countries such as Brazil, Vietnam, Indonesia and Uganda.
 - **Royalties:** The payment made to the owner of intellectual property rights, for patents, brands, or know-how in exchange for the right to use or exploit them. It is also the payment made to the State in exchange for the use or extraction of certain natural resources - often non-renewable.



- **Rust [Coffee Leaf Rust]:** The main Arabica coffee disease in Colombia, caused by the fungus that affects the coffee leaves of any age. The lesions take the shape of round patches on the underside of the leaf covered in a yellow-orange powder that makes the leaves fall.



- **Specialty Coffee :** Coffee valued by the consumers for their consistent, verifiable and sustainable attributes for which they are willing to pay a higher price, which, in turn, lead to improved well-being of the coffee growers. The characteristics are down to the origin of the coffee (origin category), its environmentally

friendly production (sustainable category) and its commitment to the social development of the coffee communities (social category).

- **Sustainable Coffee:** Cultivated by communities with a serious commitment to the protection of the environment, through clean production practices and the conservation of the biodiversity in their areas and the well-being of the coffee families that produce it.



- **Technical Assistance:** The integrated and articulated accompaniment of agricultural

producers in each and every one of their processes.

- **Tracking System :** A collection of actions, measures, and technical procedures that allows us to identify and register each product from its birth right up to the end of the trade chain.



- **Virtual Education:** Learning based on the use and appropriation of new information, technology and communication, adapted to the needs of students and which facilitate information management.



- **Weeds:** Plants that coexist with other plants within a plantation or that sometimes compete for water, nutrients, Carbon dioxide, O2 and space. This can affect the main crops yields.



- **Yield Factor:** Kilograms of dry parchment coffee needed to produce one 70 kg-bag of Excelso coffee.



FNC - Sponsored Institutions

Almacafé [for its acronym in Spanish]

[Almacafé S.A.]

Almacafé was created as an entity specialised in providing the coffee chain with logistics and quality control services. It also provides these services to third parties.

www.almacafe.com.co

Buencafé [for its acronym in Spanish]

[Buencafé Freeze-Dried Colombian Coffee]

Located in Chinchiná, Caldas, Buencafé is a FNC industrial operation that produces and exports freeze-dried Colombian coffee to international markets.

www.buencafe.com

Cenicafé [for its acronym in Spanish]

[National Center for Coffee Research]

Located in Chinchiná, Caldas, Cenicafé is a FNC department that undertakes research programmes to benefit the coffee industry.

www.cenicafe.org

Crece [for its acronym in Spanish]

[Centre for Entrepreneurial and Coffee Studies]

Is study center with experience in designing and executing research and development projects in a number of different fields -particularly in coffee economy- actively participating in the discussions about the country's regional development problems.

www.crece.org.co

Departmental Coffee Grower Committees

[Departmental Coffee Grower Committees]

These are the regional FNC offices in 15 of the country's departments. With their administrative infrastructure they manage the Extension Service in each region.

Extension Service

[Extension Service]

Designed to maintain permanent contact with the producers through group techniques, individual approximations by the use of mass media, the Extension Service takes

FNC's technology and programmes to the producers and provides feedback for the industry with its priorities and interests.

http://www.federaciondecafeteros.org/caficultores/en/servicios_de_extension/

FMM [for its acronym in Spanish]

[Manuel Mejía Foundation]

Created by the FNC, the FMM has specialised in education and the creation of e-learning platforms for the coffee industry and for third parties

www.fmm.edu.co



Inspections

[Coffee inspections]

Located in the three main export ports, Cartagena and Buenaventura, these offices guarantee the fulfilment of existing regulations by every coffee bag exported from colombian to the external markets.

Municipal Coffee Grower Committees

[Municipal Coffee Grower Committees]

Created in 364 towns, the Municipal Committees are made up of coffee growers elected in every town to discuss their challenges and common priorities, and transmit them to the relevant Departmental Committee.

National Coffee Park

[National Coffee Park]

Located in Montenegro, Quindio, the Park is a foundation led by the Quindío Coffee Growers Committee and FNC aimed at bringing visitors closer to coffee and offer family entertainment

www.ParqueNacionaldelCafe.com

Procafecol [for its acronym in Spanish]

[Café de Colombia S.A. Promoters]

A private entity created to lead the organization's added value initiatives.

