



Case Study

COOMPROCOM — Nicaragua



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Root Capital is a nonprofit agricultural lender that grows rural prosperity in poor, environmentally vulnerable places in Africa and Latin America by lending capital, delivering financial training and strengthening market connections for small and growing agricultural businesses. As of June 30, 2013, Root Capital has loaned \$543 million to 442 businesses, reaching 750,000 smallholder farm families, or a total of 3 million individuals.

Our impact and metrics program has two aspects: portfolio-wide social and environmental due diligence, and detailed studies with our clients. Root Capital's loan officers use our Social and Environmental Scorecards to evaluate clients' social and environmental practices and their access to alternative sources of finance. The scorecards function as both a negative screen, filtering out prospective lending clients with undesirable practices, and a threshold test in which the loan officer must affirmatively identify how the client's business, and our support of that business, are expected to create positive impact. Our impact team synthesizes these ratings to categorize our portfolio of loans by type and depth of impact and for the continuous improvement of our client-selection criteria.

In 2011, we began to supplement our social and environmental metrics with deeper studies of selected clients to evaluate whether and how our client agricultural businesses support farmer livelihoods; to verify that we are truly reaching underserved businesses; and to inform our assumptions about what social and environmental practices truly create positive impacts. These case studies are primarily intended to estimate two levels of impact: that of our lending on clients, and that of our clients on the livelihoods of the smallholder farmers they serve. We qualitatively describe other types of impacts on farmers and their communities, as well as on the surrounding environment. Finally, we situate these impacts within the broader context of the country and value chain, to illustrate how agricultural businesses, end-buyers of agricultural product and financiers like Root Capital work together to grow rural prosperity for smallholder farmers and their communities.

These studies enable us to better understand both levels of impact (enterprise-level and household-level) and to provide both Root Capital and our clients with the information necessary to continuously improve our services. They also inform and serve as pilots for larger impact studies that we are conducting. Future studies will include more structured surveys of a larger number of farmers and cover additional issues such as gender and the environment.

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COOMPROCOM is a Root Capital borrower and a participant in the Root Link project, a three-year initiative implemented by Root Capital in partnership with the Multilateral Investment Fund of the Inter-American Development Bank, Green Mountain Coffee Roasters, and Dietel Partners.

Overview

Cooperativa Multisectorial Productores de Café Orgánico de Matagalpa (COOMPROCOM) is a primary-level Nicaraguan coffee cooperative that was formed in 2002.¹ COOMPROCOM aggregates coffee from approximately 250 producers throughout Nicaragua's northern department of Matagalpa and exports the majority (90 percent) as sustainable specialty coffee (including fair trade and organic) to U.S. and European buyers.

We selected COOMPROCOM for this case study because it is broadly representative of a large segment of our portfolio that consists of primary-level Latin American coffee cooperatives.

Given its relatively small size, remote location and lack of traditional collateral, such as fixed assets or titled land, COOMPROCOM has not had access to bank loans to pay its members at the time they deliver their coffee. From its founding in 2002 through 2010, COOMPROCOM twice received pre-harvest financing from its buyer to make these payments. However, when the buyer discontinued its financing program in 2009, in part due to the global economic downturn, COOMPROCOM was forced to seek an alternative source of financing.

From the 2009–2010 harvest season to the 2011–2012 season, membership increased by 25 percent; the total amount of money COOMPROCOM paid its producers increased by 195 percent; its sales grew by 130 percent; and the volume of coffee exports increased by 75 percent.

In January 2010, COOMPROCOM received its first loan from Root Capital, \$130,000 in trade credit that facilitated its purchase of more than 520,000 pounds of coffee from 200 farmers.² Since that time, Root Capital has provided financial training and six more loans totaling \$2 million, including pre-harvest loans and trade credit loans.

COOMPROCOM uses pre-harvest loans to on-lend to its members as microloans early in the growing season to cover farm maintenance and basic household expenses. It uses trade credit loans to purchase farmers' crops at the time of harvest. Because COOMPROCOM is paid by its buyers several months after the coffee is purchased, processed, shipped and delivered internationally, the cooperative relies on Root Capital's trade credit for the liquidity to provide higher and more immediate payments to its farmers, and to purchase higher volumes of coffee from more of its members.

