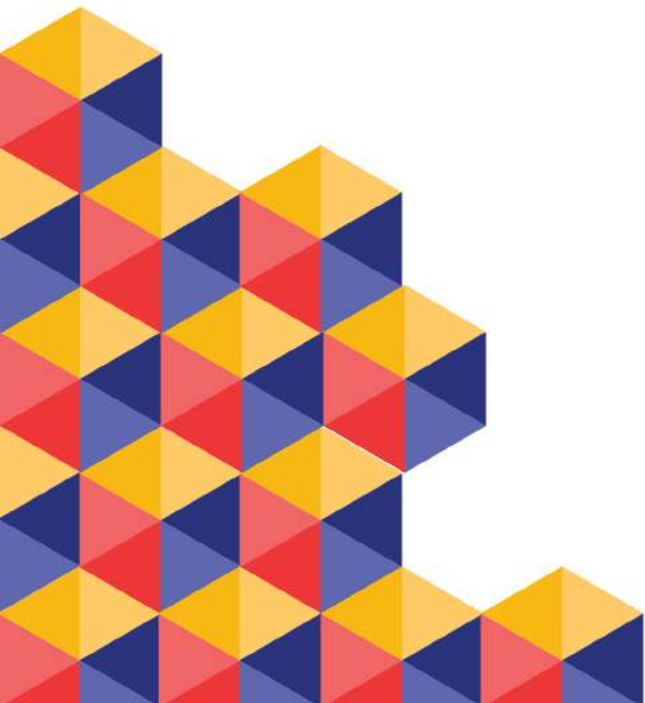




# TAGBINA'S



INCLUSIVE COFFEE COMMUNITIES





IB Imperative is a platform that calls for a collective response from the business communities, national and local government agencies, civil society organizations, and international development organizations that will actively work towards shaping an enabling environment for the development and implementation of more inclusive business projects.



Philippine Business for Social Progress (PBSP), the Philippines' largest corporate-led social development organization committed to poverty reduction and corporate social responsibility, is at a strategic position to effectively lead the promotion and implementation of this rapidly growing concept of Inclusive Business due to its experience, reputation, and access to resources.

## Raise Your Coffee Cup to Cheer Tagbina's Inclusive Coffee Communities

It is several kilometers of rough road of limestone and gravel going to Sitio Mabuhay at Barangay Kahayagan of Tagbina town. This town near the northeastern tip of Surigao del Sur used to be the coffee capital of CARAGA region but that boast has worn thin over the years as coffee planting declined.

That fame can be recovered, says the hardy team of Ka Eddie Baylin, including Jeremie Laurente, Malou Lisayan and Rogelio Olbes, who are focused on building capacity of the Mabuhay-Kahayagan Coffee Growers Cooperative.

It was a joy to watch how the 125-cc Taiwan-made motorbike of Malou, the agricultural coffee technician supervisor who hails from a neighboring town, negotiate the narrow road to the coop. Fast and efficient, making no wasted moves, and looking comfortable on her saddle, Malou, like all good riders, was one with the machine. Arriving there with only an hour of daylight left, and, she showed us the .25-hectare Mother Plant Garden and nursery of the same size, the coop building, and the tractor, roaster, dryers and dehullers that came from the Department of Agriculture, Department of Trade and Industry and Department of Agrarian Reform.

Coop Chairman Leonardo Evangelista and Coop Manager Julio Budlayan were on separate errands, so Malou explained how the members were already earning from their coffee bean gathering done every two weeks for six months in a year. All the produce was purchased by Nestlé as part of its efforts nationwide to accelerate the expansion of the local coffee industry.

The coffee drunk in 9 out of 10 Filipino households add to the nearly 12 billion cups of coffee consumed here every year. The annual demand is seen at over 64,000 metric tons, valued at Php 2.5 billion, and increasing at a gallop. The Philippines could very well raise the coffee beans for this huge appetite for the beverage, given that local climate, soil, rainfall and other factors are conducive to growing coffee, especially the Robusta variety. But the total production is only some 20,000 metric tons, or about one-third of the supply needed.

Nestlé already buys a significant majority of total production of coffee beans in the country, procuring them directly from farmers at world market prices. The company has to import majority of its requirements, mostly from Vietnam, to meet local demand. This is unfortunate considering that the Philippines is capable of growing coffee varieties especially Robusta.

Nestlé continues to drive up demand through ensuring that the steady supply of various instant coffee variants produced locally from its world-class manufacturing facilities in Cagayan de Oro (coffee) and Tanauan (coffee creamer), is available to consumers anywhere in the country.



**As part of a strategy to ensure its long-term business competitiveness**, called Creating Shared Value (CSV), it also works closely with all stakeholders to raise local coffee production to world standards and improve income of an increasing number of smallholder farmers and farming cooperatives. Nestlé believes that its continued success is hinged on the continued growth and development of society. The NESCAFE Plan is part of its strategic investment to make its business model even more inclusive.

**Nestlé believes the outlook for coffee growing is bright** and there is no reason why the country cannot retrieve its position among the world's top producers, especially of Robusta. Closer cooperation among stakeholders across the coffee value chain is vital. These include national agencies, such as the Department of Agriculture, Department of Agrarian Reform, Department of Environment and Natural Resources, Department of National Defense and Department of Trade and Industry, the local governments particularly in the best growing regions in Mindanao, in Cavite and Batangas and the highlands of North Luzon, the private investors engaged in growing, trading, and manufacturers like by Nestlé. The focal point, certainly, is the farmer, and Nestlé has designed its major programs to help small farmers and cooperatives or communities.

