



**“WHEN THE WORLD
SEEMED TO STOP DUE
TO THE PANDEMIC,
WE COFFEE GROWERS
MADE IT TURN AROUND.”**

Roberto Vélez Vallejo, FNC CEO

EXECUTIVE SUMMARY
**MANAGEMENT
REPORT**
2020

In a year that challenged humankind, coffee proved to be a lifeline for many: the country’s hope. And the Colombian Coffee Growers Federation (FNC) not only confirmed its organization capacity and resilience, but also grew in the face of adversity as an example for the rest of the country and the world. Privileging health of the great coffee family, it was possible to gather a historic crop, whose value was the highest in the last 20 years. Add to this union strengthening actions, social development investments for producer families and a greater commitment to caring for natural resources.

From the start of the COVID-19 pandemic, the FNC was clear that EVERYBODY's health is EVERYBODY's business.

And in a well-coordinated inter institutional effort, which included its own biosafety protocols, less than 4% of the coffee rural districts (“veredas”) registered an infection by the new coronavirus.

Adhering to GRI standards, this 2020 Management Report integrates (as since 2019) the Sustainability Report and the Industry Report, and reaffirms the FNC's commitment to provide **relevant information** to all its stakeholders, including producers themselves, in the four dimensions of its value strategy:



Economic

Contributing to coffee growers' profitability.



Social

Seeking holistic, sustainable **social development** of coffee-growing families and communities, with a **well-being approach**.



Environmental

Promoting **environmental sustainability of coffee production systems and the organization**.



Governance

Strengthening **effective representativeness**.

Our value chain



Despite restrictions imposed by the pandemic, each of these four dimensions showed important progress, strengthening **sustainability of the union** as a whole:



ECONOMIC DIMENSION

Contributing to coffee growers' profitability



In 2020, Colombian coffee growers managed to harvest **13.9 million bags** (the sixth year in a row with a volume close to or greater than 14 million), worth **USD 2.4 billion**, the highest in 20 years, thanks to a good international price of 111.2 ¢/lb and a quality premium for Colombian Arabica of 49.1 ¢/lb, which translated into an average domestic price of COP 1,048,117 (USD 283.8) per 125-kg load of dry parchment coffee (dpc).

The high harvest volume was due to good agronomic indicators: productivity of **19.8 bags/ha**, resistant varieties on **84.1%** of the planted area, average age of **6.9** years and average density of **5,261 trees/ha**.

Despite lockdowns, the Extension Service continued providing support to producer families through the strategy "More agronomy, more productivity, more quality." Between March and December, more than **1.3 million virtual contacts** were made, adapting to a new service reality

based on intensive use of technology and digital tools, something unprecedented in the provision of this service.

Aware of the challenge of gathering the largest harvest of the year in the midst of the pandemic, the FNC led the comprehensive Harvest Plan for 2nd Semester (9 components), which guaranteed safe coffee harvesting: covid-19 protocol, labor (including local job offers), labor transportation, assisted harvesting, relationships with the public force, with authorities, communications plan, coffee transportation and technical harvest aspects.

Commercial work improves producers' income & creates sustainable value

As part of its marketing work, which always seeks to transfer the highest value to producers, the FNC bought **162 million kg** of dpc at a price **12.3%**

¹Average exchange rate of 3,693.4 COP/USD.

higher than the domestic base price, and sold **1.7 million bags** at premiums of USD **17.4 million** for producers.

With **58** new customers, the FNC's share in total exports grew from 17% in 2019 to **19.1% in 2020**.

Given the impossibility to travel, innovative apps and virtual auctions and trips to origin became very important.

The purchase of over **1.2 million kg of “pasilla”** (low-grade coffee) helped producers, especially women, improve their income, since good wet milling of this by-product increases its value.

As of 2020, **190,168 farms** comply with at least one sustainability standard (a farm can meet several ones) for the benefit of **163,967 coffee growers**, who saw their efforts and commitment rewarded with premiums worth COP 52.5 billion (**USD 14.2 million**).

Buencafé closed the year with historic sales of almost **14,500 tons, 13% more** than in 2019, and revenues of over **USD 162 million**, boosted by first sales of products made with the Sensoria by Buencafé technology, growth of the Buendía brand in Colombia and Ecuador, and portfolio innovations.

Procafecol sales reached **USD 58.5 million**. In a year that changed coffee consumption in the world and hit

sales in stores, the company showed creativity, strength and resilience; the international channel was key in its recovery. With royalties of **USD 3.8 million**, since its creation it has transferred over **USD 35.2 million** to the National Coffee Fund (FoNC).