Root Capital has supported COOMPROCOM's significant growth since its first loan. From the 2009–2010 harvest season to the 2011–2012 season, membership increased by 25 percent; the total amount of money COOMPROCOM paid its producers increased by 195 percent; its sales grew by 130 percent; and the volume of coffee exports increased by 75 percent. These high increases, particularly in the amount of money paid to producers and revenues, are due to a variety of factors, including record-high international coffee prices in 2011–2012 and access to financing through Root Capital. Similarly to

¹ Primary cooperatives are owned and governed directly by individual farmer members and, among Root Capital's client base, typically have no more than 500 members. Secondary cooperatives and federations aggregate groups of primary and secondary cooperatives, respectively, and typically have anywhere from 500 to several thousand members.

² After the 520,000 pounds of parchment coffee are processed, 241,000 pounds remain as exportable coffee.

COOMPROCOM, Root Capital is the primary lender for two-thirds of our clients. As COOMPROCOM's only external lender, Root Capital therefore plays an especially important role in the continued growth of the business.

To understand the impact of Root Capital's financing and training on COOMPROCOM and COOMPROCOM's impact on its farmer members, we conducted a mixed-methods study during the summer of 2012. The field research included qualitative interviews with a random sample of 48 farmer members and quantitative Progress out of Poverty Index (PPI) surveys (a 10-question household survey that estimates the poverty levels of COOMPROCOM members) with 210 members.

Our research finds that 11 percent of COOMPROCOM members live below the extreme poverty line of \$1.25 per day (2005 Purchasing Power Parity), which compares to two-thirds of Nicaragua's rural population and 12 percent of its general population living below the extreme poverty line.³ Despite the relatively low incidence of extreme poverty for a rural area, 48 percent of COOMPROCOM members still live below the \$2.50 per day international poverty line, underscoring their ongoing vulnerability and the important role that COOMPROCOM plays in enhancing and stabilizing incomes.

COOMPROCOM provides a stable and higher income to its farmers by offering a reliable price for their coffee, microloans for farm and personal expenses, and training to improve yields and farm management practices. Farmers further benefit from a variety of programs sponsored by COOMPROCOM, including a food security program, university scholarships for members' children and a reforestation project. Farmers express a deep sense of loyalty to COOMPROCOM, stemming from the benefits they receive from being members and further fostered by the personal support of COOMPROCOM's general manager.

How Representative Is COOMPROCOM of Root Capital's Clients?

Seventy four percent of Root Capital's clients are in Latin America, 75 percent of our Latin America clients are in the coffee industry, and the majority of these Latin American coffee clients are primary cooperatives like COOMPROCOM. A three-year cumulative annual growth rate (CAGR) in revenues of 21 percent qualifies COOMPROCOM as a "gazelle,"⁴ the term for a rapidly growing enterprise that characterizes 63 percent of our clients.

³ 2005 World Bank Data, Poverty headcount ratio at \$1.25 a day (PPP) (% of population) and IFAD Rural Poverty Portal.

⁴ See www.rootcapital.org/our-impact/clients-growing-rapidly.

Key Findings

- ☛ On average, COOMPROCOM's members earned between \$4,080 and \$4,280 from their coffee sales to the cooperative in the 2011–2012 season.
- ☛ Selling to COOMPROCOM allowed members to earn 5 to 10 percent more annual income (\$200 to \$400) than they would have if they sold the same volume of coffee on the local market.
- ☛ Farmers report that they use the additional \$200 to \$400 of annual income to pay for a variety of basic expenses, including:⁵
 - Education expenses: Sending one child to primary school for one year costs approximately \$55 to cover school fees, uniforms, books and other school supplies.
 - Health care for children: Vaccinations for one child cost approximately \$9 year, and common expenses such as flu and parasite treatments cost \$22 per child.
 - Health care for women: Women pay \$75 for transportation, food costs and hospitalization costs needed during childbirth.
 - Food for the household: In rural areas of Nicaragua, the basic food basket is estimated to be \$185 per month for a family of six, which is the average household size of COOMPROCOM's members.
- ☛ COOMPROCOM offers microloans to help farmers smooth their otherwise lumpy, or uneven, annual income and invest in their farms before the harvest begins. Microloans are especially important for COOMPROCOM's most economically vulnerable members, who experience food insecurity and other economic challenges during the *meses flacos*, or lean months, when they earn no income but must still pay their daily expenses.

⁵ Local costs included here are estimates from COOMPROCOM's general manager.

