



International Coffee Organization
Organización Internacional del Café
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Organisation Internationale du Café

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**Guide for the strengthening of the business
and export capacity of coffee cooperatives**

EXECUTIVE SUMMARY

Background

1. This document contains the Executive Summary of the “Guide” developed from the experience gained with the implementation of the project “Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua”.
2. The Guide aims to assist in setting up and managing a coffee cooperative and to stimulate a process of business consolidation, using the overall project methodology implemented. In particular, it is intended to increase the understanding of links between the different project activities and how this holistic approach can best be transmitted to producer cooperatives, support agencies and government authorities interested in developing similar projects in other coffee-producing countries.
3. The final version of the Guide will be distributed in May 2007. A copy of the full draft version (including all Annexes) is available on CD-ROM upon request from the Secretariat.

Action

The Council is requested to take note of this report.

GUIDE FOR THE STRENGTHENING OF THE BUSINESS AND EXPORT CAPACITY OF COFFEE COOPERATIVES

EXECUTIVE SUMMARY

Introduction

In the late 1990s the non-governmental organization (NGO) Twin approached the International Coffee Organization (ICO) with a project for funding by the Common Fund for Commodities (CFC) to help coffee cooperatives in Mexico and Nicaragua develop a more business-oriented approach to their coffee production, marketing and the way they worked within a cooperative framework. The project was designed to build market knowledge, create an internal financial planning capacity, and add value to coffee production so the coffee could be sold at better prices, and in more markets.

Much of the project focussed on developing a training system and materials which could be used following the completion of the project to sustain its impact on cooperatives and extend its application to cooperatives in other regions and countries. It has the potential to serve as an important tool for capacity building for small coffee producers.

The basic planning and training principles are set out in the text of the Guide itself but additional training materials, reference materials and course plans are available on CD-ROM upon request. The majority of these materials are currently available in Spanish.

Summary of contents

The Guide on setting up and managing a coffee cooperative and enhancing business through training covers an extensive range of subjects. It is divided into 3 main sections:

The first section provides background on the rationale for cooperatives and the role cooperatives play in local communities. This is a key element since this mandate sets on the scope of activities of a cooperative. This section describes the elements which should be contained in the statutes of the cooperative, including roles of the cooperative assembly and board, and their voting structures. It outlines a typical cooperative structure, human resource requirements or typical cooperative staffing, contains draft job responsibilities for key cooperative positions and minimum organizational requirements of a cooperative. This can help in planning a budget for the cooperative.

The second section of the Guide deals with the operational and administrative aspects of cooperative operations. This includes membership management and communication with the assembly and the board.

It describes meeting planning, preparation and recording meeting decisions, internal coordination of cooperative boards and staff. This section also includes an example of the costs and budget of a cooperative. It contains information on financial management and accounting administration. Financial administration is divided into three key areas:

- Investment decisions
- Financing decisions
- Administration of assets

To aid financial administration, information is included on key accounting planning tools, so that cooperatives can become familiar with the key elements of financial planning and decision-making. Basic financial information provided includes: a) General balance sheet; b) Earnings statement; and c) Cash flow.

Also included are aspects of external relations of the cooperative, namely:

- Networking with other cooperatives/organizations
- Receiving buyers
- Government

The third section focuses on cooperative activities and activity planning. A key element is the training process. Training is used to enhance the professionalism of cooperative members and board members through in-depth understanding of cooperative operations. It is also used to introduce a systematic planning and evaluation process.

This section addresses:

- Capacity building through training delegates (cooperative members) and directors (board members) on cooperative functions and activity planning;
- Strategic Planning – Planning, Realization and Evaluation (PRE) methodology (materials are available in Spanish on the PRE methodology);
- Production/planning:
 - Internal Control Systems (ICS)/Quality Control Systems (QCS) (CD-ROM version includes an Internal Control Systems Manual Quality in Spanish as an annex)
 - Specialised production, such as organic coffee; speciality coffee (the CD-ROM version includes a Speciality Coffee Manual in Spanish as an annex); and Fair Trade coffee

- Marketing/market access in CD-ROM version includes a Marketing Manual in Spanish as an annex)
 - Definition of target market
 - Marketing coffee
 - Regulations for export
 - Trading

- Financial Planning (the CD-ROM version includes a Financial Management Manual in Spanish as an annex)
 - Price Risk Management (CD-ROM version includes a Price Risk Management Manual in English as an annex)
 - Credit

Finally, the third section discusses how to strengthen the professional capacities of a cooperative.

The Guide includes the final report of the project to demonstrate the extent of the training that took place and the benefits derived by cooperative members.

Beyond the Guide itself and annexes included in the CD version, there are extensive training documents available as a result of this project. It should be noted that these are also available in Spanish.