Almacafé sales reached **USD 20.6 million**, up 0.4% from 2019, something positive in a year when the logistics sector in general was hit.

Despite lockdowns, and making the most of virtuality, Café de Colombia continued to be promoted worldwide.

Domestic consumption grows over 10% at home

Although in stores it was hit by the pandemic, coffee consumption at home grew substantially: 10%.

Courses on Real Academia del Café (whose registrations and interactions continue growing), licensees' videos on social media, strengthened virtuality, and coffee donations to clinics and hospitals left their mark.

In 2020, **32,643 producers** received incentives worth **USD 2.9 million** to renovate coffee plantations, one of the key strategies to maintain young, highly productive coffee crops, which in turn improve profitability.

Since research is one of the great competitive advantages of Colombian coffee farming, Cenicafé continued developing technologies that improve coffee quality as a whole, with the priority of strengthening the economic dimension (by improving dry parchment coffee value) as a basis for developing the environmental and social ones.

With 75% of coffee farmers with access to banking services, ATM transactions with Smart Coffee Cards/ID Cards grew **64%** in 3 years, boosted by ad campaigns and special fees, which have saved coffee growers **USD 78.1 million** since 2015; between March and December, free withdrawals from other networks saved them **USD 226,100**.

As to financing, they were granted **104,143** Finagro loans worth **USD 318.7 million**.

Communications strategy curbs COVID-19 in the coffee sector

Own biosafety protocols, an unprecedented logo modification – putting masks on Juan Valdez and the mule Conchita – and a new podcast that reached **117** broadcasts were three measures of great impact (not only in Colombia, but abroad) that helped growers keep the virus at bay in their communities.





SOCIAL DIMENSION

Seeking holistic, sustainable social development of coffee-growing families and communities, with a well-being approach



By restructuring its strategic vectors, reengineering the KPIs and building the **Coffee Grower Household Information System (SIHC)**, the FNC strengthened its strategies for comprehensive social development of coffee-growing families through investments in their environment, potential development of human capacities, and sustainable management of their territories.

The FNC's social development strategy is reconstituted by six vectors: rural education, social protection, infrastructure, coffee-growing families

with gender equity and generational integration, associativity, and special projects. For each, high-impact projects were developed through partnerships with national and international stakeholders to raise investment resources leveraged on intangible institutional assets such as the FNC's management capacity and transparent implementations.

Joint work has made it possible to design and implement a system for measuring and monitoring targets in each vector.

With significant investments in each area, the main achievements include:

9,134 students in School & Coffee.

126,736 beneficiaries from **2,698** km of rural roads improved or built.

19,332 beneficiaries from **1,958** housing, basic sanitation and energy works.

35,327 beneficiaries from **166** social infrastructure works built or improved.

39,091 women participating in empowerment activities.

7,772 young people participating in leadership & entrepreneurship activities.

USD 46 million in projects

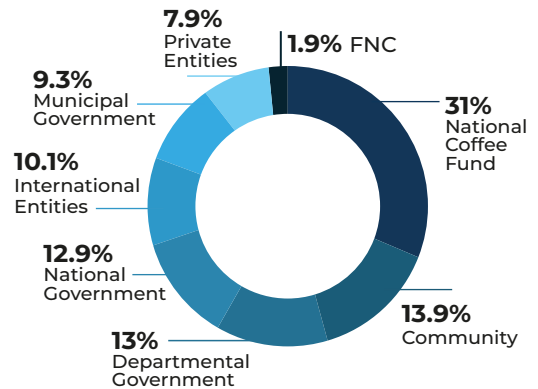
The pandemic brought with it some restrictions for implementing projects, but the FNC managed to invest **USD 46 million** to improve living conditions of rural households.

Recognized for its implementation efficiency and transparency, the FNC leveraged FoNC resources with those from other sources in a 1 to 2.2 ratio.

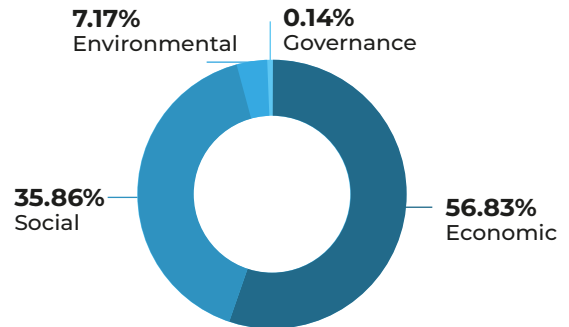
With the support of its offices abroad, the International Partnerships team and the Commercial Division, in coordinated work with the departmental committees, **USD 10 million** were raised from international partners for implementation in the next 3 years, with projects that will impact over 13,000 producer families in 14 departments.