Known for developing the business concept fo the Juan Valdez® Cafés

www.juanvaldezcafe.com

Sustainability that Matters

[Sustainability that Matters®]

FNC programmes co-funded by a number of sources for the well-being of coffee growers and their communities. The Sustainability that

Matters® initiatives are divided into programs for farms, rural communities, the environment and the connectivity of rural areas.

www.SustainabilityThatMatters.org



First National Drawing and Painting Competition
"80 years Colombian Coffee Growers Federation"
Esteban Mendoza Acosta - [8 years old]
Pacho / Cundinamarca - [2007]



GRI-G3 Content Index



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1. Strategy and Analysis			
1.1	Statement of relevance of sustainability for the company.	Chap 2. Our Colombian Coffee Growers Federation 3.1 Structure of the Colombian Coffee Growers Federation 3.5 The sustainability of our strategy	20 and 24
1.2	Main impacts, risks, and opportunities related to sustainability	Chap 2. Our Colombian Coffee Growers Federation 3.5 The sustainability of our strategy	24
2. Organizational Profile			
2.1	Name of the organization	Federación Nacional de Cafeteros de Colombia	
2.2	Primary brands, products, and/or services	Chap 2. Our Colombian Coffee Growers Federation 1.The National Coffee Fund: The power of collective savings 2. Public goods for all coffee growers 3. A structure to serve coffee growers	18,19 and 20
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Chap 1. Colombia is Coffee Chap 2. Our Colombian Coffee Growers Federation 3. A structure to serve coffee growers	8 and 20
2.4	Location of organization's headquarters	Bogotá D.C.	
2.5	Number of countries where the organization operates.	Chap 1. Colombia is Coffee Chap 2. Our Colombian Coffee Growers Federation 3. A structure to serve coffee growers	8 and 20
2.6	Nature of ownership and legal form	The National Federation of Coffee Growers of Colombia is a legal entity under private law, non-political, non-profit. Article 3 Coffee growers Federation's statute, online. http://www.federaciondecafeteros.org/static/files/ESTATUTOS%20REFORMADOS%202007.pdf	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Chap 1. Colombia is Coffee Chap 3. About this Report 1.Involving our stakeholders	8 and 28
2.8	Scale of the reporting organization	Chap 2. Our Colombian Coffee Growers Federation Chap 10. Business Responsibility	14 and 138
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Chap 2. Our Colombian Coffee Growers Federation Chart Evolution of FNC - Sponsored institutions	16
2.10	Awards received in the reporting period	www.federaciondecafeteros.org/particulares/es/quienes_somos/reconocimientos	

CONTENT GRI - G3		WHERE TO FIND THE INDICATOR OR COMMENTS	PAGE
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REPORT PROFILE		Chap 3. About this Report	26
3.1	Reporting period	The report covers the period 1927-2010, the performance indicators respond to management according to the availability of information	
3.2	Date of most recent previous report	This is the first report	
3.3	Reporting cycle	Annual	
3.4	Contact point for questions regarding the report or its contents	Sustainabilitythatmatters@cafedecolombia.com Management and Marketing Communications	
Report Scope and Boundary			
3.5	Process for defining report content	Chap 3. About this Report 2. Defining topics of material importance for our sustainability	31
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	This report represents the Colombian coffee growers Federation and their companies	
3.7	State any specific limitations on the scope or boundary of the report	This report presents the sustainability actions, also developed by the National Federation of Coffee Growers of Colombia, its agencies and its related companies. The indicators are consistent with the availability of information. The scope of subsequent management reports shall be developed annually.	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Chap 2. Our Colombian Coffee Growers Federation 3.3. Other entities linked to our organization	23
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Report is based on international standards and indicators established by the National Federation of Coffee Growers, based on reports from its programs and accounting information in regard to monetary figures	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	No previous reports	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	No previous reports	
GRI Content Index			
3.12	Table identifying the location of the Standard Disclosures in the report	GRI Table annexed	
Assurance			
3.13	Policy and assurance of the report	This report has no external verification. BSD Consulting accompanied the Federation in the preparation of this report	