**With farmer encouragement and support**, total hectareage planted to coffee can be increased dramatically, the bean quality can conform to standards and farm productivity can go up give the farmers a chance to rise from subsistence income. Baria said Nestlé has trained

45,000 farmers and supplied 10 million high quality planting materials all over the country with the objective of continuously developing the productivity of the coffee industry thereby providing a stable supply available for Nestlé's local sourcing program. Tagbina, a second-class municipality in Surigao del Sur with 45,000 hectares of land mostly suited for agricultural production, was once called the coffee capital of the entire region. The total volume of coffee beans produced there has been in decline but now the local government units of Tagbina and its surrounding towns are trying to recover that reputation. They have a ready partner in Nestlé through Project CoFFEE or Coffee Technologies and Funds to Fuel Economic Empowerment of a Community in Mindanao.

*"The main challenges facing smallholder coffee communities are lack of training on best farm practices, lack of resources to purchase farm inputs, lack of access to new coffee technologies, and minimal awareness of the great potential of the local Robusta coffee industry."*

**ARTHUR BARIA,  
NESTLÉ AGRIBUSINESS DEVELOPMENT HEAD**

**Project CoFFEE aims to create a business case** in developing sustainable small-scale coffee communities through empowerment of farmer-entrepreneurs organized in successful coops and farm associations, and introduction of new technologies particularly for Robusta coffee production. This pilot will be a model for later replication in other areas.





This is a public-private partnership co-financed by Deutsche Investitions-und Entwicklungsgesellschaft (DEG), which finances investments of private companies in developing and transition economies, and involves a non-government capacity-building organization, the Asia Society for Social Improvement and Sustainable Transformation (ASSIST).

The cooperative began with some 100 farmer-members, more than half of them women, and now has grown to 180 plus members representing an area of about 400 hectares planted mainly with coffee. Some members come from nearby barangays Trinidad, Lago, and Carpenito. With Nestlé's help, the coop has been verified under 4C (Common Code for the Coffee Community), which identifies the group as espousing economic, social and environmental sustainability. By the nature of the coop membership, which draws from subsistence-income farmers, the model farm runs an inclusive business.

Extension, credit, marketing and research and development are available to the coop member-farmers either from the government or Nestle. The latter is the source of superior seedlings and has put up a Mother Plant Garden, nursery and a commercial demo farm. The LGU and national agencies have provided productivity enhancing tools such as solar dryers, chainsaw and dehullers. As an income augmentation, particularly while the coffee trees are growing or in-between harvests, five goats (one male, four females) were given out to the farmers, from which after kids are born three will be returned to the government and passed on to the next farmer in the barangay. Farmers are also supported in planting falcata, mahogany and other fruit bearing trees such as Lanzones, Mangosteen and Rambutan as intercrop to coffee, and which earn a big amount for the farmers in six to eight years.

For credit, farmers are referred to micro lenders such as Cantilan Bank, Enterprise Bank, and other institutions which lend Php 10,000 to Php 15,000 and accept payment after every harvest season.

Nestlé set up a buying station in partnership with the LGU so farmers can readily sell their crops at world market prices with hardly any transport costs. The company has permanent buying stations in Tagum City and Cagayan de Oro City.

Without the pilot project, the farmers practiced minimal maintenance and could not tell which seedlings to use and what other improved farming technologies to apply. All these changed for the better with the intervention.

It is a long road to the vision for the Philippines to produce enough coffee to meet its own demand. The learnings from and the replication of the anticipated success of the Tagbina cooperative will prove the viability of the inclusive business model. This is one project where business objectives happily intersect with social development – making inclusivity a reality for the coffee value chain.



**TABLE 1. NESTLÉ FARMERS' PRACTICES WITH AND WITHOUT INTERVENTION**

<b>Item</b>	<b>Without intervention</b>	<b>With intervention</b>
<b>Farming system</b>	<ul style="list-style-type: none"> <li>• Forestry based on cutting of secondary forest</li> <li>• Mono-cropping of coffee</li> <li>• Multi-cropping of coffee by block</li> </ul>	<ul style="list-style-type: none"> <li>• Agro-forestry (intercropping of coffee trees with coconut, Falcata)</li> </ul>
<b>Seedlings</b>	<ul style="list-style-type: none"> <li>• Use of wildlings or seedlings provided by Paper Industries Corporation of the Philippines</li> </ul>	<ul style="list-style-type: none"> <li>• Seedlings were sourced from Nestle</li> </ul>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>• Farmers lost interest in maintaining their farms due to low prices</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers started cleaning, weeding pruning their coffee trees</li> <li>• Use of organic compost fertilizers which are provided for free by Nestle; used by farmers on coffee trees and other crops.</li> </ul>
<b>Harvesting</b>	<ul style="list-style-type: none"> <li>• Strip harvesting</li> </ul>	<ul style="list-style-type: none"> <li>• Selective harvesting of ripe cherries</li> </ul>
<b>Support</b>	<ul style="list-style-type: none"> <li>• Seldom visited by technicians due to lack of resources</li> </ul>	<ul style="list-style-type: none"> <li>• Provided agricultural coffee technicians (ACT) on farms</li> <li>• Following up /visiting the farms which were beneficiaries of the seedlings distributed by the LGU</li> </ul>
<b>Farmgate Prices</b>	<ul style="list-style-type: none"> <li>• Controlled by traders</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers were informed by Nestle</li> <li>• Farmers get better prices for good quality beans, e.g. good physical appearance and low moisture content</li> </ul>
<b>Selling practice</b>	<ul style="list-style-type: none"> <li>• Harvests were bought by traders on the farms</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers go to the buying station and sell directly to Nestle</li> </ul>

Source of basic data: MKMC; Nestle