And the FNC managed to have **1,228** communities in **319** coffee municipalities selected to be equipped with connectivity infrastructure.

Value share by contributor type



Share by component





ENVIRONMENTAL DIMENSION

Promoting environmental sustainability of coffee production systems & the organization



FNC strengthens natural resource care

In 2020, by instruction of the FNC CEO, Environmental Management was upgraded as directorate to strengthen care of natural resources and deal with climate variability, both on the coffee farms and within the organization.

Increasingly more farms reforest and reduce water pollution. Soil care, biodiversity conservation and environmental education are other priority actions among producers.

Reforestation and soil care actions have been carried out in prioritized river basins on **4,070 hectares**. In different actions, **1.4 million trees were planted in coffee regions**.

520 new hectares of conservation corridors were established, totaling **3,770 hectares** since 2015.

In water care, more and more farms have savers, ecological wet mills, and coffee and domestic wastewater treatment systems.

FNC, a more eco-conscious organization

Awareness-raising campaigns, making the most of digital tools, were essential in this year's situation.

The second pillar of the FNC's environmental strategy is focused on the organization's environmental sustainability, a purpose for which different projects to improve its facilities were implemented, and the internal awareness-raising campaign "**FNCConscious**" was launched, promoting responsible consumption practices among employees.

At the FNC HQ, water savers were installed in different points, saving an average **30%** in the measurement period.

The Tolima Coffee Growers Committee inaugurated a rooftop solar plant: a photovoltaic system that generates about **147,000 kW/h** per year (thanks to the 300 panels installed).

The Buencafé freeze-dried coffee factory saved **USD 541,506** in natural gas consumption by increasing the share of renewable fuels from **19% to 26%**, thanks to use of the new biomass boiler (by combustion of coffee grounds and hull) and **USD 216,603** by avoiding disposal of coffee grounds to landfill.

In wastewater management, the factory improved its performance by reducing biological oxygen demand (BOD), which measures water pollution after being treated and

before being discharged to the sewer. The **411 mg/L** figure is well below the maximum allowed of 900 mg/L. And with the start-up of the rainwater project and its use in the cooling towers, **18,000 m³** was used, accounting for consumption of 75 households and saving **USD 11,047**.

By conviction, environmental sustainability is a priority for the FNC, and these savings also contribute to the economic sustainability of the union.





GOVERNANCE DIMENSION

*Strengthening effective
representativeness*



In the midst of the pandemic, the FNC strengthened its presence and leadership in Colombia and worldwide.

Movement restrictions and physical distancing were not an obstacle to make its leadership clear as a union and key player in the industry, taking advantage of virtual channels. The FNC held international virtual meetings (even within the framework of the World Coffee Producers Forum and the ICO), the **Let's talk with the CEO** dynamic (with 18 virtual out of 21 direct meetings, to stay close to the coffee grower base), and digital transformation, connectivity, leadership and entrepreneurship workshops.

The FNC continued making key contributions to coffee public policy and social welfare, including public food purchases, Supportive Income ("Ingreso Solidario"), and a new documentation process to export coffee.

Special mention deserves the **creation of the Coffee Price Stabilization Fund (FEPC)**, fulfilling an old desire of Colombian coffee growers in the face of production and price shocks that undermine their income and put their living conditions at risk.

5 years making progress

When the course is clear, it is difficult to divert the route, no matter how strong the gale is. And a clear strategy has allowed the current FNC administration to achieve significant progress on the most diverse fronts, which are also included in this report.

FoNC finances coffee public goods and services worth USD 102.5 million

In a particularly challenging year, financial stability of the National Coffee Fund (FoNC), with revenues of **USD 652 million**, allowed providing public goods and services that are not only a competitive advantage for Colombian coffee farming, but also a buffer for producers.

Out of its revenues in 2020, **USD 392 million** came from green coffee marketing, **USD 162 million** from the Buencafé freeze-dried coffee factory, and **USD 98 million** from the institutional activity.

With the coffee contribution (tax) and the surplus from commercial activities, the FoNC financed coffee public goods worth **USD 102.5 million** (COP 378 billion).

The FNC's **financial prosperity** continues to be strengthened.

Two years with budget surplus at central level, first year of surplus in the

departmental committees' budget, structural debt paid off since 2019, pension liabilities increasingly backed, and growing equity strength confirm it.

And in the challenging year of the pandemic, HR Management was closer than ever to employees and their families.