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4.2	Indicate whether the Chair of the highest governance body is also an executive officer The Chair of the Steering Committee, a body equivalent to the Board in other organizations, rotates in alphabetical order among the 15 representatives of the departmental committees	
4.3	The number of members of the highest governance body that are independent and/or non-executive members Chap 2. Our Colombian Coffee Growers Federation Chart. Structure of the Colombian Coffee Growers Federation See also chapter III and IX of the Coffee growers Federation's statute, online. http://www.federaciondecafeteros.org/static/files/ESTATUTOS%20REFORMADOS%202007.pdf	20
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body Chap 3. About this Report 1. Involving our stakeholders	29
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance) Chap 10. Business Responsibility 1.5. Compensation policies 2010	150
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided Chap 2. Our Colombian Coffee Growers Federation. 3. A structure to serve coffee growers See also chapter XIV of the Coffee growers Federation's statute, online. http://www.federaciondecafeteros.org/static/files/ESTATUTOS%20REFORMADOS%202007.pdf	20
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics Chap 2. Our Colombian Coffee Growers Federation 3. A structure to serve coffee growers Case study: 2010 Coffee Elections See also chapter X of the Coffee growers Federation's statute, online. http://www.federaciondecafeteros.org/static/files/ESTATUTOS%20REFORMADOS%202007.pdf	20 and 21
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation Chap 2. Our Colombian Coffee Growers Federation 3.1. The sustainability of our strategy Chap 10. Business Responsibility 1.1. A Description of our human talent See also chapter I of the Coffee growers Federation's statute, online. http://www.federaciondecafeteros.org/static/files/ESTATUTOS%20REFORMADOS%202007.pdf	24 and 140

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<i>Commitments to External Initiatives</i>		
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4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses Chap 1. Colombia is Coffee Chap 5. Income Sustainability for Coffee Growers Chap 6. Value-Added Sustainable Commercialization Chap 7. Sustainable Quality Chap 8. The Development of Coffee-Growing Families and their Communities Chap 9. Protecting the Environment	8, 42, 56, 72, 96 and 118
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization has positions in governance bodies Chap 2. Our Colombian Coffee Growers Federation Chap 4. Alliances to Promote Sustainability	29
<i>Stakeholder Engagement</i>		
4.14	List of stakeholder groups engaged by the organization Chap 3. About this Report 1. Involving our stakeholders	28
4.15	Basis for identification and selection of stakeholders with whom to engage Chap 3. About this Report 1. Involving our stakeholders	28
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group Chap 3. About this Report 1. Involving our stakeholders	28
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting Chap 3. About this Report 1. Defining topics of material importance for our sustainability	31



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NGO2	Mechanisms for feedback and complaints in relation to programs and policies and for determining actions to take in response to breaches of policies	Chap 3. About this Report 1. Involving our stakeholders	28
NGO3	System for program monitoring, evaluation and learning, (including measuring program effectiveness and impact), resulting changes to programs, and how they are communicated	Chap 2. Our Colombian Coffee Growers Federation 3. A structure to serve coffee growers Chap 4. Alliances to Promote Sustainability	20 and 32
NGO4	Measures to integrate gender and diversity into program design and implementation, and the monitoring, evaluation, and learning cycle	Chap 8. The Development of Coffee-Growing Families and their Communities 2.4. Gender equality Chap 10. Business Responsibility Indicator: Women's participation in the work of our Federation	112 and 142
NGO5	Processes to formulate, communicate, implement, and change advocacy positions and public awareness campaigns	Sustainable Quality Chap 7. Indicator: Extension Service	76
NGO6	Processes to take into account and coordinate with the activities of other actors	Chap 4. Alliances to Promote Sustainability	32
<i>Economic Performance Indicators</i>			
NGO7	Resource allocation.	Chap 2. Our Colombian Coffee Growers Federation Chart. Destination of the revenue of the National Coffee Fund (Average 2005-2010) Indicator: Destination of the revenue of the National Coffee Fund	18, 20 and 32
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EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Chap 4. Alliances to Promote Sustainability	32
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Chap 9. Protecting the Environment 1.9. Climate Change 2. Respecting the environment in the management of our operations	134 and 135
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EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Chap 2. Our Colombian Coffee Growers Federation 1. The National Coffee Fund: The power of collective savings Chap 4. Alliances to Promote Sustainability	18, 20 and 32
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Chap 2. Our Colombian Coffee Growers Federation 3.1. The structure of the Federation Case Study: 2010 Coffee Elections Chap 10. Business Responsibility 1.4. Process of selection and induction	20, 21 and 149
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Chap 8. The Development of Coffee-Growing Families and their Communities 1. Improving the quality of life of coffee-growing families 2. Strengthening the social network of coffee-growing communities 3. Promoting connectivity in coffee-growing zones	98, 106 and 114
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Chap 2. Our Colombian Coffee Growers Federation Indicator: Direct benefits received by coffee growers and their families Chap 8. The Development of Coffee-Growing Families and their Communities 1. Improving the quality of life of coffee-growing families 2. Strengthening the social network of coffee-growing communities 3. Promoting connectivity in coffee-growing zones	19, 98, 106 and 114



