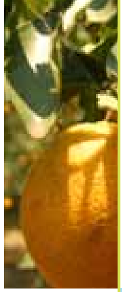
SUMMARY REPORT: JANUARY 30, 2012 WORKSHOP

Sustainability as a Key Factor for Mitigating Risk in Agricultural Supply Chain Finance

Rainforest Alliance

RAINFOREST ALLIANCE AND THE CITI FOUNDATION >



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Citi Foundation

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A. BACKGROUND

The Rainforest Alliance and Citi Foundation have hosted two Sustainable Value Chain Finance Workshops in order to establish a dialogue with agricultural value chain participants[1] regarding ways to expand and improve the financing available for sustainable producers. Though it is clear that an increase in capital for sustainable agriculture is needed, participants agree that certain enabling conditions must first be met to scale up sustainable value chain finance.

In particular, there needs to be a shared understanding of the underlying commercial and financial risks that limit financing, and the extent to which those risks are mitigated by sustainable practices. This will require that sustainable practice (or the benefits represented by certified production) is better assessed, tracked, analyzed and reported. In addition, more effective risk-sharing structures need to be developed, including insurance and other mechanisms tailored to the specifics of agricultural production — often managed by small farmers.

In the second meeting of this group, held on January 30, 2012, the discussion was focused on risk mitigation in agricultural supply chains. Seventy-nine participants actively discussed the working hypothesis that adopting and certifying sustainable practices can reduce risk. Participants were asked to share their related experiences and observations, which are summarized below. The workshop aimed to have participants agree on which risks in the agricommodity supply chain were likely to be mitigated by certified sustainable practice, as well as to discuss a priority set of metrics to collectively adopt to help gather data on sustainability, its business benefits and risk mitigation. Working groups focused on two supply chains (coffee and cocoa) in order to determine the most appropriate approach for integrating the proposed metrics, discuss how to scale up financing in the chain and develop a framework for ongoing and expanded collaboration.

[1]Participants included producers, exporters, processors, retailers, the financial sector, insurance providers, civil society and development agencies.

The event began with an overview of the first workshop where different models for supply chain financing were discussed. The next item on the agenda was a panel on "Sustainable Practices as Risk Mitigation" followed by a session on "Impact Measurement and Risk Mitigation." In the afternoon, the workshop split into two groups (one on coffee and one on cocoa), to facilitate more detailed, crop-specific discussions. Each group then broke into groups of 12 to discuss the financing interventions that would best address the capital of each sector. Below is a summary of the presentations and discussions, as well as a synopsis of the next steps that emerged. Please see the set of appendices for further information on the participants and their ongoing work on supply chain finance.

Participants represented and discussed the roles of the following types of capital, all of which operate to fund agricultural value chains:

1. **Philanthropic** — providers of grant funding for activities that are critical to the development of sustainable production, including capacity building and technical assistance. Providers include private and corporate foundations and development institutions.
2. **Impact Investment** — return seeking investment (debt or equity) typically coming from private and institutional investment programs that proactively target social and environmental outcomes. Impact investments are made with a range of return expectations and are considered commercial capital in certain cases.
3. **Commercial** — financing provided by traditional banks and investment funds.
4. **Value Chain** — flow of financing within a sub-sector among various value chain stakeholders for the specific purpose of getting product(s) to market(s).

B. SUMMARY OF PRESENTATIONS[2]

1. Sustainability as a Tool to Manage Risk in Agricultural Supply Chains

Tensie Whelan, *Presenter*
President, Rainforest Alliance

Currently there is an explosion of demand for sustainably produced agricultural products. Retailers are requiring that their suppliers access increasing volumes of certified product — meaning that farmers must increasingly embrace and implement sustainable practices.

In the field, economic sustainability is generally the first and primary focus with operational emphasis on increasing yields and quality. Ensuring long-term supply in the face of rising general demand is a major concern for suppliers and retailers — and increasing focus is being paid to social and environmental sustainability, as those in the supply value chain recognize that good labor and environmental practices are often associated with improved productivity, farm stability and resilience. In response, companies such as Kraft, Mars, Unilever and Caribou Coffee are investing in the sustainability of their supply chains to reduce risk and ensure long-term productivity. See Appendix 3 for more detail on commitments made by leading companies to increase the sustainability of their supply chains.

Barriers to scaling up sustainable practices at the field level include:

1. Poor agricultural practices and seed stock
2. Poor-quality soil, insufficient and/or contaminated water
3. Poor labor practices and insufficient labor
4. Changing weather patterns
5. Insufficient or poorly aligned financial resources (to invest in improvements, labor, etc.)
6. Lack of extension and training

[2]Please see Appendix 5 to view the presentations made by speakers.

Financing needs to exist all along the product supply chain. In order to address these needs, we should first differentiate between the types of capital required (see Diagram 1), understand what type of institution is best positioned to provide that capital and identify the factors that are currently limiting that flow. Risks are both real and perceived, and in many cases, evidence shows that they can be mitigated by sustainable practice.

Our task going forward is to determine the appropriate metrics to embed in our collective research, demonstrating these benefits more consistently and empirically.

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DIAGRAM 1 — AGRICULTURAL SUPPLY VALUE CHAIN: FINANCING NEEDS

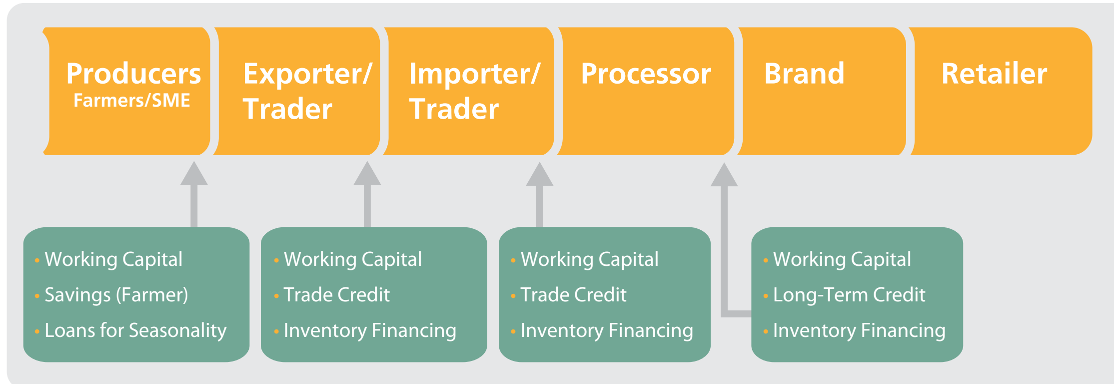
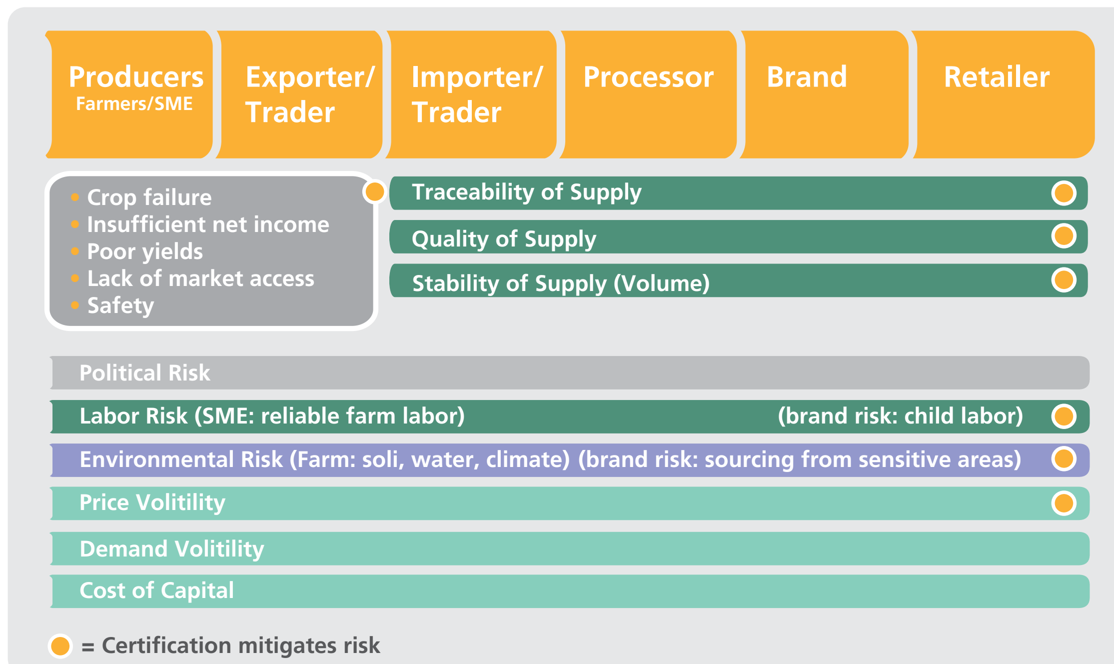


DIAGRAM 2 — RISKS ALONG THE SUPPLY CHAIN



CASE STUDY: El Salvador — Farm Level Impacts from Certification[3]

From 2006 to 2008, a USAID-funded project assessed farms in Western El Salvador that had earned Rainforest Alliance certification and compliance with Starbucks Coffee's Café Practices Standard. The project aimed to evaluate the concern that the costs of coffee farm certification surpassed the monetary benefits of certification, preventing widespread adoption of the conservation practices required for certification.