Methodology

To develop this case study, Root Capital conducted mixed-methods research using the following approaches:

1. Quantitative: Progress out of Poverty Index (PPI, www.progressoutofpoverty.org) surveys and pricing data
2. Qualitative: Semistructured interviews and Most Significant Change (www.mande.co.uk/docs/MSCGuide.pdf)

To assess the poverty levels of COOMPROCOM members' households, we administered the Nicaragua PPI survey with a statistically significant sample of 210 members at their homes. The PPI, developed by the Grameen Foundation, is a standardized survey tool that estimates the likelihood that an individual lives below a particular poverty line, based on 10 questions about their assets, household composition and other observable factors that are statistically linked to the incidence of poverty. For the full PPI questions and results, see Appendix A.

The PPI and farmers' coffee price data were collected by COOMPROCOM staff members using mobile technology developed as part of an organization-wide inventory management system. The system was created by the mobile services company Acopio, Inc., in conjunction with Root Capital and COOMPROCOM.

To gather the qualitative information, Root Capital contracted an independent researcher to conduct semistructured interviews with 48 randomly selected farmer members, COOMPROCOM's manager and two agronomic promoters (cooperative members trained to share agronomic best practices with other members) between June and August 2012. For 24 of the participants, the researcher also employed the Most Significant Change methodology. This methodology asks farmers the open-ended, qualitative question, "Since you became a member of COOMPROCOM, what has been the most significant quality-of-life change?"

This mixed-methods approach enabled us to ask identical questions of every interviewee for certain topics (e.g., PPI), and to be open-ended on the more subjective topics (e.g., interviews to identify the range of impacts considered important by the farmers). The PPI yields highly comparable results but does not explore the perceptions or experiences of the farmers in our sample. Conversely, the interviews we conducted unearth farmers' unique perspectives, but the heterogeneity of responses means it is not possible to determine how representative each perspective is of the entire population of farmers.

Context: Coffee in Nicaragua

Nicaragua is the second-poorest country in the Western Hemisphere. Its 2011 GDP per capita was \$1,587, the second lowest in the Latin American and Caribbean region after Haiti,⁶ and Nicaragua ranks 129th out of 187 countries on the 2011 Human Development Index. Thirty-two percent of Nicaraguans live in poverty, and 12 percent live in extreme poverty.⁷

Agriculture accounts for 21 percent of GDP and 28 percent of employment in Nicaragua.⁸ Of the 43 percent of Nicaraguans who live in rural areas, 68 percent live at or below the extreme (\$1.25/day) poverty line.⁹ Coffee is Nicaragua's most important cash crop, accounting for 14 percent of export revenue, followed by beef, seafood, tobacco, sugar and gold.

Coffee is grown primarily in the northern part of Nicaragua's central highlands, including the regions of Matagalpa, Nueva Segovia and Jinotega, where the altitude, volcanic soil and humid tropical climate are ideal for coffee production. Nicaragua is the 13th-largest producer of Arabica coffee in the world,¹⁰ with 2.1 million 60-pound bags produced during the 2011–2012 harvest, 86 percent of which was exported.¹¹

The cooperative movement in Nicaragua has a complex and politically charged history. The first cooperatives were formed in the 1920s, and cooperatives were all but decimated during the 40-year Somoza dictatorship (1936–1979), when land was consolidated under the government and the elite. The Sandinista government that emerged after the 1979 revolution redistributed land from large holdings to smallholder farmer cooperatives, individual smallholder farmers and state-owned farms. State-owned farms emerged as the dominant entity, although several farmer-owned cooperatives also began to flourish. The violence between the Sandinistas and the Contras during the 1980s took its toll on the agriculture sector, and by 1990 agricultural exports had dwindled to less than half their 1978 levels.¹² In the post-Sandinista 1990s, cooperatives, already strained by diminishing support from the government, continued to weaken as former large landholders returned to reclaim the property they had occupied before the revolution. Since the 1990s, a more professional and competitive cohort of cooperatives has emerged and membership has been on the rise, particularly with the introduction of fair trade.

⁶ The World Bank, 2011 GDP per capita (current US\$).

⁷ 2005 World Bank Data, Poverty headcount ratio at \$2 a day (PPP) (% of population) and Extreme Poverty headcount ratio at \$1.25 a day (PPP) (% of population).

⁸ CIA World Factbook, Nicaragua.

⁹ IFAD Rural Poverty Portal.

¹⁰ Approximately 60% of the world's coffee is Arabica, and 40% of production is Robusta. Arabica is higher quality and earns a higher market price than Robusta. Arabica accounts for the vast majority Nicaragua's coffee production.

¹¹ ICO <http://www.ico.org/prices/po.htm>.

¹² Equal Exchange www.equalexchange.coop/history-of-coffee-in-nicaragua.