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<i>Environmental Performance Indicators</i>			
EN1	Materials used by weight or volume	This indicator is not currently calculated, is expected to inform the following report	
EN2	Percentage of materials used that are recycled input materials	This indicator is not currently calculated, is expected to inform the following report	
EN3	Direct energy consumption by primary energy source	This indicator is partially answered in Chapter 9. Protecting the Environment 1.6. Generation of alternative energy sources	131, 134 and 136
EN4	Indirect energy consumption by primary source	This indicator is partially answered in Chapter 9. Protecting the Environment 2.1. Generation of alternative energy sources 2.1. Buencafé	131
EN5	Energy saved due to conservation and efficiency improvements	Chap 9. Protecting the Environment 1.6. Generation of alternative energy sources 2.1. Buencafé	131 and 136
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Chap 9. Protecting the Environment 1.6. Generation of alternative energy sources 1.9. Climate Change 2.1. Buencafé	131, 134 and 136
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Chap 9. Protecting the Environment 1.6. Generation of alternative energy sources 1.9. Climate Change 2.1. Buencafé	131, 134 and 136
EN8	Total water withdrawal by source	Chap 9. Protecting the Environment Case Study: Environmentally-friendly coffee processing, an initiative to optimize water use in coffee production	123
EN9	Water sources significantly affected by withdrawal of water	Chap 9. Protecting the Environment 1.1. Water conservation	122
EN10	Percentage and total volume of water recycled and reused	Chap 9. Protecting the Environment 1.1. Water Conservation	122
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Chap 9. Protecting the Environment 1.1. Water conservation 1.2. Forest conservation 1.3. Biodiversity	122, 125 and 127
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Chap 9. Protecting the Environment 1.1. Water conservation 1.2. Forest conservation 1.3. Biodiversity	122, 125 and 127

CONTENT GRI - G3		WHERE TO FIND THE INDICATOR OR COMMENTS	PAGE
EN13	Habitats protected or restored	Chap 9. Protecting the Environment 1.1. Water conservation 1.2. Forest conservation 1.3. Biodiversity 1.8. Coffee-growing Landscape	122, 125, 127 and 133
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Chap 9. Protecting the Environment 1.1. Water conservation 1.2. Forest conservation 1.3. Biodiversity 1.8. Coffee-growing Landscape	122, 125, 127 and 133
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	The National Coffee Growers Federation has identified 27 species of birds present in coffee zones according to the red book of endangered species compiled by the Ministry of Environment and Alexander Von Humboldt Institute. Actions undertaken by the Federation to educate communities about the importance of biodiversity conservation in their crop locations are an important step toward mitigating the impact of the operation. Some of these activities are highlighted in section 1.3 Biodiversity, in Chapter 9 ("Protecting the Environment") of this report. Also, Cenicafé published Biocarta 14 (Nov 09), which includes the 27 bird species and informs coffee growers of best practices for their conservation. We do not have an endangered species inventory for species in other taxonomic groups.	127
EN16	Total direct and indirect greenhouse gas emissions by weight	Chap 9. Protecting the Environment Case Study: Measuring the coffee life cycle carbon footprint	135
EN17	Other relevant indirect greenhouse gas emissions by weight	This indicator is not currently calculated, is expected to inform the following report	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Chap 9. Protecting the Environment 1.2. Forest conservation 1.9. Climate Change 2.1. Buencafé	125, 134 and 136
EN19	Emissions of ozone-depleting substances by weight	This indicator is not currently calculated, is expected to inform the following report	
EN20	NOx, SOx, and other significant air emissions by type and weight	This indicator is not currently calculated, is expected to inform the following report	
EN21	Total water discharge by quality and destination	This indicator is not currently calculated, is expected to inform the following report	