The harvest yields of farmers preparing for certification or verification rose by an average of 76% over the previous year.

The project assessed more than 200 farms and covered more than 11,500 acres (4,650 hectares). All farmers had to make an initial investment to prepare for certification and pay for audits and the use of the certification seal. Nearly half of these investments were related to the conservation of soil and water, including measures to increase water infiltration to slow erosion, plant trees for shade and build dams. The other investments were aimed at social improvements such as schools, roads, improved housing, community water supplies and other enhanced infrastructure. In addition to the investments, each farmer also had to pay the cost of an audit to achieve certification or verification and the Rainforest Alliance charged $3 per acre ($7.50 per hectare) for administration. In total, the cost of achieving certification, including technical assistance provided by USAID, was $50 per acre ($123 per hectare).

The harvest yields of farmers preparing for certification or verification rose by an average of 76% over the previous year (based on reports for 183 farms with data from a total of 209 farms that were certified or verified in the year). This represented roughly four times the increase of 22% reported by farmers in a control group (based on reports for 60 of 85 farms that joined the project the following year.[4]

The returns on certification in the form of price bonuses for certified coffee averaged $13.22 per quintal ($0.13 per 1 kg) and a total of US $1,079,000 for all of the farms participating in the project. The average gross increase in income (including a certification bonus and harvest increase) per hectare of coffee was $321.31 (of which $158.04 is earned from premiums for certified coffee).

From the perspective of the project area's population, certification was highly advantageous since it stimulated conservation, created better business and land practices, and generated extra income. All initial investment costs were paid back in the first year.

[3] The USAID report acknowledged that Western El Salvador had just recovered from a period of low production and low prices, and that continued monitoring during the project would enhance this case history. For the full case see Appendix 7.

[4] The differential in productivity due to the introduction of best management and sustainable practices, and represented by certification, is considerable and is statistically significant at the .065 level.

CASE STUDY: Chiquita, Increased Profits and Reduced Cost[5]

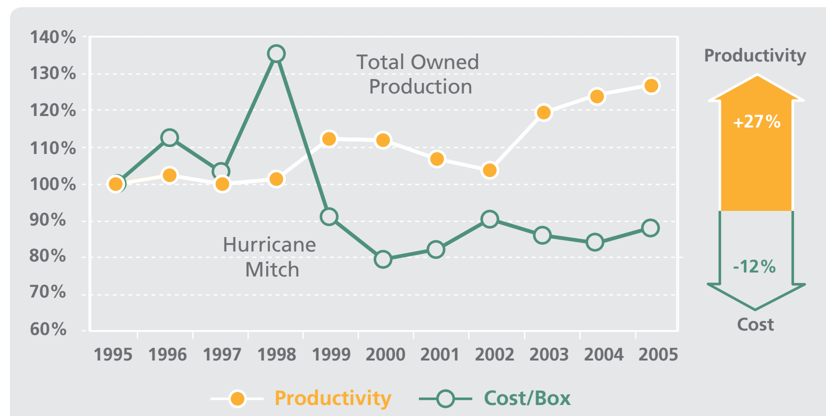
Banana plantations were once notorious for their negative environmental and social impacts, which included deforestation, extensive use of pesticides, water pollution and poor working conditions. In 1992, the Rainforest Alliance introduced the first standards for sustainable banana farm management, and that same year, the Costa Rican division of Chiquita Brands International began working with the Rainforest Alliance. In 1994, Chiquita achieved certification for its first two farms, and by 2000, 100% of Chiquita-owned farms were Rainforest Alliance Certified.

When a company moves from conventional farm management to sustainable farm management, the on-farm economic benefits can be considerable. Over the ten years that Chiquita worked toward Rainforest Alliance certification, the company tracked a 27% increase in farm productivity and a 12% reduction in cost. The process of certification required Chiquita to eliminate the use of certain pesticides and to dramatically reduce the use of other agrichemicals. These changes alone resulted in a yearly cost reduction of $4 million. Chiquita also began recycling about 3,100 tons of plastic bags and twine per year and reusing the wooden pallets that banana boxes are stacked on, saving tens of thousands of trees and $5 million annually.

Other specific certification improvements on Chiquita farms include the planting of nearly one million trees and bushes, the ongoing support of dozens of sports facilities, schools and clinics, and the protection of the 247-acre (100-hectare) Nogal Nature Reserve in Costa Rica.

According to a separate review by Chiquita in 2005, Chiquita's productivity levels were 23.6% higher than their Costa Rican competitors.

IMPACT OF CERTIFICATION ON CHIQUITA FARMS



According to a separate review by Chiquita in 2005, Chiquita's productivity levels were 23.6% higher than their Costa Rican competitors.

[5]Chiquita, 2005

2. Panel Discussion: “Sustainable Practices as Risk Mitigation” — Observations from the Field

Moderator:
Graham
Citi Foundation

Panelists:
Chad Trewick
Senior Director of Coffee & Tea,
Caribou Coffee

Willy Foote
Founder and CEO,
Root Capital

Eva Csaky
Senior Sustainability Finance Specialist,
IFC

David Browning
Senior VP and Head of Global
Coffee Practice,
Technoserve

Working as technical assistance providers, buyers and finance providers, the panelists represented different positions in the agricultural supply chain. Each shared their perspective on how sustainable practices mitigate risk and protect the agriculture sector’s assets — the land and those who farm it.

In particular, panelists highlighted that certification standards create physical buffers to help farmers deal with climate volatility, minimize land degradation and help provide resistance to drought and humidity — all of which lead to greater consistency in production levels. They also noted that certification standards have helped to reduce costs and create marketability, reduce contract risk from farm to port and stabilize farm income (which dampens volatility in supply as it ensures production even in times of lower commodity prices).
Panelists reported that certification standards provide a farm management framework that includes documentation of practices, which enables farmers to operate more efficiently.
All panelists agreed that there is a correlation between high sustainability scores and reduced business risk.

Finally, panelists saw lack of financing as one of the main obstacles to scaling up sustainable practices, particularly with small-scale farmers in countries with high levels of poverty and low rates of education. As the panelists noted, farmers need better access to more affordable financing in order to be able to invest in sustainable practices.
Work still needs to be done to adequately build the business model/framework and tools for sustainable value chain finance, so that financial institutions and other value chain actors increasingly support or incentivize sustainable practices. Similarly, there is work to be done on the production side to increase the financial literacy and management of farmer groups.

3. Metrics — Impact Measurement and Risk Mitigation

Panelists:
Sapna Shah
Manager,
Global Impact Investing Network

Jason Potts
Founder and Former President, Financial Alliance for Sustainable Trade

Elizabeth Kennedy
Director, Evaluation and Research, Rainforest Alliance

A great deal of work has been done in the last year to develop metrics for the agricultural sector that capture operational, financial and sustainability information. During the workshop, leading developers of these approaches discussed their work and the extent to which the metrics can be used to communicate the risk management benefits of sustainability measures.

Several fundamental issues were raised during the discussion: first, the degree to which impact indicators are an appropriate tool to address financing risk; and second, questions around the best level of analysis for measurement of income, productivity and benefits of certification.

While participants agreed that there are tremendous benefits of collaborative adoption of a regular set of indicators to help consistently document the empirical benefits of certification and sustainable practice, there was also recognition that there remain challenges to identifying relevant indicators that will cut across the full range of supply chain actors and their concerns. Further, it is clear that in some cases, building the empirical data required may necessitate medium-term (e.g., three years) research to adequately measure the links between sustainable practice and productivity increases, while some data (on stability in trading relationships, for example) may be able to be collected retroactively through new collaborations (between buyers and providers of finance, for example). Regardless of time frame required, all parties agreed that documenting these relationships through the consistent use of appropriate indicators should be a priority.