Introduction to COOMPROCOM

COOMPROCOM's story began in 1997 as a project run by the Inter-American Development Bank to help farmers commercialize their coffee. When the program ended four years later, 52 of the participating farmers formed COOMPROCOM. At its founding in 2002, COOMPROCOM's purpose was to aggregate and export smallholder farmers' sustainable specialty coffees. It began by exporting coffee to a UK buyer and has since diversified to a total of five global buyers.¹³

COOMPROCOM purchases coffee from its members and then processes and exports it in bulk. Farmers typically begin harvesting their coffee in October and the harvest winds down in February. In April, farmers begin to purchase inputs such as fertilizer for the upcoming season, which boosts demand for pre-harvest credit during this time of the year. Farmers generally borrow funds to pay for on-farm labor in July. Before the start of the harvest in September, COOMPROCOM inspection agents visit every farm to estimate the coffee yield for the upcoming season.¹⁴ Each member then signs a contract, called the *compromiso*, pledging a portion (usually 80 to 85 percent) of his or her yield to the cooperative.

Figure 1: Map of Nicaragua



Using the yield estimates, COOMPROCOM negotiates the majority of its contracts with buyers before the harvest, pledging roughly 70 percent of the total pre-harvest estimates to hedge against any

¹³ The names of specific buyers have been omitted to respect competitive business relationships.

¹⁴ For every parcel of land, an inspection agent collects data at five points — the four corners and the center. At each point, the inspector chooses a representative coffee plant and counts the number of branches and fruit clusters to obtain a per tree yield estimate. This estimate is then multiplied by the number of productive trees within the parcel to come up with a farm-level yield estimate.

shortfall in supply. The cooperative negotiates additional contracts as needed during and after the harvest if there is surplus coffee. COOMPROCOM is paid when its buyers receive the coffee, which is generally three to four months after the harvest (hence the need for trade credit during the harvest).

COOMPROCOM Member Profile

COOMPROCOM's 251 members live throughout 18 communities in Rancho Grande, el Sur and el Este. They represent a diverse range of income and education levels. Based on the Progress out of Poverty survey, 48 percent of members live below the \$2.50 per day international poverty line, while roughly 30 percent of members were better off, earning \$3.75 per day or more.¹⁵ According to COOMPROCOM's general manager, approximately 35 percent of members experience food insecurity at some point during the year, while others are able to cover basic expenses as well as fees for their children's secondary and, in some cases, university-level education. Some farmers have non-coffee sources of income, such as passion fruit, cocoa or cattle, while others rely on coffee as their sole income source. Most members produce corn, beans and other basic grains for household consumption.

According to the PPI, COOMPROCOM members tend to have families with five or more household members, with 22 percent reporting eight or more people. In families with children, 19 percent have at least one school-aged child who does not attend school. Nationally, 30 percent of primary-school-aged children do not attend school.¹⁶ Twenty-two percent of adult women are not literate, which is the same as the national adult literacy rate.¹⁷

Nearly half of COOMPROCOM's members have homes with dirt floors. Piped water is rare, and 83 percent of members have a latrine rather than an indoor toilet. Households predominantly use gathered firewood as cooking fuel, with only 10 percent cooking with gas. Seventy-three percent of households do not have a refrigerator, and therefore accessing fresh food is a time-consuming activity. Nearly all members have a radio. For the full results of the PPI, see Appendix A.

COOMPROCOM's members include producers of a range of high-quality specialty coffees, including fair trade, organic and conventional (nonorganic). When a farmer applies for membership, the Board of Directors begins a review process in which the applicant is interviewed by his/her acquaintances and neighbors. The member attends training on the principles of cooperative membership as stipulated by Nicaraguan cooperative law, and undergoes a diagnostic evaluation of his or her farm.

Farmers who are well aligned with the cooperative's vision and principles and are deemed trustworthy will be approved for membership. Upon acceptance, farmers pay a one-time membership fee of \$100 to cover training costs, and a \$10 annual fee. In addition, the member deposits \$40 in savings into COOMPROCOM's bank account, which contributes to the cooperative's loan fund. Two years ago, the Board of Directors began offering membership to the daughters and sons of existing members to build a pipeline of future members. COOMPROCOM currently has 28 such "second-generation" members between the ages of 16 and 30.

¹⁵ Based on PPI surveys with 210 COOMPROCOM members during the 2011–2012 harvest. These estimates are consistent with our findings that coffee sales to COOMPROCOM contribute nearly \$2.00/day in income per household member. Additional sources of income that make up the remainder were not measured as part of this study.

¹⁶ Primary school participation, net attendance ratio (%), 2007–2011, UNICEF.