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EN22	Total weight of waste by type and disposal method	Chap 9. Protecting the Environment 1.5. Waste and agro-chemical management Case Study: Alliance with the Campo Limpio (Clean Countryside) Corporation for the environmentally-sustainable disposal of empty pesticide containers	130
EN23	Total number and volume of significant spills	No material	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	No Material	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Chap 9. Protecting the Environment 1.1. Water conservation 1.2. Forest Conservation 1.3. Biodiversity	122, 125 and 127
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Chap 9. Protecting the Environment 1. Environmentally-friendly farm management 2. Respecting the environment in the management of our operations	122 and 135
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	This indicator is not currently calculated, is expected to inform the following report	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Zero	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	This indicator is not currently calculated, is expected to inform the following report	
EN30	Total environmental protection expenditures and investments by type	Chap 4. Alliances to Promote Sustainability Indicator: Investment in the sustainability that matters programs	40
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LA1	Total workforce by employment type, employment contract, and region	Chap 10. Business Responsibility 1.1. Human talent in our companies	141

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LA2	Total number and rate of employee turnover by age group, gender, and region	Chap 10. Business Responsibility 1.1. Human talent in our companies	141
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Chap 10. Business Responsibility 1.2. Training, education and development of our employees 1.3. Work-family balance	143, 149 and 151
NGO9	Mechanisms for workforce feedback and complaints, and their resolution	Chap 3. About this Report 1. Involving our stakeholders	29
LA4	Percentage of employees covered by collective bargaining agreements	Chap 10. Business Responsibility 1.1. Human talent in our companies	140
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	The Federation complies with the law and respects the right to freedom of association	
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	Zero	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Chap 10. Business Responsibility Case Study: Occupational Health and Security (S&SO)	151
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Chap 10. Business Responsibility Case Study: Occupational Health and Security (S&SO)	151
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Chap 10. Business Responsibility Case Study: Occupational Health and Security (S&SO)	151
LA9	Health and safety topics covered in formal agreements with trade unions	In Federation met all treaty obligations including health and safety issues	
LA10	Average hours of training per year per employee by employee category	Chap 10. Business Responsibility 1.2. Training, education and development of our employees	143
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Chap 10. Business Responsibility 1.2. Training, education and development of our employees	143



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LA12	Percentage of employees receiving regular performance and career development reviews	Chap 10. Business Responsibility Case Study: Measuring Performance	144
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Chap 10. Business Responsibility 1.1. Human talent in our companies Chart: Evolution of women's participations in the work of our Federation (1999-2010)	141 and 142
LA14	Ratio of basic salary of men to women by employee category	Chap 10. Business Responsibility 1.5. Compensation policies 2010 Compensation of employees of the Federation is defined in terms of the work conducted by the office, but not by gender difference	150
Human Rights Performance Indicators			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	100% of the agreements signed by the federation with its strategic partners from international cooperation are analyzed under the criteria of defense of human rights	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	This indicator is not currently calculated, is expected to inform the following report	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Chap 8. The Development of Coffee Growing Families and their Communities Case Study: Reconciliation, a Juan Valdez® coffee product that promotes co-existence Chap 10. Business Responsibility Case Study: Virtual training courses on work relationships and community mediations subjects: teaching our associates about human rights	107 and 145
HR4	Total number of incidents of discrimination and actions taken	Zero	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Chap 10. Business Responsibility 1.1. A Description of our human talent - Prohibition of child and forced labor	140
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Based on company policy and consistent with Colombian labor law and respect for human dignity in our National Federation of Coffee Growers there is absolute prohibition of child labor and forced labor	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Zero	