Elizabeth Kennedy, from the Rainforest Alliance, recommended the following framework be considered when designing an effective monitoring and evaluation project:

- **Clearly defined evaluative questions** (scope and scale)
- **Understanding of who will use the information and how it will be used**
  - Determining what specific decisions will be made
  - Determining what actions will be taken
- **Understanding what level of rigor/accuracy is required**
- **Skill required/cost of data collection**
  - Investing in metrics significantly increases transaction costs, so we have to think collaboratively about who bears these costs.
- **Consider how data will be managed, analyzed and reported**

(continued)

Sapna Shah presented the GIIN's Impact Reporting and Investment Standards (IRIS) initiative. IRIS was developed to provide a common reporting language for impact-related terms and metrics. By standardizing the way organizations communicate and report their social and environmental performance, IRIS aims to increase the value of nonfinancial data by enabling performance comparisons and benchmarking, while also streamlining and simplifying reporting requirements for SMEs and their investors.

In February of 2011, IRIS joined with Finance Alliance for Sustainable Trade (FAST) to develop a set of shared indicators to track the social, environmental and economic impacts being created by SMEs in agricultural supply chains. The impact being measured by these indicators is defined by FAST as a "fundamental and durable change in the conditions, livelihoods and/or sustainability of target beneficiaries caused by the provision of financial and related services." The metrics incorporate input from producer organizations and lenders as well as other impact investors, and create the potential for data sharing to increase industry benchmarking. IRIS and FAST developed a total of 112 agricultural indicators, and then selected 22 of them as priority indicators.[6] The key question now, posed by founder and former president of FAST, Jason Potts, is how to populate a database along these types of indicators in a meaningful way.

Several issues emerged in discussion of the impact metrics presented.

- **Are impact indicators the appropriate tool/measure to address financing risk?**

The FAST/IRIS indicators were designed for the social investment community as a means to standardize reporting on the social and environmental benefits of investments. While many such positive impacts may be related to issues perceived as financing risk, indicators designed to capture these benefits are distinct from those designed for the purposes of addressing financing risk. FAST and other participants suggested that if financing risk is to be addressed through a set of discreet metrics it is best to design a set of indicators to address those particular risks, such as stability of delivery, quality, yield, etc.

- **What is the right level of analysis?**

If one's interest is in environmental and social impact on the ground, farm-level impacts and indicators to measure them are important. However, if one is seeking to address financing risk, then the indicators should measure criteria that are material in making an investment decision and therefore be evaluative measures at the level of the entity receiving investment. As discussed above, IRIS — an initiative developed for the investor community — has chosen to focus its indicators at the small or medium enterprise (SME) level for this very reason: because the investor's counterparty is an SME or co-op and not an individual farm. Additionally, there are methodological complexities that must be taken into account when establishing a study of farm-level impacts. It is very difficult to establish baseline data at the farm

(continued)

[6]An additional set of 21 FAST priority indicators targeted at the farm level were not included in the final selection represented in the IRIS framework as it was determined that SME data was not only easier to collect but is the appropriate level of evaluation given the investor audience and their targets. Additionally, IRIS expressed concern about how to set appropriate baselines for farmer-level indicators.

level and determining how to measure and collect data on a metric like net income becomes very challenging and expensive. Furthermore, farm-level data may not correlate directly to the SME/co-op level data and vice versa.[7]

Many of the impact objectives stated by technical assistance (TA) providers, development institutions and providers of finance reference farm-level impacts, including benefits on the land and improvements in the livelihoods of farmers. Translating from farm-level impacts to SME/co-op-level impacts is complex, requiring an understanding of the terms and benefits of the relationship between the co-ops and the farms, as well as an understanding of the broader market dynamics that may create disincentives to participate in co-op structures. If providers of finance to co-ops/SMEs want to be assured of the impacts that translate to the individual household/farmer, evaluative measures must be designed to address that relationship. The FAST SIAMT document in Appendix 6 references these complexities and offers some perspective. Despite these issues, participants agreed that it would be useful to start using what we have and to work to improve our community's measurement approaches. A core set of the FAST/IRIS indicators were discussed as relevant for both determining the desired impact created and for addressing key issues of risk for lenders. Additionally, a subset of SME-level indicators can be seen as reflecting farm-level impacts. The indicators best reflecting these considerations are listed below (with FAST core indicator number indicated).

Institutions select indicators for measurement based on the issues (evaluative questions) most germane to them and this can lead to a very heterogeneous use of metrics. As the GIIN/IRIS initiative has begun to demonstrate, there is clear benefit from a core set of indicators being used consistently by a number of

organizations. If a critical mass of data can be collected on the same set of standard indicators, benchmarking and portfolio management around impact can be better enabled and investors can direct their capital to particular impact objectives based on real data rather than anecdotes. Similarly, if a core set of actors across sustainable value chains collect data on a core set of indicators, the ability of our community to understand key relationships such as those between certification and productivity or farmer income is greatly augmented. To that end, indicators aimed at measuring yield, productivity, profitability and income were suggested as key metrics to include in all research and evaluation studies under way.[8] (For definitions and information on units of measure for these indicators, please see Appendix 6.)

...participants agreed that it would be useful to start using what we have and to work to improve our community's measurement approaches.

[7]For example: a farmer may be able to document strong yield in a given year, but choose to not sell into the co-op because of a variety of market conditions. For the investor who is evaluating the financing risk of the co-op, the relevant measure is the productivity at the co-op level. If the investor uses the farm-level data, it may actually not have the correlation to his investment risk. The strong performance of a given farmer or set of farmers around that co-op may not mitigate the risk of the investment to the co-op.

[8]As a way to initiate near-term collaboration around a consistent set of existing indicators, Tensie Whelan, President of Rainforest Alliance, urged participants to consider incorporating the very top-line four indicators (outlined in red) in all relevant projects and financing that they manage or influence.

AT THE FARM LEVEL:

- **(I1)** Yield
- **(I2)** Annual income
- **(I20)** Agreements/contracts with buyers/clients
- **(I21)** Value of the contracts and agreements
- **(I22)** Length of contracts

AT THE SME LEVEL:

- **I3** Profitability
- **I4** Price paid to the farmer OR total payments to farmers
- **I5** SME's provision of credit to farmers/or financial institution's provision of credit to farmers in partnership with the SME
- **I11** Reinvestment in research and development
- **I12** Agreements/contracts with buyers
- **I15** Price premium
- **I17** Child labor policy
- **I18** Yield at SME level

As a next step, we propose that a working group of interested parties (including finance providers, measurement professionals and sustainability experts) convene an ongoing working group to refine a set of indicators whose goal is to capture information that addresses the chief risks that limit financing in these value chains. This will involve a better understanding of the risks (perceived and actual) and aid the design of appropriate metrics. Work on this topic has been scoped by the IFC (and partners) within the context of the Trade Standards Practitioner's Network's "Private Sector Working Group" and could serve as a starting point for the new working group's approach.[9]

[9]The TSPN group itself is no longer in existence and it is therefore not duplicative of existing work to propose this new effort. In fact, it carries forth the unfinished and worthwhile agenda of TSPN members.

4. De-Risking the Chain for Increased Finance: A Focus on Two Illustrative Sectors

BREAKOUT SESSIONS

The objective of the afternoon breakout groups was to facilitate more detailed crop-specific discussion of the ways in which sustainability measures are or can address financing risk. Each group discussed the financing interventions that might best address the capital needs discussed in the specific context of these sectors. Before breaking off into smaller groups, however, the workshop split into groups for a short panel on both coffee and cocoa.

WORKING GROUP: ADVANCING SUSTAINABILITY ACROSS THE COFFEE SECTOR

Strengths of sector:

1. Throughout all levels of the supply chain, there is a strong precompetitive alliance of the industry working with funders, WCF, NGOs and civil society. (In some cases, there needs to be more work done to engage and partner with government.)
2. Strong commitment by buyers (including Mars and Kraft) to sustainability and good recognition of the issues related to productivity and social and environmental challenges that need to be addressed. (See Appendix 3.)
3. Traders have developed good capacity around training (farm field schools, etc.).
4. The industry recognizes the broader productivity issues and is investing in addressing those issues.

Challenges in sector:

1. In certain regions, such as Africa, there is a lack of organization by the farmers, and it is therefore difficult to aggregate supply and streamline the delivery of services.
2. Insufficient financial skills at the farm/SME level.
3. Very low yields.
4. Political instability in key cocoa producer countries.
5. Significant environmental (deforestation, soil degradation, poor quantity and quality water) and social problems (poverty, child labor, corruption, civil strife).

Cocoa demand is predicted to increase by over 30% in the coming years, and with the right investment, it is estimated that productivity can be tripled. With such a clear growth and demand model, all panelists agreed that there is a significant opportunity for strategic investments.

Certification, which helps the sector address long-term risks such as climate change and stability of income... is beginning to pave the way for much-needed long-term financing (which is still lacking).