¹⁷ Total adult literacy rate (%) 2007–2011, UNESCO.

COOMPROCOM's members are supported by six full-time staff members. Its full-time employees include Ervin Miranda, COOMPROCOM's general manager, two accountants and three outreach staff who provide agronomic assistance, certification inspections and quality control. It also employs seasonal workers over the course of the coffee harvest. Twenty-seven part-time seasonal staff members, the majority of whom are the children of cooperative members, run COOMPROCOM's commercial and agronomic services. Of these, there are 12 volunteer field promoters who share agronomic advice with other members. COOMPROCOM also employs two program officers to administer a food security program funded by the international NGO Save the Children. All of COOMPROCOM's operations are overseen by an elected Assembly of 24 representatives (approximately one per every 10 members), with a seven-person Board of Directors.



Ervin Miranda, COOMPROCOM's general manager

Culture of Loyalty

Farmer loyalty is critical to any coffee cooperative. For cooperatives to fulfill their sales contracts with international buyers, members must deliver their agreed-upon volumes of coffee. Farmers are regularly tempted by local intermediaries to side-sell — that is, to break their contracts with their cooperative and sell to a potentially more convenient, timely or better-paying buyer.

“I didn’t use to have any safeguard in case of emergencies. If I harvest organic coffee and then sell it to the local market as conventional, what do I earn? Nothing. I’m a member of COOMPROCOM because it gives our product value and gives us access to a better market.”

During times of high international coffee prices, such as the 2010–2011 harvest season, cooperatives have trouble competing with the prices offered by intermediaries. While the option of higher prices at first glance appears to be good for coffee farmers, it can undermine the long-term viability of cooperatives if farmers sell to the highest bidder and liquidity-constrained cooperatives cannot fulfill their contracts with buyers. This, in turn, harms farmers in the long term if a weakened cooperative cannot offer a stable market and support services such as agronomic assistance, microloans and social programs to its members. The flip side, of course, is that cooperatives pay a better price than intermediaries during periods of low coffee prices, essentially offering downside protection to farmer members. Root Capital’s short-term trade credit offers cooperatives the liquidity they need to pay a competitive price to farmers in times of both high and low coffee prices.

For practical reasons, then, farmers are loyal to COOMPROCOM and dedicated to its long-term survival. As one farmer reports, “I didn’t use to have any safeguard in case of emergencies. If I harvest organic coffee and then sell it to the local market as conventional, what do I earn? Nothing. I’m a member of COOMPROCOM because it gives our product value and gives us access to a better market.”

But the loyalty that COOMPROCOM enjoys from its members seems to go beyond simple economic need to a more personal level. As another farmer explains, “Members sell to the local market if their coffee is of low quality because you aren’t supposed to bring bad coffee to COOMPROCOM. We really love our group and you’re hurting my COOMPROCOM and my business when you don’t bring in the full amount you committed to.”

Farmers cite the support they receive from Ervin Miranda as an integral reason for the cooperative’s success. Mr. Miranda performs a wide variety of formal and informal functions at COOMPROCOM: supporting assembly meetings, training employees, maintaining relationships with clients abroad, overseeing the microloan fund and visiting sick members. As the son of one of COOMPROCOM’s original members and a farmer himself, he is sympathetic to farmers’ economic needs and spends long hours working out solutions to the struggles of individual members. For example, in several instances when COOMPROCOM was unable to provide a loan to a member, he provided loans using his own personal funds.

A member elaborates, “COOMPROCOM has changed the form of everything. When the cooperative didn’t exist, we sold to whoever would buy the coffee the fastest. The owners of COOMPROCOM are

us. Ervin always explains that he is a worker. If Ervin wasn't here, our cooperative wouldn't exist. We wouldn't know about commercialization.”

Mr. Miranda is critical to the daily functioning of COOMPROCOM. While in the short and medium terms this builds a strong organization of loyal members, in the long term dependence on one person can be risky. Reliance on a charismatic leader is a common challenge we see with many small agricultural cooperatives — and even large global businesses. COOMPROCOM is aware of this risk and is committed to investing in the next generation of cooperative leaders. Currently a formal succession plan does not exist, but Mr. Miranda and the rest of COOMPROCOM's leadership understand this is an important step in the sustained success of the cooperative.

COOMPROCOM's members demonstrate their loyalty to the cooperative by fulfilling their volume contracts. In 2011, nearly 90 percent of farmers supplied the amount of coffee that they committed before the harvest began.¹⁸ This suggests a low rate of side-selling, which is supported by the interviews with farmers, who highlight the importance of selling to COOMPROCOM their highest-quality coffee at the agreed-upon volumes.