21 direct meetings ("Conversemos") of the FNC CEO with coffee farmers.

34,000 coffee farmers have met directly with the FNC CEO since this dynamic began in 2015.

VALUE PROPOSITION TO COFFEE GROWERS

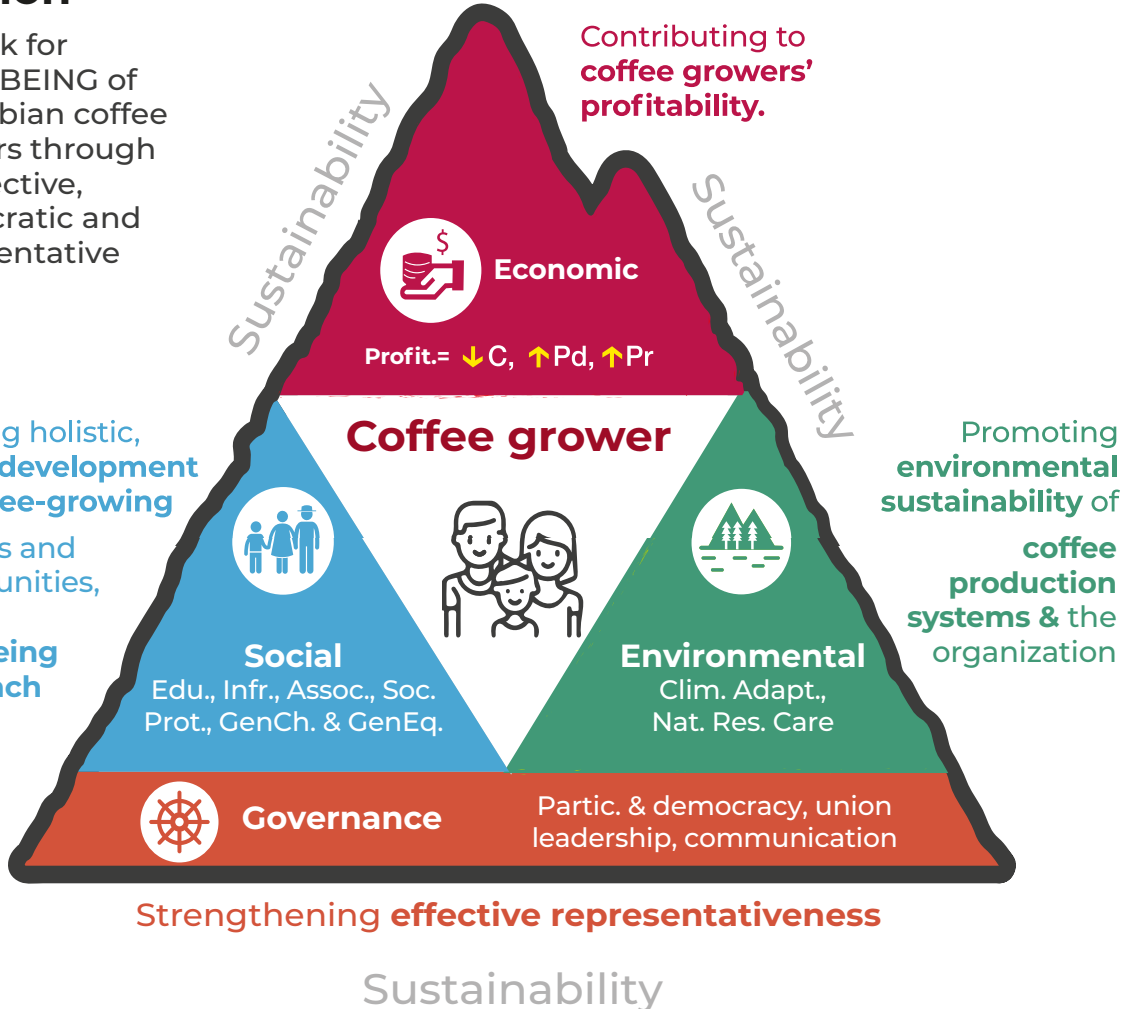
Mission

To work for WELL-BEING of Colombian coffee growers through an effective, democratic and representative union

Seeking holistic, **social development of coffee-growing**

families and communities, with a **well-being approach**

Contributing to **coffee growers' profitability.**



Promoting **environmental sustainability of coffee production systems & the organization**

Strengthening effective representativeness

Sustainability



Scan this QR code with your Iphone camera or download the Android app to learn all about the 2020 management results of the Colombian Coffee Growers Federation.

Also visit our website:

<https://federaciondefeteros.org/wp/tipos/reports-en/?lang=en>



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