WORKING GROUP: ADVANCING SUSTAINABILITY ACROSS THE COFFEE SECTOR

Strengths in sector:

1. Traders, producers and now retailers are proactively asking for compliance with standards systems. Standards are perceived as an excellent instrument to integrate sustainability interests into supply chain activities, and essentially help create a business proposition. (See Appendix 3 for corporate supply chain commitments.)
2. Successful private-public partnerships.
3. Co-ops are effective aggregators and represent the best capacity to adopt and spread certification measures and platforms across a large number of small-scale farmers.
4. Certification, which helps the sector address long-term risks such as climate change and stability of income (and therefore sustainability of farm management), is beginning to pave the way for much-needed long-term financing (which is still lacking).

Challenges in sector:

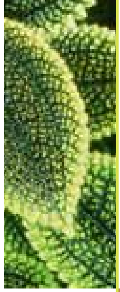
1. Countries of origin need to be convinced of the business case for certification, in order to give full support and engagement.
2. The majority of financing for the sector is still originating from social investors in Europe and North America. Local banks are not familiar with certification and its benefits to production and risk management. Therefore, there is still insufficient lending from local banks to agricultural co-ops.
3. The business case for certification is not evident to farmers who have very limited means and ability to change practice. If standards are imposed without clear evidence of benefit, they will not see value and it will be difficult to maintain certified practices. Mechanisms are needed to create clear and sustained value for farmers.

Examples highlighted include:

i. Payment for ecosystem services.

ii. Financial education for farmers akin to the current agronomic TA provided. (Farmers learn basic skills such as how to calculate their business performance, and how to better access financial services.)

iii. Make standards more inclusive. (Most farmers have to organize themselves in co-ops to get access to standard systems. Develop models that include out-grower schemes such as partnership farming.)



C. SUMMARY AND NEXT STEPS

Participants in the workshop reflected a broad and active set of interests in improving the growth, efficiency, effectiveness and sustainability of agricultural supply chains. While the discussion was organized to explicitly reference the cocoa and coffee sectors, many of the issues and opportunities outlined have relevance for other sectors as well.

The main areas suggested for ongoing work are listed below. Much of that work will be additional to the existing activities of participants (detailed in Appendix 5).

It was determined that for such financial tools to succeed, efforts must be made to create supportive enabling conditions, and these enabling conditions became the workshop's primary focus.

A series of interventions for improving enabling conditions emerged, but most centered around 1) long-term investment, rather than one-off or short-term finance alone; 2) risk mitigation efforts; 3) improved information systems; 4) certification; 5) capacity building; and 6) increased local engagement.

The group agreed that rather than focusing on certain stakeholders or project areas, these enabling condition recommendations are about improving capacity and understanding at all levels throughout the entire value chain. There is clear overlap in the content of these categories: for example, capacity building, certification and improved information systems all have elements of risk mitigation. The groupings as presented here are based on those defined by workshop participants.

1. Research, Data Collection and Information Sharing:

a. Better document the relationship between certification and productivity, and certification and farmer income.

b. Model long-term investment needs to show returns on investment in sustainability, and then bring this information to public/private investors.[10]

c. Explore whether certification entities can begin to capture economic/financial information relevant to financial partners as they audit production units.

(continued)

[10]For example, in the cocoa sector in Ghana, it has been observed that about 23% of cocoa tree stocks nationwide are more than 30 years old and thus unproductive. A similar situation exists in the Ivory Coast, now the chief exporter of cocoa. The costs to replant (both the cost of seedlings and the replacement income to farmers who remove low-producing trees) is significant, and it will take several years before new trees begin to repay these costs.

d. Explore how to monetize capacity building and training in order to make the financial case for investing in these activities.

e. Better document the way existing financing partners evaluate and rate farmers for financing. To what extent do sustainability measures mitigate perceived areas of risk and serve as proxies for good performance?

2. Collect and disseminate information on SVCF work by the private sector and the development community

a. Collect and disseminate examples of effective investment structures, innovative approaches and specific market intermediaries.

b. Engage local banks in sustainability efforts.

3. Partner to support or create specific investment vehicles or risk mitigation tools

a. To address SME's lack of formal credit histories and financial statements, examine the track record information that value chain partners have (buyers, exporters and input providers) and see if it might be sufficient to serve as a proxy for traditional credit history and therefore qualify farmer co-ops/SMEs for financing.

b. Explore the development of a special credit facility for traders which would be targeted to sustainability improvements by small producers. Benefits would include access to finance for specific farm-level improvements. Buyers could potentially serve as guarantors.

c. Work with the insurance industry on supply chain risk tools. One example is a work-for-insurance plan such as the rural resilience initiative R4, created by Oxfam, Swiss Re and other partners. The R4 initiative addresses the needs of smallholder farmers facing climate change shocks by promoting a robust adaptation framework that integrates physical disaster risk reduction and affordable risk transfer solutions. The project offers insurance-for-work activities such as irrigation or forestry to reduce the impacts of climate change on their villages. It operates in conjunction with the Ethiopian government's existing social safety net program to make insurance more affordable for the rural smallholders it serves.

4. Develop more targeted collaborations to organize farmers effectively. This is seen as a critical precondition for the receipt of financing. Suggestions for cocoa include:

a. Incentivize the development of SMEs (co-ops) for cocoa and for input and technical assistance suppliers.

b. Work on the development of the Ivory Coast Cocoa Board: Develop insurance, aggregate, suppliers, develop financing, special export and incentives.

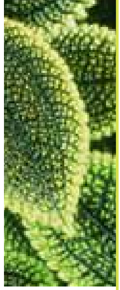
5. Explore the possibility of targeted sectors/geographies where an integrated approach to the development of producers can be explored.

Currently, a range of different technical assistance providers are offering a range of differentiated training and capacity building for farmers. The Rainforest Alliance has focused on delivering training on farm management with a focus on agronomic elements, best management practices and environmental sustainability. Others provide training that is more oriented toward entity management and still others specialize on building financial literacy. Engagement from the financial sector most often follows down the line from this capacity-building phase. The recommendation is to better prepare producers for financing by building more integrated TA that combines sustainability, agronomic, management and finance training, and capacity building with the participation or input of a financial partner from the outset.

We suggest that working groups such as those outlined below could be formed to carry forward priorities that will benefit from more structured and ongoing collaboration.

- **Risk Metrics** — A group to refine a set of indicators whose goals are to capture information that addresses the chief risks that limit financing in agricultural value chains. This work will synthesize and build on the work done by several institutions to design appropriate metrics to capture performance relevant to address financing risk.
- **Financial Profiling of Producers** — A group to focus on exploring the feasibility of TA providers/certifiers collecting basic economic/financial data on producers. This data would not substitute for investment due diligence, but would help the sustainable development community better segment and characterize the stage of development of their producer partners, and begin to better understand the types and general scale of credit needs across categories.
- **Farmer Organizing** — A group to focus on developing a set of geographies and crops where more explicit attention and priority needs to go to organizing producers. Though many participants have been involved in organizing farmers, it has not always been a priority to aid with facilitating the delivery of TA and financial services. This group will consider where markets are significantly impeded by lack of group structure and ensure that potential buyers and financing partners are part of the dialogue.
- **Financial Literacy/Training** — A group to review the existing financial education materials that exist from TA providers, MFIs and others, to identify a set of critical core elements, leverage key learning from the training done and tailor materials to communities in key agricultural value chains.

This data would not substitute for investment due diligence, but would help the sustainable development community better segment and characterize the stage of development of their producer partners.



Facilitating increased financing for agricultural supply chains will require work to improve the enabling conditions for financing across producer group management, collaboration among partners and better information management and transparency.

Four general themes were heard across all working groups:

1. Aggregation on the producer end is needed to facilitate the collection of supply and the effective delivery of technical and financial services. Farmer co-ops represent the best working model for this aggregation.
2. Effective development and financing of these sectors will require partnerships at all levels including partnerships among different types of financial institutions.
3. Data on the relationship between sustainability certification and agricultural and livelihood impacts are lacking and need to be collected and reported in order to demonstrate the business case for investing in sustainability. This is medium-term work on the order of two to four years. Once this data exists, it will be much easier to make the case for prioritized access or improved terms with a broader set of finance providers.
4. Technical assistance and training continue to be essential early stage inputs and are grant funded, not financed. It would be helpful to link their provision to access to credit.