One farmer explains, “It bothers COOMPROCOM when members sell to the [local] market. They shouldn't sell to the market. It's like they are just waiting for the benefits from the cooperative without actually contributing. We should help the cooperative so that it can help us.”



Ervin Miranda, COOMPROCOM's general manager, conducts an information session with farmers.

¹⁸ According to COOMPROCOM's administrative data, 89% of COOMPROCOM's organic-certified members and 88% of conventional members met their volume commitments.

Competitive Context

COOMPROCOM competes with several organizations, including:

1. Large coffee exporters
2. Albalinisa, a Nicaraguan government entity that sells coffee to Venezuela
3. Other cooperatives

The majority of COOMPROCOM's competition comes from intermediaries representing the large coffee exporters and Albalinisa. While their prices are usually lower than the prices COOMPROCOM offers, the local market offers immediate cash payment and accepts low-quality coffee. For most producers, the local market is closer to their farm than the COOMPROCOM collection centers, which saves them the cost and time of transporting their coffee long distances by mule or truck.

There are times when the local market offers higher prices than COOMPROCOM's spot price, particularly when the international commodity or "C" price jumps, or when local buyers bid up prices. This can be difficult for farmers to judge, however, since COOMPROCOM pays them in tranches, with the first payment on delivery and the second payment after COOMPROCOM has been paid by its buyer. Local buyers tend to pay the full amount up front.

In general, farmers sell to the local market opportunistically. Many farmers do not trust the coffee scales used by local buyers, claiming that they under weigh the beans and therefore pay farmers a lower amount than they are actually owed. "They rob you with the weighing" is a common complaint. In addition, members stress that the local market offers lower final prices than COOMPROCOM and fails to provide credit.

Social and Economic Impact

Root Capital's Impact on COOMPROCOM

COOMPROCOM received its first Root Capital loan in 2010, upon a recommendation from its UK-based buyer. The buyer had provided two loans to COOMPROCOM in the past, but discontinued its financing program following the global economic downturn in 2008–2009. In total, Root Capital has provided four trade credit loans to COOMPROCOM (\$130,000 in January 2010, \$300,000 in October 2010, \$500,000 in November 2011 and \$500,000 in December 2012) and two pre-harvest loans (\$100,000 in September 2011 and \$150,000 in August 2012). COOMPROCOM also participates in Root Link, Root Capital's Central America financial training program that helps strengthen cooperatives' internal credit funds (the funds through which cooperatives provide microloans to members) implemented in partnership with the Multilateral Investment Fund of the Inter-American Development Bank, Green Mountain Coffee Roasters and Dietel Partners. In addition, COOMPROCOM is piloting an automated inventory-management system developed by the mobile service provider Acopio Inc. with support from Root Capital.

COOMPROCOM receives its payment from its buyer several months after the coffee is harvested by the farmers. Therefore, COOMPROCOM relies on trade credit loans from Root Capital to provide its members with higher payments upon delivery of their coffee (matching the up-front cash offered by local buyers) and to purchase higher volumes of coffee from more of its members.

As shown in Table 1, Root Capital's loans have supported COOMPROCOM in significant growth since its first loan during the 2009–2010 season. From the 2009–2010 harvest season to the 2011–2012 season, membership increased by 25 percent, the amount of money COOMPROCOM paid its producers increased by 195 percent, its sales grew by 130 percent and the volume of coffee exports increased by 75 percent. These high increases in the amount of money paid to producers and revenues are due to a variety of factors, including record-high international coffee prices in 2011–2012 season and access to financing through Root Capital.

Table 1: COOMPROCOM's Outreach Indicators

Outreach Indicator	2007–2008*	2008–2009	2009–2010	2010–2011	2011–2012
Number of members ¹⁹	135	159	201	221	251
Number of women members	15	19	27	33	47
Revenue (USD)	\$346,399	\$477,130	\$463,229	\$836,688	\$1,055,380
Volume of exported coffee (lbs.)	222,500	268,600	241,000	312,600	418,300
Average annual New York C price (USD/lb.) ²⁰	\$1.23	\$1.38	\$1.42	\$1.94	\$2.73

*Harvest season typically runs October–March.

¹⁹ "Number of members" includes active members. It does not include all farmers who sell to COOMPROCOM, as the cooperative purchases some coffee from nonmembers in order to reduce transport costs. This coffee is sold in other markets as conventional coffee.

