

## Executive Summary

### CRECE's Monitoring & Evaluation Study on the *Nespresso* AAA Sustainable Quality™ Program in Colombia

#### Description:

The CRECE<sup>1</sup> study analyses the impact that the *Nespresso* AAA Sustainable Quality™ Program<sup>2</sup> has had in the lives of coffee farmers in Colombia during the period 2009 to 2011.

#### Study objectives:

- Determine the difference the AAA Program is making in terms of sustainability
- Determine whether environmental practices impact farm results
- Determine whether AAA farmers have higher levels of income and productivity
- Determine whether benefits apply equally to small farmers

#### Methodology:

Data was collected by CRECE in all *Nespresso* AAA farming clusters<sup>3</sup> (Antioquia, Caldas, Cauca, Nariño, Huila). Overall, 1,222 AAA farmers and 563 control group farmers were included in the study.

The methodology is based on COSA. The COSA approach consists of the development and application of an internationally-recognized methodology and data gathering process so that farmers and other stakeholders can more effectively measure, and predict, the outcomes, including costs and benefits, of the adoption of one or more sustainability initiatives.

Multivariate analysis techniques were used to build indexes for social, environmental and economic conditions. CRECE applied this sustainability monitoring index to measure AAA farm performance versus the control sample.

- Social index: includes indicators that reflect working practices, living conditions, occupational safety and health conditions and coffee farmers' social perceptions.
- Economic index: includes variables that are associated with market knowledge, land productivity and farmer yield, production costs, net income and perception of business opportunities.
- Environmental index: includes Good Agricultural Practices (GPA) adoption, soil and water conservation measures and agrochemical handling.

#### Top line results:

The study demonstrated that the AAA farms surveyed, including those that have obtained Rainforest Alliance certification, performed better in terms of social, environmental and economic conditions than non-AAA farms.<sup>4</sup>

Specifically, the study found:

- +22.6% difference in the social index between AAA and non-AAA farms
- +52.1% difference in the environmental index between AAA and non-AAA farms

<sup>1</sup> Centre for Regional Entrepreneurial and Coffee Studies, an independent consulting and research firm based in Colombia.

<sup>2</sup> To protect the future of the highest quality coffees required for *Nespresso* Grands Crus and secure the livelihood of the farmers that grow them, *Nespresso* launched, in collaboration with the Rainforest Alliance in 2003, its unique *Nespresso* AAA Sustainable Quality™ Program. Together, the aim is to work with farmers to produce highest quality coffee sustainably.

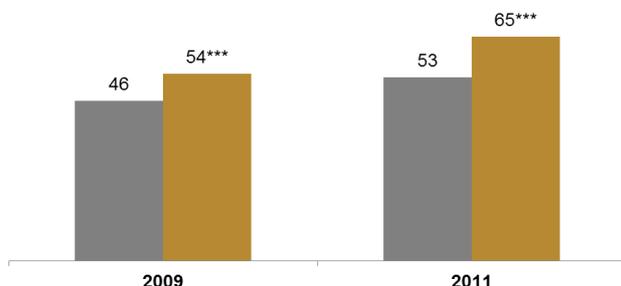
<sup>3</sup> Farmers joining the program are integrated within a *Nespresso* AAA cluster. AAA clusters are geographical regions where:

- Coffee meets the quality and aroma standards required by *Nespresso*.
- Coffee has the same global characteristics (altitude, soil, varieties, etc.).
- Coffee production and quality are stable.
- Coffee can be fully traced.
- There is a relationship between farms (cooperatives, suppliers, associations, etc.).

- +41% difference in the economic index between AAA and non-AAA farms

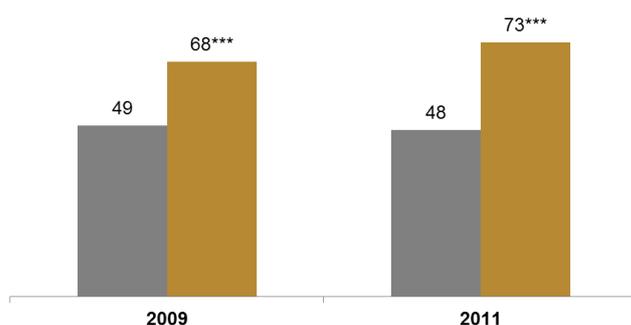
The study demonstrated not only higher absolute values for AAA farms, but it showed an increasing gap between AAA and non-AAA farms as well.

#### *Social index*



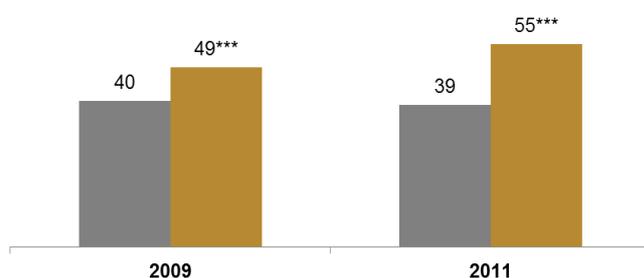
The difference in the social index for AAA farmers was +17.4% with respect to control group in 2009, rising to +22.6% in 2011.

#### *Environmental index*



The difference in the environmental index for AAA farmers was +38.8% with respect to control group in 2009, rising to +52.1% in 2011.

#### *Economic index*



The difference in the economic index in 2009 for AAA farmers was +22.5% with respect to control group, while in 2011 this difference rose to +41%.

#### **Additional findings:**

- Prices for AAA farmers are higher than non AAA. Farmers recognize the premium paid for AAA coffee and they are satisfied with it.
- Net income levels are 46% higher for AAA farmers than non-AAA farmers.
- AAA farmers' proportion of their overall production sold to Nespresso has increased.
- 66% of the coffee produced by AAA farmers is sold as high quality coffee, while only 23% of the coffee produced by the control group is sold as such.

- AAA farmers express strong loyalty to Nespresso, have more stability and a better economic situation. Farmers are reinvesting extra income, mainly in the crop.
- While productivity has decreased for all farmers, mainly due to the renovation program and harsh weather conditions, the decrease has been less significant for AAA farmers.
- AAA farmers receive 40% more technical support than control farmers, leading to higher numbers of rust resistant varieties planted and higher renovation rates.
- Better water treatment practices are in place among AAA farmers, and the water usage for wet milling is lower among the group of AAA.
- 87% of the AAA farms have now a recycling program versus 43% of the conventional farms.
- Soil conservation practices are implemented to a greater degree by AAA farmers.

**Conclusions:**

- AAA farms exhibit higher levels of performance in social, economic and environmental indexes.
- Extra levels of technical support provided as part of the AAA program are producing technological and economic differences between AAA and conventional farmers.
- Despite unfavorable conditions of the coffee sector, AAA farmers have higher levels of productivity and are benefiting from higher net income than non-AAA farmers.
- Small farmers are key beneficiaries of the program.