Appendix 1: Participant List

WORKSHOP PARTICIPANTS:

1. Acumen Fund – Yasmina Zaidman, *Director of Communications*
2. Armajaro Trading, Inc. – Ruth Moloney, *Head of Development and Sustainability, Americas*
3. AZMJ – Nikolaus Eichman, *Agribusiness and PPP Specialist*
4. Blommer Chocolate Company – EG-KipWalk
5. Calvert Foundation – Christina Conrad, *Interim Risk Manager*
6. Caribou Coffee – Chad Trewick, *Senior Director of Coffee & Tea, Caribou Coffee*
7. Chiquita – Ana Lucia Alonzo, *Director Product Supply Planning NA*
8. Conservation International – Neel Inamdar, *Manager*
9. Dalberg – Watson Yana, *Associate Partner*
10. Andrew Halle – *CEO, ECOM*
11. ECOM – Henry Dunlop, *President*
12. ECOM – Ashley Thomas, *Trading Assistant for Sustainable Coffees*
13. Financiera Rural – Javier Warman, *Associate General Director, Strategic Planning and Sectorial Analysis*
14. Florida International University – Dr. Walfried M. Lassar, *Marketing Department Director, Ryder Center for Supply Chain Management*
15. Food and Agriculture Organization (United Nations) – Calvin Miller, *Senior Officer and Leader— Agribusiness and Finance Group*
16. GoodBrand – Dean Sanders, *Founder*
17. Global Impact Investing Network – Amit Bouri, *Director of Strategy and Development*
18. Global Impact Investing Network – Sapna Shah, Manager, *Investors' Council and Terragua (Agriculture) Working Group*
19. Internationale Zusammenarbeit (GIZ) GmbH – Carsten Schmitz-Hoffmann, *Senior Project Manager, Agricultural Products*
20. Intelligence Center for Sustainable Markets – Liza Lort-Phillips, *Advisor, Value Chains*
21. Inter-American Development Bank – Kelle Bevine, *Chief, Strategy Management Unit*
22. Inter-American Development Bank – Alejandro Escobar, , *Investment and Project Officer*
23. International Finance Corporation – Eva Csaky, *Senior Sustainability Finance Specialist*
24. International Finance Corporation – Fabiana Feld, *Chief Investment Officer*
25. International Finance Corporation – Ajay Narayan, *Head of Sustainability Finance, Global Financial Markets Department*
26. International Institute for Sustainable Development – Jason Potts, *Associate and Program Manager, SMART*
27. MasterCard Worldwide – Leslie Meek-Wohl, *Vice President and Business Leader*
28. Mennonite Economic Development Associates – Julie Redfern, *Vice President of Financial Services*
29. Nespresso – Karsten Ranitzsch, *Head of Green Coffee and Cocoa*
30. Olam – Murali, *Vice President, Cocoa*
31. Overseas Private Investment Corporation – Mitchell Strauss, *Special Advisor SME Finance & Director of Credit Policy*
32. Opportunity International – Simona Haiduc, *Vice President of International Business Development*
33. Oxfam – David Satterthwaite, *Private Sector Development Dept.*

Appendix 1: Participant List (cont.)

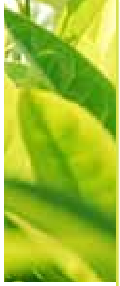
34. PepisCo – Beth Sauerhaft, *Director, Global Environmental Sustainability*
35. Rabobank – Jennifer Carbone, *Vice President, Corporate Social Responsibility Manager*
36. Rabobank – Michael De Groot, *Senior Manager Latin Americas*
37. Rabobank – Ian Reece, *Managing Director and Senior Credit Officer*
38. Rekerdres & Sons Insurance Agency, Inc. – Ted Rekerdres, *CEO*
39. Rockefeller Foundation – Margot Brandenberg, *Associate Director*
40. Rockefeller Foundation – Kelly Melia-Teevan
41. Root Capital – William Foote, *Founder and CEO*
42. Skoll Foundation – Edwin Oh, *Program Officer*
43. Standard Chartered — David Edwards, *Managing Director, Head of Global Corporates, North America*
44. Technoserve – David Browning, *SVP of Strategic Initiatives*
45. TriodosFacet – Gerrit Ribbink, *Business Unit Leader EDP*
46. United Nations Development Program – Casper Sonesson, *Deputy Director, Private Sector Division, Bureau for External Relations and Advocacy*
47. Unilever – Harald Emberger, *SVP SC North America & LATAM*
48. USAID — Development – Agnes Dasewicz, *Director at Private Capital Group for Africa, Africa Bureau*
49. USAID – Shari Berenbach, *Director, Microenterprise Development Office*
50. World Cocoa Foundation – Robert Peck, *Program Director, Latin America*
51. Zurich – Linda Conrad, *Director of Strategic Business Risk and Customer Relationship Leader*
52. Annarie Lyles
53. Leslie Puth

CITI PARTICIPANTS:

1) Bob Annibale, *Global Director of Microfinance*
2) Moses Choi, *GTS — Sustainability*
3) Lowrance Courtney, *Environmental and Social Risk Management*
4) Pam Flaherty, *President and CEO, Citi Foundation*
5) Graham Macmillan, *Senior Program Officer, Citi Foundation*
6) Carlos Manuel Parra, *Public Affairs, LATAM*
7) Katy Mixter, Associate, *Corporate Sustainability*
8) Jorge Rubio Nava, *Director Microfinance*
9) Bruce Schlein, *Director, Corporate Sustainability*

RAINFOREST ALLIANCE PARTICIPANTS:

1) Elizabeth Kennedy, *Director, Evaluation and Research*
2) Leif Pedersen, *Senior Manager, Sustainable Coffee Program*
3) Camilla Seth, *Director, Sustainable Finance*
5) Josh Tosteson, *Director RAcert*
6) Tensie Whelan, *President*
7) Meriwether Hardie, *Associate*



Appendix 2: Agenda

WORKSHOP: SUSTAINABILITY AS A KEY FACTOR FOR MITIGATING RISK IN AGRICULTURAL SUPPLY CHAIN FINANCE

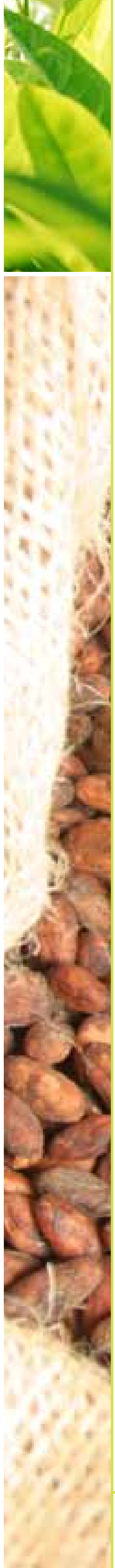
January 30, 2012

Citigroup Offices

388 Greenwich Street — 3rd Floor, New York, NY

WORKSHOP AGENDA

8:30 – 9:00 AM	COFFEE, TEA & PASTRIES
9:00 – 9:30 AM	INTRODUCTIONS **Bob Annibale,** Global Director, Microfinance and Community Development, Citi **Tensie Whelan,** Rainforest Alliance
9:30 – 10:00 AM	SUSTAINABILITY AS A TOOL TO MANAGE RISK IN AGRICULTURAL SUPPLY CHAINS Tensie Whelan, Rainforest Alliance
10:00 – 11:00 AM	PANEL DISCUSSION "Sustainable Practices as Risk Mitigation"– Observations from the Field Moderator: Graham Macmillan, Citi Foundation Panelists: • **Chad Trewick,** Senior Director of Coffee & Tea, Caribou Coffee • **Willy Foot,** Founder and CEO, Root Capital • **Eva Csaky,** Senior Sustainability Finance Specialist, IFC • **David Browning,** Senior VP and Head of Global Coffee Practice, Technoserve
11:00 – 11:30 AM	COFFEE BREAK



Appendix 2: Agenda (cont.)

11:30 – 12:30 PM

METRICS — IMPACT MEASUREMENT & RISK MITIGATION

A great deal of work has been done in the last year to develop metrics for the agricultural sector that capture operational, financial and sustainability information. Leading developers of these approaches will discuss their work and the extent to which the metrics can be used to communicate the risk management benefits of sustainability measures. Workshop participants will review a focused set of key indicators that are of value across the agricultural supply chain and discuss where and how to support adoption of these going forward.

Speakers:

- **Sapna Shah,** Manager-Investors' Council, Global Impact Investing Network (GIIN)
- **Jason Potts,** Founder and Former President, Finance Alliance for Sustainable Trade
- **Elizabeth Kennedy,** Director of Evaluation and Research, Rainforest Alliance

12:30 – 1:30 PM

LUNCH

1:30 – 2:15 PM

DERISKING THE CHAIN FOR INCREASED FINANCE: A FOCUS ON TWO ILLUSTRATIVE SECTORS

Illustrative Sectors The objective of the afternoon breakout groups is to facilitate more detailed crop-specific discussion of the ways in which sustainability measures are or can address financing risk, and the metrics that can help demonstrate this benefit. We will discuss the financing interventions that might best address the capital needs discussed in the specific context of these sectors. Finally, we would like to surface specific collaborations through which we can pilot these ideas.