²⁰ ICO prices for Other Mild Arabicas. Average prices for year beginning the harvest (e.g., 2011 for 2011–2012 harvest).



Demetria Gomez has been a COOMPROCOM member since 2009. She has used credit and her increased income to purchase food and medicine for herself and her children.

The 2010–2011 season is particularly striking because high international prices can induce members to side-sell to other buyers. COOMPROCOM’s ability to increase the volume of coffee it purchased to fulfill its contracts *despite* high coffee prices suggests a high level of loyalty among members.

Pre-harvest loans from Root Capital allow COOMPROCOM to offer pre-harvest credit to its members. Prior to receiving these loans from Root Capital, COOMPROCOM’s pre-harvest loans were limited to \$0.20 per pound of coffee and were often not available at all because of liquidity constraints. Now, COOMPROCOM can offer an average of \$0.40 per pound in pre-harvest credit to its members, and farmers have the opportunity to request additional funds as needed throughout the year.

In addition to improving the cooperative’s ability to pay farmers earlier in the harvest season, COOMPROCOM’s managers see value in the financial training they have received from Root Capital. Through its Financial Advisory Services, Root Capital has helped them improve their financial management, including preparing income statements and developing more accurate financial projections.

COOMPROCOM’s Impact on Farmers

Farmers report that the greatest benefits of cooperative membership come from the payments they receive for their coffee (both the amount and the timing of the payments) and the credit they receive through COOMPROCOM’s microloan fund. They cite the stronger farming practices and financial management they have adopted through COOMPROCOM’s agronomic assistance and financial education as important contributors to better-quality coffee and higher yields. Farmers also identify the social programs offered by COOMPROCOM as one of the benefits of cooperative membership.

A common theme evident in our interviews is that COOMPROCOM supports farmers in many aspects of their lives. Several farmers explained in the same words, “*COOMPROCOM siempre me resuelve*” (“COOMPROCOM always solves my problems”). Specifically, farmers identify the following areas of impact as a result of belonging to COOMPROCOM.

Income Improvements

Because COOMPROCOM sells sustainable specialty coffee, much of which is certified as fair trade and organic, the cooperative is able to secure higher prices with its buyers and therefore is able to pay producers a price that is more stable and often higher than the local market offers.

COOMPROCOM offers three coffee payment options so farmers can select the one that best meets their particular financial situation. The three options, detailed in Appendix B, allow farmers to trade timeliness for the amount of payment. **Spot prices** are the price offered on the day of delivery. These are the most immediate but generally pay the lowest amount and are the most variable day-to-day. **Fixed prices**, essentially spot prices at a later date, allow farmers to select a future date to receive payment at the price offered on that future date. This potentially brings a higher price, assuming the coffee price rises. **Liquidation prices**, which take the longest time to collect but provide the highest price, are paid to farmers after COOMPROCOM ships the coffee and is paid by its buyers.

Under all three payment structures, farmers may be subject to discounts off the base price, depending on the percentage of imperfections. But excluding these small penalties, COOMPROCOM offers a single liquidation price for organic coffee and a single liquidation price for conventional coffee, without consideration of quality. While there is currently no institutionalized policy, COOMPROCOM is planning to offer quality premiums in the future, starting in the 2012–2013 harvest.

Fair trade certification entitles COOMPROCOM to a price floor, currently set at \$1.40 per pound for washed Arabica coffee,²¹ plus a \$0.20 per pound fair trade social premium, which is added to the maximum of either the current market price or the floor price (whichever is higher). Buyers pay COOMPROCOM an additional price premium of \$0.30 per pound for organic coffee. The floor price is intended to protect smallholder coffee farmers from coffee price volatility, since they typically absorb the impact of price fluctuations and downward movements in the market. The coffee crisis of the early 2000s, when international prices plummeted, amplified the need for such downside protection. At that time, farmers throughout the developing world faced near starvation and many abandoned their coffee farms.

Of the price paid to COOMPROCOM by its buyers for finished processed coffee in 2011–2012, farmers earned from \$1.02 (fair trade) to \$1.07 (fair trade and organic) per pound of semiprocessed coffee sold at liquidation.²² Farmers each sold an average of 4,000 pounds of coffee to COOMPROCOM during the most recent harvest season. Farmer households that were able to wait for COOMPROCOM’s liquidation payment earned between \$4,080 and \$4,280 for their sales to COOMPROCOM. This represents a 5 to 10 percent increase beyond the (immediate) income they would have earned by selling the same amount to the local market (where they would have earned \$3,880 selling 4,000 pounds).

