

Project backgrounder

AAA Farmer Future Program: guarding farmers against the risks of instability in the coffee growing sector through innovative solutions to farmer welfare

Partners: Nestlé Nespresso, Fairtrade International, Expocafe (representing AAA cooperatives in Caldas), Cafexport
Location: Caldas, Colombia
Scope: Farmer welfare

Background

The prevailing socio-economic context, combined with adverse climate conditions have increased the risk to the supply of highest quality coffee and, more broadly, to the well-being of coffee farming communities. Farmers in Colombia are exposed to the general issue of unstable productivity and additional factors such as price volatility; currency exchange rate fluctuations; a lack of disability and accident insurance; a lack of provisions for retirement, generational change and lack of crop insurance.

As part of its AAA Sustainable Quality™ Program, *Nespresso* established in July 2013 an initiative called the “AAA Farmer Future Program” to address some of these challenges. The pilot was launched in Colombia, where most AAA farmers are based, together with the Colombian Ministry of Labour, Fairtrade International, coffee cooperatives and supplier Expocafe. Its mission is to strengthen and enhance the social-economic development of coffee farming communities by broadening the AAA Program’s social scope beyond farm level and enhancing farmer welfare through innovative solutions.

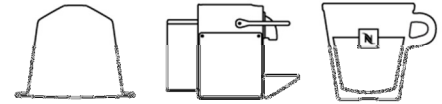
First AAA Farmer Future Program initiative: retirement fund for coffee farmers

In March 2014, *Nespresso*, the Colombian Ministry of Labour, the Aguadas Coffee Growers’ Cooperative, Expocafé and Fairtrade International, supported by the Colombian Coffee Growers’ Federation (FNC), agreed to a ground-breaking public-private partnership to provide a retirement savings plan to coffee farmers who take part in the *Nespresso* AAA Sustainable Quality™ Program.

This first initiative in the AAA Farmer Future Program fits within the *Nespresso* long-term approach to secure farmer welfare and provide social benefits to farmers. It also aims to encourage younger generations to continue farming and preserve this essential part of the Colombian economy and heritage.

The pilot initiative leverages the national retirement scheme, Beneficios Económicos Periódicos (BEPs), developed by the Colombian Ministry of Labour to reach Colombian workers whose income does not allow them to contribute to a pension in their old age. The retirement savings plan was the first platform used by the Colombian government to launch the BEPs initiative.

The pilot has been launched in the Caldas region, initially with the Aguadas Coffee Growers’ Cooperative, which is Fairtrade certified, and long-term coffee supplier Expocafe. The AAA Program’s multi-stakeholder approach and work over the past 10 years in Caldas has



created a robust framework for the implementation of the pilot program due to *Nespresso's* strong connection with coffee farmers and solid network in the region.

In addition to financial aid provided by *Nespresso*, AAA farmers will receive an additional contribution of 20% of what they have saved for their retirement by the Colombian government when they retire.

The *Nespresso* financial investment to support the participation of the Aguadas' AAA farmers in the BEPs and other social protection programs will directly depend on the number of farmers joining the initiative and their savings behaviour. Through the AAA Program, *Nespresso* has built direct relationships with farmers over many years, which provides an ideal platform to expand the coverage of the government's BEPs to farmers. The network of around *Nespresso* AAA agronomists in the region encourages and facilitates access of the farmers into the retirement scheme.

Fairtrade International works closely with the local cooperatives to ensure collective results and impacts for farmers to start planning for their retirement. This strengthens the social dimension of the AAA Program at a community level.

The retirement mechanism will work through the AAA - Fairtrade coffee bought by *Nespresso* to the farming communities in Caldas.

In addition, as part of BEPs, farmers, who have saved money six times a year or at least USD 50 per year, will have access to micro-insurance products.

Progress

During the event announcing the project in Aguadas in March 2014, over 40 AAA farmers registered to the retirement savings plan; around 850 farmers have registered since then.

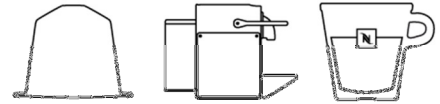
In May 2015, *Nespresso* made the first retirement payment, distributing USD 140'000 to around 850 AAA-FLO certified farms in Caldas, who entered the savings plan as part of BEPs. Farmers received USD 150 each in their personal savings account. Over 200 participating farmers also decided to save additional money into their savings plan.

Farmers taking part in the retirement savings plan will receive this year a micro insurance coverage from the government for death and injuries.

150 farmers who were not cooperative members decided to join the cooperative to benefit from the retirement savings plan. The Norte cooperative also started the process of selling Fairtrade coffee to *Nespresso*. Hence, around 1'000 new farmers in Caldas will join the savings for retirement savings program by the end of 2015.

Since mid-2014, *Nespresso* has already started purchasing new Fairtrade certified green coffee sourced out of its usual volume from the Caldas region, and aims to increase this supply in the coming years.

Nespresso estimates that it will contribute about USD 500'000 to farmers as part of this project by the end of 2015.



Next steps

Nespresso will evaluate the success and reach of this pilot scheme in the coming years to assess if this model could potentially be replicated in other regions and countries.

The AAA Program will be the platform to enable further joint collaboration to protect smallholder farmers' future and, within the framework of the AAA Farmer Future Program, *Nespresso* will continue to seek new ways to respond to the needs of farmers to guard against factors contributing to instability in the coffee sector.