Working Group A: Advancing Sustainability Across the Coffee Sector

Discussants:

- **Karsten Ranitzsch,** Head of Coffee, Nespresso
- **Henry Dunlop,** President, ECOM
- **Carsten Schmitz-Hoffmann,** Head of Trade and Standards, GIZ
- **Alejandro Escobar,** Senior Investment and Operations Officer — MIF, IDB

Working Group B: Advancing Sustainability Across the Cocoa Sector

Discussants:

- **Ruth Moloney,** President, Armajaro
- **Venkata Murali,** Senior Trader, Olam
- **Kip Walk,** Director of Cocoa, Blommer Chocolate Company
- **Michaël de Groot,** Senior Manager Latin America, Rabobank Foundation

Appendix 2: Agenda (cont.)

2:15 – 4:00 PM SMALL GROUP DISCUSSIONS

We anticipate about 35 people in each Working Group. Participants will be assigned to smaller groups of approximately eight people to discuss the following:

1. In this sector, how can we best encourage adoption of the metrics discussed earlier? Are there more useful indicators of the benefits of sustainability that you think would be relevant to key financing partners across the chain?
2. Where is the critical spot in this value chain where increased financing can best advance the sustainability measures needed? Is this kind of financing available today?
3. What are some interesting opportunities for new or augmented collaborations and/or a framework around bringing more financing to sustainable supply chains?

Based on the discussion, participants will be asked to collectively formulate recommendations on (at least) two specific interventions that can be pursued with collaborative participation (led by a handful of those present).

We hope that these discussions and ideas will be relevant to broader sectors and other projects and that we develop a framework for future collaborations and expanded engagement.

4:00 – 4:30 PM COFFEE BREAK

4:30 – 5:30 PM REPORTS BY BREAKOUT GROUPS & SUMMARY/NEXT STEPS

Pam Flaherty, President & CEO, Citi Foundation and Director, Corporate Citizenship, Citi

Tensie Whelan, Rainforest Alliance

5:30 – 6:30 PM COCKTAIL RECEPTION

Appendix 3: Corporate Supply Chain Commitments

Companies	Commitments
Caribou	Has already achieved 100% Rainforest Alliance Certified™ coffee, and is now looking to expand certification to other products.
Clift Bar	Committed to sourcing 100% of cocoa ingredients for the CLIF Bar from Rainforest Alliance Certified farms.
Costa Coffee	Committed to sourcing 100% Rainforest Alliance Certified coffee in all stores (Costa Coffee is the second-largest coffee chain in the world behind Starbucks).
Domtar	Committed to 100% FSC certification.
Hersheys	Committed to purchasing Rainforest Alliance Certified cocoa for all Bliss Chocolate products and Dagoba bars.
Kraft	Committed to sourcing 100% sustainable coffee and cocoa, and committed to sourcing sustainable palm oil. Sourcing Rainforest Alliance Certified coffee and cocoa for mainstream brands in Europe and North America.
Marks and Spencers	Committed to becoming the most sustainable major retailer in the world by 2015. All of the coffee Marks and Spencer sells in its 300 cafes is now Rainforest Alliance Certified, and 76% of the wood used in its business – from the furniture it sells to the paper it uses in store mailings – is from a sustainable origin.
Mars	Committed to sourcing: – 100% of cocoa from certified sources by 2020 — an industry first (Committed to sourcing 100,000 MT Rainforest Alliance Certified cocoa by 2020. Mars is well on track to meet their certified volume commitments and so far, DOVE Dark in the U.S., Galaxy Bars in the UK and Mars Bar in Australia carry the Rainforest Alliance Certified seal) – 100% of fish and seafood products from sustainable sources by 2020 — an industry first – 100% of palm oil from supplies certified by the Roundtable on Sustainable Palm Oil by 2015 – 100% of coffee beans from certified sources by 2013 – 100% of black tea from certified sources by 2015 – Driving standard for responsible pet food

Appendix 3: Corporate Supply Chain Commitments (cont.)

Companies	Commitments
Nespresso	In 2010, Nespresso sourced 60% of its coffee from its AAA Sustainable Quality™ Program. Nespresso has publicly committed to sourcing 80% of its coffee through this program by 2013. (The AAA Sustainable Quality Program is in partnership with Rainforest Alliance and the Sustainable Agriculture Network.)
Staples	Over the next couple of years, committed to moving the majority of paper products to FSC certified.
Tetley	By 2012, committed to 100% Rainforest Alliance Certified tea for all of the Tetley brand.
Unilever	By 2020, committed to sourcing 100% of agricultural raw materials sustainably. Committed to 100% Rainforest Alliance Certified tea for Lipton brand globally and 100% Certified cocoa for Magnum chocolate ice cream globally by 2015.
Wal-Mart	Committed to using 100% renewable energy, to create zero waste and to sell products that sustain people and the environment. By 2015, Wal-Mart will double the sale of locally sourced produce and increase the purchase of select U.S. crops, and require all fresh and frozen, farmed and wild seafood products sold to become certified as sustainable by a third party using Marine Stewardship Council (MSC), Best Aquaculture Practices (BAP) or equivalent standards.
Whole Foods	Committed to Whole Trade Guarantee (Represents Ethical Trade, the Environment and Quality Products and encompasses products with certifications that include Rainforest Alliance, Fair Trade, and Organic).