CONTENT GRI - G3		WHERE TO FIND THE INDICATOR OR COMMENTS	PAGE
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	This indicator is not currently calculated, is expected to inform the following report	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	There were no reported incidents during 2010	
Society Performance Indicators			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Chap 4. Alliances to Promote Sustainability Chap 5. Income Sustainability for Coffee Growers 1.1. Purchase Guarantee Policy 1.2. Price transfer Chap 8. The Development of Coffee-Growing Families and their Communities 1. Improving the quality of life of coffee-growing families Chap 9. Protecting the Environment 1. Environmentally-friendly farm management 2. Respecting the environment in the management of our operations	32, 44, 46, 98, 122 and 135
FP4	Nature, scope and effectiveness of any programs and practices (in kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need.	Chap 8. The Development of Coffee-Growing Families and their Communities. Case Study: Food Security Program Chap 10. Business Responsibility Case Study: Occupational Health and Security (S&SO)	103 and 151
SO2	Percentage and total number of business units analyzed for risks related to corruption	Chap 2. Our Colombian Coffee Growers Federation 3.4. Guarantee for transparency in the management of our Federation	23
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	100%	
SO4	Actions taken in response to incidents of corruption	The measures taken include dismissal and criminal charges	
SO5	Public policy positions and participation in public policy development and lobbying	Chap 2. Our Colombian Coffee Growers Federation 1. The National Coffee Fund: The power of collective savings Chap 4. Alliances to Promote Sustainability By authorization of the national government, the Federation manages the resources of the National Coffee Fund, whose highest body is the National Coffee Growers Committee. In this forum, the Federation, acting as the legitimate representative of Colombian growers, works with the government to form national coffee policy.	18 and 32



CONTENT GRI - G3		WHERE TO FIND THE INDICATOR OR COMMENTS	PAGE
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	The Federation does not fund political parties, FNC statutes	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Zero	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Zero	
<i>Product Responsibility Indicators</i>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Chap 7. Sustainable Quality Case Study: The production process of coffee in Colombia Chart Quality controls applied by the Colombian Coffee Growers' Federation	80, 88 and 92
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Zero	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards.	Chap 6. Value-Added Sustainable Commercialization 1.1. Specialty coffees 1.2. Sustainable coffees Chap 9. Protecting the Environment 2.1. Buencafé	59, 62 and 136
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars.	No Material	
FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives.	This indicator is not currently calculated, is expected to inform the following report	
PR3	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No Material	

CONTENT GRI - G3		WHERE TO FIND THE INDICATOR OR COMMENTS	PAGE
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements.	No Material	
PR4	Número total de incumplimientos de la regulación y de los códigos voluntarios relativos a la información y al etiquetado de los productos y servicios, distribuidos en función del tipo de resultado de dichos incidentes	There are no reported incidents against regulatory codes	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Chap 7. Sustainable Quality Indicator: Coffee grower's satisfaction with the Extension Service Chap 6. Value-Added Sustainable Commercialization Case Study: Repositioning 100% Colombian Coffee in the United States	77 and 68
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Chap 6. Value-Added Sustainable Commercialization 1.1. Specialty coffees 1.2. Sustainable coffees Chap 7. Sustainable Quality Case Study: Technical assistance for iso 9001:2008 quality certification Case Study: Certification office, CAFECERT Chap 9. Protecting the Environment 2.1. Buencafé	59, 62, 78, 95 and 136
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Zero	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Zero	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Zero	



CONTENT GRI - G3		WHERE TO FIND THE INDICATOR OR COMMENTS	PAGE
<i>Food Processing Indicators</i>			
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy.	100%	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard.	Chap 6. Value-Added Sustainable Commercialization 1.1. Specialty coffees 1.2. Sustainable coffees	59 and 62
FP9	Percentage and total of animals raised and/or processed, by species and breed type	No Material	
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic.	No Material	
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	No Material	
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	No Material	
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals.	No Material	

- Sector Supplement NGO
- Sector Supplement Food Processing

