



A Talk with Mr. Gabriel Silva – CEO of the National Federation of Colombian Coffee Growers - FEDECAFE

*Tuesday 25th September 2007
2 Belgrave Square – Canning House - London, SW1X 8PJ – United Kingdom*

Mr. Gabriel Silva, spoke to B&CCC delegates last Tuesday, 25th September 2007. Below, parts from his intervention:

(Note: The National Federation of Colombian Coffee Growers is an Emerald Member of the B&CCC)

On Colombia

Mr. Silva began to give his impressions on the reasons behind the present Economic Success of Colombia. Aside from an evident increase in performance of the security sector and a record breaking 5% economic growth (the highest registered in decades), Mr Silva identified the following as some of the contributors to this situation:

- Notorious Structural Changes - Reduction of Colombia's Public Sector
- High levels of Private Foreign Direct Investment (FDI) – Resulting in an overall air of confidence, positivism and hope which has made “Colombians believe in their own country”
- Inclusion of a significant number of citizens into formality
- Governmental efforts to increase fundamental aspects such as the level of health care, democracy, and nutrition in Colombia's rural areas; including the most representative coffee growing regions in the country
- Combination of a firm respect for the proper law enforcement, with the high levels of private FDI and social inclusion

On the Coffee Industry

Shifting the talk towards the “real” situation that Colombian coffee growers live in, Mr. Silva compared his fellow national farmers, to those in other coffee producing countries like Brazil. He stated that in a Brazilian coffee farm, you could hear the sound of harvesting equipment, tractors and other machines. While in Colombian coffee farms (which have an estimated average area of 1 – 1,5 hectares, almost like a back yard or garden) you could actually hear the sound of workers, picking by hand the grains. Due to the geography Colombia is a particular country where coffee beans are picked and dried by hand. This makes Colombian coffee more about the people and their relationship to each coffee grain.

He also mentioned that this last point really puts in perspective the level of commitment that the Federation has with over the half a million families they represent and it made it evident that with out its backing and support the farmers will be “orphans” in the world economy. Mr. Silva also pointed out that 20 years ago, farmers could receive up to 30% of the global income generated by coffee, whereas now they roughly get 9%.

He also mentioned that it is hard to comprehend how a small coffee farming family can actually have their Fair Trade rights respected in a globalized society, specially when the price for the coffee they so carefully

look after, is determined in the New York Stock exchange – which for the majority of farmers is a far away land where they speak a different tongue and the calculations for how much they are going to receive for a pound of their hand picked grains, is performed through incomprehensible methods by total strangers.

Mr. Silva also mentioned the need for Colombian Coffee farmers to move forward in the value chain; otherwise they would be damned for poverty. For this, and many other reasons, the National Federation of Colombian Coffee Growers is determined to continue its efforts in Corporate Social Responsibility (CSR) by representing and supporting the farmers, ensuring that their rights are respected and looked after.

Concluding his talk, Mr. Silva proudly mentioned that the European Union has recently granted Colombian Coffee a Protected Geographic Denomination status - the same status that other high quality products have, such as France's Champagne. This is great honour for FEDECAFE, for Colombian Coffee and for Colombians in general, since this is the first non-European product to receive this prestigious denomination. This is definitely good news for the Federation, which also complements the fact that over the past 4-5 years there has been a "rebirth for coffee consumption" in a global level. Furthermore, coffee consumers are becoming more demanding and more conscious of quality coffee, something Colombia can surely offer.

Mr. Silva finalised his talk by saying that for Colombian farmers "sustainability is more than just a trend, it is way of life" and that despite the fact that Colombia has been trading high quality Coffee for decades, "Colombian Coffee has more future than past".

Questions and Answers

Among the comments and replies that took place during the public's questions and interventions, these were the most significant ones.

Relation with the Colombian Government

- The Federation works closely with the Colombian Government establishing rural policies and social stability, as 1 out of 3 jobs in rural areas is related to the Coffee.
- FEDECAFE integrate Farmers, the Government and the international consumer market.

The Juan Valdez Brand & Coffee Shops:

- Five years ago The Federation made the decision to take advantage of the Brand built throughout the years in order promote Colombian Coffee to all the supply chain as well as to promote Colombian coffee directly to the end consumer.
- They are also working diversifying the offer in different formats. The sale of speciality coffees and soluble coffees has increased significantly through the dispenser machines & espresso sector.
- Juan Valdez Coffee Shops have experienced an 80% growth rate since the beginning. This year's growth rate has increased 130% due to various shop openings in Chile, Ecuador, Sweden and Eastern Europe. Juan Valdez Coffee Shops are expected to be present in the UK market by the second semester of 2008 through partnerships and joint ventures.
- These shops focus on the promotion of Colombian Coffee through more advanced phases of the Supply Chain and at the same time, reduce the breach between producers and consumers, therefore stimulating brand loyalty and generating a higher added value.

Capital Markets

- FEDECAFE, the largest Colombian company in term of shareholders, makes it possible for coffee farmers to own stock in the capital market.
- A few years ago FEDECAFE proposed the first IPO for the rural sector in Colombia, only available for the Colombian Coffee growers working with the Federation. The scheme has been very successful and it is planned a second round at the end of this year.

Sustainability & Fair Trade

- Sustainability is a way of living for The Federation, adapted since the beginning of the organization; all their practices and work are based in Corporate Social Responsibility (CSR) as the core of the entity.
- It provides guaranteed purchase to farmers and the best price possible. In Colombia, 86% of the coffee price is guarantee to farmers, compared to 76% in Central America and 50% in Africa.
- The department of Nariño produces one of the highest quality coffees in the world, for which the farmers receive a premium. Last year, FEDECAFE increased their presence in this part of Colombia and as a result, the premium paid to farmers went up by 50%. This premium is reinvested in social projects in their region.
- The Federation is a democratic organisation, with annual elections (64% of participation last year) with a combination of social structure that allows the continuity and presence in the future.
- R&D is a vital part within the organisation, which has over 50 PhD and 100 researchers working for the development of the Industry.

If you are interested in The Coffee Industry, these links provide valuable sources of information

- National Federation of Coffee Growers of Colombia - www.cafedecolombia.com
- Colombia's Agriculture Ministry - www.minagricultura.gov.co
- Coffee Prices - www.agronet.gov.co/panorama/Ppreciosinternacionales.asp?pd=13
- Complete Coffee Ltd - www.completecoffee.com – UK roasters and partners of FEDECAFE in the UK
- International Coffee Organisation - www.ico.org - Provides practical assistance to the world coffee economy
- Coffee Trade Associations - www.coffee-business.net – News, events, forums about Coffee
- British Coffee Association - www.britishcoffeeassociation.org - Representative organisation of coffee manufacturers in the UK
- Speciality Coffee Association of Europe – www.scae.com – Information and views on the latest developments in speciality coffee

If you have a coffee project or interested in developing business relations in this sector please contact the chamber on +44 (0) 207 235 2106 or contact us by following this link:

<http://www.britishandcolombianchamber.com/index.php?section=12&lang=en>

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