Appendix 4: Supply Chain Activities of Select Participants

Organization	Work on Sustainable Supply Chain Finance
Blommer Chocolate Company	Through its on-the-ground work, Blommer Chocolate Company has developed a sustainability network with more than 40,000 farmers in Indonesia, Ecuador and Côte d'Ivoire. These networks aim to improve farmer livelihood by providing tools and training to increase yields and improve economic returns for cocoa farmers **Examples of their work:** *Cocoa Livelihoods Program* In 2009, Blommer joined with the Bill and Melinda Gates foundation and other industry members to launch the Cocoa Livelihoods Program, a $40 million program targeted to reach 200,000 farmers in five Central and West African countries. The program's goal is to double the income of one third of Africa's cocoa farmers by conducting farmer training on sustainable production techniques and quality issues. *World Cocoa Foundation* Blommer Chocolate was a founding member of the World Cocoa Foundation (WCF) and continues to actively participate in its global programs. *Processors Alliance for Cocoa Traceability and Sustainability (PACTS)* is a new, $3 million cocoa sustainability partnership supporting farmers in the Ivory Coast, West Africa. The mission is to improve the supply of high-quality, fermented cocoa beans while improving the livelihood of the local farming community. The fermentation centers act as a hub from which farmers can improve their agronomy skills and understanding, with a goal of increasing crop yields and, ultimately, farmer incomes.
Caribou Coffee	Caribou Coffee is the first major U.S. coffeehouse to source 100% of its coffees and espresso beans from Rainforest Alliance Certified farms. To meet this objective, Caribou Coffee works directly with coffee farmers in North and South America, Africa and Southeast Asia, helping them understand the social, environmental and economic benefits that result from achieving certification.
Citi Foundation/Citigroup	Through its Enterprise Development portfolio, the Citi Foundation has provided philanthropic support for several organizations working at the intersection of agricultural enterprise development and finance. These include: Root Capital, the Rainforest Alliance, FAST, and Aspen Network of Development Entrepreneurs, among others. Several Citi business units (including Citi Microfinance and Citi Transaction Services) are also exploring ways to add value through their capabilities.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Organization	Work on Sustainable Supply Chain Finance
Conservation International	Verde Ventures is part of Conservation International's Ecosystem Finance Division, which catalyzes effective conservation at a global scale by enabling nongovernmental organizations and private sector partners to engage in and benefit from biodiversity conservation. **An example of their work:** Verde Ventures 2 is a $100 million fund to provide risk capital and risk mitigation mechanisms to enhance sustainability in priority value chains in areas of high biodiversity/ecosystem value.
Dalberg	Dalberg Global Development Advisors is a consultancy specializing in international development. Dalberg develops agricultural value-chain intervention and investment strategies through working closely with farmers, agribusinesses, financial institutions and investors, NGOs and public agencies to identify unmet demand, deploy resources, facilitate partnerships and measure results. Dalberg is currently working with the Citi and Skoll Foundations on a landscaping study of financing for smallholder farmers in global agriculture supply chains. Over the past several months, Dalberg has supported design and investment case development for the multidonor AgResults Fund, launched at the G20 summit in Mexico.
ECOM	Ecom provides growers with access to information — from better farming practices to market data to innovations — so that the farmers can produce more, better and more profitably. **An example of their work:** *IFC, Ecom and Nespresso Supply Chain Program in Central America* — IFC is coordinating the multifaceted effort as ECOM technicians will assess farms, conduct workshops and trainings for farmers, educating them on the standards and requirements for the Nespresso AAA Sustainable Quality Program and the Rainforest Alliance Certification. The project has the following objectives (by the end of implementation in June 2013): • Ensure additional sales revenue of $4.3 million for participating producers; • Ensure 80% of all farmers have achieved at least the basic level in the Nespresso AAA Sustainable Quality Program; • Ensure at least 55% of volume sold by Ecom to Nestlé Nespresso is Rainforest Alliance Certified by the end of the project; • Ensure that 6,621 hectares of land are under sustainable management.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Organization	Work on Sustainable Supply Chain Finance
Finance Alliance for Sustainable Trade (FAST)	**Indicators:** In 2011, IRIS joined with FAST to develop a set of shared indicators to track the social, environmental and economic impacts being created by SMEs in agricultural supply chains. The impact being measured by these indicators is defined by FAST as a "fundamental and durable change in the conditions, livelihoods and/or sustainability of target beneficiaries caused by the provision of financial and related services." The metrics incorporate input from producer organizations and lenders as well as other impact investors, and create the potential for data sharing to increase industry benchmarking. IRIS and FAST developed a total of 112 agricultural indicators, and then selected 22 of them as priority indicators.
Financiera Rural (Mexico)	Financiera Rural (FR) is a National Development Agency, whose aim is to promote sustainable rural development in Mexico by facilitating access to financial services through first- and second-tier operations. It operates nationwide, through 95 agencies. As a national development agency, FR has access to government subsidies and programs. This allows FR to offer rural producers a mix of financial resources that in turn can generate lower interest rates and more favorable credit conditions. In addition, FR provides training, advisory and technical assistance services, which enable its clients to better access formal credit markets and make better use of their resources and assure a greater project financial viability. Due to the dependence and impact of rural activities on the environment, Financiera Rural is currently working to promote an environmental approach internally and in its investments. **Examples of their work:** *Environmental Extension Services:* Supporting the activities of the Rainforest Alliance in helping finance specialized technical assistance in sustainable forestry and tourism. FR is also working with UNEP to identify projects with a potential to mitigate GHG emissions as well as to advise its clients on emission-reducing technologies. FR is developing an Environmental and Social Risk Management System (ESRMS): System will monitor and evaluate Financiera Rural's investments, which will result in risk score and a management scheme that will incorporate mitigators that should be considered within a project´s business plan (water treatment facilities, environmental management plan, etc.). FR is working with the IADB and the Multilateral Investment Fund (MIF-IADB) to develop financial mechanisms needed to promote sustainable investments in forest landscapes as well as a technical assistance component aimed at community enterprises in such areas. Conservation Financing mechanism: Will provide financing aimed at promoting financially and environmentally sustainable investments in production based in Natural Protected Areas.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Organization	Work on Sustainable Supply Chain Finance
Global Impact Investing Network	The GIIN is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. This work includes management of the Impact Reporting and Investment Standards (IRIS), which is a set of standardized definitions and metrics that can be used to measure and describe an organization's social, environmental and financial performance. By standardizing the way organizations communicate and report their social and environmental performance, IRIS aims to increase the value of nonfinancial data by enabling performance comparisons and benchmarking, while also streamlining and simplifying reporting requirements for SMEs and their investors. In February of 2011, IRIS joined with (FAST) to develop a set of shared indicators to track the social, environmental and economic performance of SMEs in agricultural supply chains. A subset of these priority indicators is referenced in the SVCF Workshop report.
Internationale Zusammenarbeit (GIZ)	GIZ is working on demonstrating the role of sustainability in improving farmer performance in order to increase uptake of sustainable practices and to attract financing. GIZ is creating case studies on the cost/benefits of the business model needed to get farmers engaged with sustainable farming. **An example of their work:** *Promotion of Private Sector Development in Agriculture (PSDA)* — Project addressed the problems of underutilized agricultural potential and weak business linkages using a value chain approach. Its application in the case of Kenya created successful models of VC development. PSDA was implemented by the Ministry of Agriculture, Kenya and German International Cooperation (GIZ), in cooperation with other partner ministries and private sector organizations. Since 2003 and until the end of 2010 PSDA focused its support on the development of ten VCs: mango, passion fruit, Irish potatoes, sweet potatoes, smallholder dairy goats, local poultry, beef, omena fish, biogas and energy-saving stoves. The activities include the creation of favorable political, legal, administrative and economic framework conditions; capacity building; value chain analysis and strategy development; enhancing business linkages; strengthening stakeholder organizations including farmers' associations and providers of Business Development Services. The overall goal is to generate sustained economic and pro-poor growth and improve rural and urban livelihood; the objective is to increase rural income, create employment and thus mitigate poverty.
Intelligence Center for Sustainable Markets (CIMS)	CIMS conducts research and provides strategic advice on the business, economics and sustainability of tropical agricultural supply chains. **An example of their work:** *Brazil (Nestlé Nespresso and Rainforest Alliance)* — An assessment of local farm business models, incomes and sustainability. *South/Central America (Nestlé Nespresso and Rainforest Alliance)* — Global strategy for sustainable coffee sourcing: improving impacts, incomes and generating real value at both farm level and throughout the supply chain.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Organization	Work on Sustainable Supply Chain Finance
Inter-American Development Bank	IDB is the largest source of development financing for Latin America and the Caribbean. Besides providing loans and guarantees, IDB also provides grants and technical assistance, and conducts research. IDB also partners with medium and large corporations in agribusiness who wish to expand capacity and production, increase competitiveness, improve the integration of supply chains, support innovative renewable energy practices for land and water usage, and increase the productivity of small and medium producers. Currently, through its Multilateral Investment Fund, IDB is developing a set of guidelines to better assess and communicate the suitability of key countries for Value Chain Finance (VCF) work and innovation.
International Finance Corporation (IFC)	The IFC provides both advisory and financial services to agricultural value chains. Through its Value Chain Sustainability Initiative, the IFC aims to create a platform that can systematically address the market failures preventing the implementation of sustainability upgrades in emerging economies. The initiative involves IFC financing, investments, concessional finance and technical assistance targeting sustainability improvements along the entire value chain of various sectors. **An example of their work:** In 2007, IFC partnered with Ecom Agroindustrial Ltd and Nestlé Nespresso to strengthen their value chain by improving access to information and knowledge on coffee production, quality management, traceability, and on the social, economic and environmental standards of the Nespresso Sustainable Quality Program for coffee farmers in Central America and Mexico. By project completion in 2010, 38% of the 5,739 farmers participating in the program had improved their overall sustainability, reaching "basic" or higher, based on detailed assessments that reviewed farm-level practices. Additionally, $4.7 million was paid directly to farmers as part of quality premiums. Based on these results, the partners decided to create a new initiative to further improve farm sustainability, coffee quality and participant income (through better premiums and yields) for coffee producers in five Nestlé Nespresso clusters.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Organization	Work on Sustainable Supply Chain Finance
Olam	As a global supply chain manager that works with 20 products in 65 countries, Olam is working to break down their value chain into component parts for evaluation against sustainability criteria, with the end goal of developing the Olam Sustainability Standard which will be applied throughout their entire operation. At the farmer supply chain level, Olam is linking farmers to the global markets. Their aim is to move these farmers from subsistence-based agriculture to commercial viability, through a combination of helping farmers become more organized and better financed, structured training in increased yield and product quality, as well as ensuring fair prices and guaranteed market access for their produce. **Examples of their work:** *Sulawesi Alliance of Farmers, Olam and Blommer Chocolate (SAFOB)* — SAFOB is a sustainable farming program in Sulawesi, Indonesia that builds on the technical skills learned in the farmer field school initiatives developed by the World Cocoa Foundation by providing additional technical education, pricing incentives and global market access to farmers. Farmers participating in the program have achieved production increases of 50% to 100% and premium pricing consistent with quality gains. *Côte d'Ivoire Alliance of Farmers, Olam International and Blommer Chocolate (CIFOB)* — CIFOB is a program developed to help cocoa farmers in West Africa to revitalize their cocoa farms and improve cocoa quality to improve farmer incomes. Proper post-harvest practices are the focus of the training. Today's 40 cooperatives provide more than 20,000 metric tons of sustainable cocoa.
Oxfam	Oxfam is an international confederation of 15 organizations working together in over 90 countries and with partners and allies around the world to find lasting solutions to poverty and injustice. Oxfam works to support organizations of small-scale farmers who need access to markets in order to sell what surplus they can grow. **An example of their work:** *Rural resilience initiative R4* — A work-for-insurance plan created by Oxfam, Swiss Re and other partners, which addresses the needs of smallholder farmers facing climate change shocks by promoting a robust adaptation framework that integrates physical disaster risk reduction and affordable risk-transfer solutions. The project offers insurance-for-work activities such as irrigation or forestry, to reduce the impacts of climate change on their villages. It operates in conjunction with the Ethiopian government's existing social safety net program to make insurance more affordable for the rural smallholders it serves.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Organization	Work on Sustainable Supply Chain Finance
PepsiCo	PepsiCo is working across their agricultural supply chain to ensure that their practices are efficient and sustainable. They recognize the value of third-party certification and support its use in some markets to help develop business opportunities for sustainable practices. Certifications for PepsiCo operations include Rainforest Alliance and Global Good Agricultural Practice certification. PepsiCo's Sabritas business project, for example, established a supply program with 300 small-scale corn farmers in the Jalisco area of Mexico who farm five hectares or less, working with them to improve crop yields by 80% and helping to increase their income by 400%. The company provided 30,000 hours of education and technical and crop funding support to help the farmers achieve these significant improvements.
Rabobank	Rabobank is an active supporter and partner to agricultural supply chain work around the world. The support provided by the Rabobank Foundation reflects Rabobank's unique history and roots and is consequently focused first and foremost on enabling the development of small cooperatives located in rural regions. This support is provided through donations, loans, trade financing and technical assistance. **An example of their work:** *The Rabo Sustainable Agriculture Guarantee Fund (SAGF)* — Mission is to enhance access to working capital credit (preexport trade finance) on the basis of commercial and sustainable terms for small and medium-sized producers of sustainable agricultural products in developing countries.
Rainforest Alliance	The Rainforest Alliance provides technical assistance, capacity building and certification services to producers in several agricultural supply chains including coffee, cocoa and tea. In addition, the organization works with partners across the value chain from exporters, manufacturers and buyers to increase demand for and access to certified products. The Rainforest Alliance is now working more directly on the issue of supply chain finance by developing tools to support farmers, building the data to support an understanding of the ways that certification addresses key business issues and mitigates financing risk, and developing more explicit strategies and partnerships oriented to bringing producer partners and the financing tools available closer together. This will require innovation and product development from the providers of finance, and capacity development and data collection from producers.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

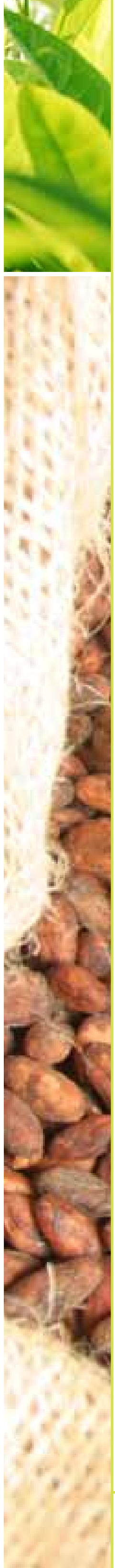
Organization	Work on Sustainable Supply Chain Finance
Rockefeller Foundation	Rockefeller Foundation has been a catalytic funder for the development of the impact investing field, and has provided anchor support to some of the key institutions in the field such as the Global Impact Investing Network (GIIN) and its Impact Reporting and Investment Initiative (IRIS), the Aspen Network of Development Entrepreneurs (ANDE), and the Global Impact Investment Rating system (GIIRs). All of these institutions provide critical infrastructure for the efforts to build the market for sustainable agriculture. Going forward, RF will be expanding its focus to include other approaches to harnessing markets to create positive social impact, including dedicated support for impact enterprises.
Root Capital	Root Capital lends capital and provides financial training to enable small and growing rural businesses in Africa and Latin America to access global markets and create sustainable livelihoods for small-scale farmers. With access to short-term loans for farm inputs, production and processing, and to long-term loans for capital expenditure and farm renovation, Root Capital clients are able to increase their product's volume, quality and consistency, and can thereby become more reliable suppliers — all of which are critical to the long-term viability of agricultural supply chains.
Starbucks	More than ten years ago, Starbucks turned to Conservation International to help build its ethical sourcing program. Now C.A.F.E. Practices is in its eighth year, and Starbucks is sourcing nearly 86% of its coffee in a way that promotes continuous improvement in quality, productivity, environmental impact and transparency. In addition to its purchasing standards, Starbucks also invests in better futures for coffee farmers and their communities through farmer loans. By providing funding to organizations like Root Capital, Verde Ventures and the Calvert Foundation, Starbucks helps offer an alternative for cooperatives that cannot access traditional funding channels. These funds provide financial resources to co-ops to fulfill their cash flow needs during harvest time, and to make infrastructure investments that increase competitiveness.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Technoserve	In coffee and other sectors, Technoserve helps increase incomes for rural producers by providing business and technical training to capitalize on business opportunities. Examples include agronomic training to increase yield, technical training to improve crop quality and business training to start and manage post-harvest businesses. TechnoServe also works throughout the value chain, including financing, to remove impediments for value creation. TechnoServe plays a role training bank staff, supporting robust business plan development and brokering deals between financial intermediaries and producers. **An example of their work:** *A model for financing partnership* — TechnoServe worked with Nib International Bank S.C. (NIB), the most agriculturally invested private bank in Ethiopia, and the IFC to structure a risk-sharing agreement to secure financing for previously unbankable smallholder Ethiopian coffee producers. TechnoServe's Coffee Initiative in Ethiopia is funded by the Bill and Melinda Gates Foundation. The Coffee Initiative aims to double the incomes of 182,000 coffee farmers in East Africa by increasing the quality and quantity of coffee they produce, enabling impoverished men and women to gain access to high-return export markets and move their families out of poverty. Through the agreement, NIB established a three-year facility to provide up to $10 million in working capital loans to cooperatives working with TechnoServe.
United Nations Development Program	UNDP is a solution-oriented, knowledge-based development organization. UNDP helps their partners build capacity to integrate environmental considerations into development plans and strategies, establish effective partnerships, secure resources and implement programs. **An example of their work:** UNDP Ecuador, through its Productive Borders Project, is providing support for small farmers by helping them to identify, plan and successfully manage ecotourism and production chains for coffee and dairy products. The project, supported by the Government of Canada and implemented by Ecuadorean NGO Fondo Ecuatoriano de Cooperación para el Desarrollo, helps the communities create demand for and market their products; generate greater demand for and investment in these production chains; provide grant funding, technical and follow-up support to 12 competitively selected productive chains; and raise awareness of the Millennium Development Goals (MDGs) and help provincial and local actors to develop poverty reduction strategies.

Appendix 4: Supply Chain Activities of Select Participants (cont.)

Unilever	By 2020, Unilever has committed to sourcing 100% of their agricultural raw materials sustainably (at the end of 2011 they sourced 24% of their agricultural raw materials sustainably). To meet their targets, Unilever is working closely with their whole supply chains (farmers and plantation owners as well as processors, refiners and traders of raw materials) to transform farming practices and encourage a wider move toward sustainability throughout its supply chain. In measuring progress on sustainable sourcing, Unilever is dependent on the reliability and accuracy of the certification bodies they use. For example, 28% of the tea purchased for all brands and 37% of the cocoa for Magnum is currently sourced from Rainforest Alliance Certified farms.
USAID	USAID supports sustainable agriculture, which uses ecologically sound, economically viable and socially responsible techniques, to increasingly focus on environmental sustainability across agricultural supply chains and multi-use landscapes. **Examples of their work:** The Sustainable Agriculture and Natural Resource Management Collaborative Research Support Program, which identifies, develops and extends best practices in sustainable agriculture and natural resources management. The Consultative Group on International Agriculture Research, a strategic alliance of members, partners and international agricultural centers, researches sustainable intensification techniques that will benefit the poor. *Agribusiness and Value Chains* — building an enabling environment for private sector investment through programs like Africa LEAD and the Cooperative Development Program.
World Cocoa Foundation	World Cocoa Foundation (WCF) is committed to promoting economic and social development and environmental stewardship in all 15 cocoa-producing countries around the world. WCF works to create public-private partnerships that bring together donors, industry members, producing country governments, research institutes and nongovernmental organizations to promote social and economic development as well as environmental stewardship in cocoa-growing communities. WCF and partners are currently working on a Framework of Metrics & Indicators for Sustainable Cocoa — Cocoa Measurement and Progress, or CocoaMAP.
Zurich	As a global insurance provider, Zurich is developing a number of innovative approaches and products to serve companies active in agricultural supply chains. Zurich currently offers a supply chain risk management assessment tool and "all risk" supply chain insurance, and is exploring the development of an agricultural yield coverage product. Zurich is investigating how certification might encourage better risk management practices that could help promote reliability and mitigate certain supply chain disruption exposures.



Appendix 5

WORKSHOP PRESENTATIONS

http://www.rainforest-alliance.org/marketing/svcf2012

Appendix 6

FAST REPORT AND PRIORITY METRICS

http://www.fastinternational.org/files/FAST%20SIAMT%201.0%20Full%20Report%20.pdf

Appendix 7

CASE STUDY: SHADE COFFEE IN BIOLOGICAL CORRIDORS — POTENTIAL RESULTS AT THE LANDSCAPE LEVEL IN EL SALVADOR

DR. STEVEN ROMANOFF

http://www.rainforest-alliance.org/marketing/svcf2012