²¹ The fair trade floor price of \$1.40/pound was above the market price (the New York “C” price) from 2002 through 2008. Since 2009, the floor price has been below the “C” price, which spiked to \$2.73/pound in 2011.

²² Farmers receive a lower price per pound than the Fair Trade price because coffee loses weight as it is processed (that is, COOMPROCOM purchases more than a pound of semi-processed coffee from farmers in order to sell a pound of processed coffee to its buyers). Additionally, the price reflects the operating costs of the cooperative, including aggregating, processing, preparing the coffee for export, and other services that increase the sales value of the coffee.

“I now have what I need in order to be able to give my kids the opportunity to study. Before, they couldn’t go to school because we didn’t have the money, but now they can study. For me, the first priority is education. There are a lot of things that we don’t have, but I think that education is the most important thing to have.”

Table 2: COOMPROCOM Prices vs. Local Price, USD/Lb.

	2009–2010	2010–2011	2011–2012
Local market price	\$0.59	\$1.02	\$0.97
COOMPROCOM’s liquidation price for fair trade coffee	\$0.61	\$1.06	\$1.02
COOMPROCOM’s liquidation price for fair trade organic coffee	\$0.69	\$1.13	\$1.07

Some farmers report using their increased income to pay for their children’s education. A member explains, “I now have what I need in order to be able to give my kids the opportunity to study. Before, they couldn’t go to school because we didn’t have the money, but now they can study. For me, the first priority is education. There are a lot of things that we don’t have, but I think that education is the most important thing to have.”

The timing of the payments is nearly as important to farmers as the payments themselves. Without the option to receive payments at the time of the harvest (spot), several weeks later (fixed), or at the end of the season (liquidation), producers would receive all of their earnings for the year at one time, after the harvest. Many do not have the capital needed to prepare and harvest the coffee, and would therefore be forced to seek financing from alternative sources offering inferior terms. In the absence of alternative financing, they would have to ration their income so they could feed their families throughout the year and still have enough money left over to harvest the following year’s crop. By staggering payments, COOMPROCOM helps to smooth farmers’ incomes and minimize the hardships of the lean months, during which farmers earn no money and have already spent most of their income from the previous season’s harvest.

For some of COOMPROCOM’s farmers, payments early in the season enable them to hire labor to harvest the coffee. A farmer describes how COOMPROCOM’s spot and fixed payments help improve his yields. “Without labor, the coffee will fall off the trees [before one person has time to pick it all]. So that’s the reason you need to get financing, so you can pay for the labor to pick the coffee before it falls.”

Income Smoothing through Reliable Access to Loans

COOMPROCOM provides microloans to virtually all of its members, and farmers cite this service as one of the most compelling benefits of belonging to the cooperative. Loan requests are presented to COOMPROCOM’s Credit Committee, which comprises producer members elected every three years.

Microloan options, summarized in Appendix C, include pre-harvest loans and “standard” advances. Pre-harvest loans are offered to help farmers prepare the coffee for harvest, including maintaining their coffee plants and purchasing equipment needed for harvesting. Although nearly every loan request is approved, COOMPROCOM maintains a low 2.6 percent default rate. This low default rate reflects members’ high rate of compliance with their *compromisos*, or pledged volumes. That is, because the loan is repaid in coffee, if producers are supplying the amount of coffee they committed, they are automatically repaying their loans.²³

Unrelated to members’ coffee sales, COOMPROCOM also has a special fund, which provides loans to members facing extreme economic need to cover core household expenses. There are four loan products available through COOMPROCOM’s special fund: education, health, food security and housing improvements. The education and health loans carry a 12 percent interest rate and the food security and housing improvements loans have a 15 percent interest rate. Microfinance institutions, by comparison, charge interest rates of roughly 25 percent. Despite its cost advantage, COOMPROCOM reports that the fund is underutilized, perhaps as a result of the stigma of taking out a loan to cover essential expenses. In the case of an emergency, the general manager can bypass the Credit Committee and approve special fund loans, which average \$150.

Many farmers cite microcredit as a primary benefit of belonging to COOMPROCOM. For example, when asked what the most important change in his livelihood has been since joining the cooperative, one farmer explains, “I feel better. They’ve helped me so much with loans. When you arrive with a need, they always resolve it in whatever form. The market doesn’t give me credit.”

Farmers report that COOMPROCOM treats borrowers better, requires less onerous paperwork and offers lower interest rates than banks and local microfinance institutions. COOMPROCOM’s loans are relatively simple. They are linked directly to their coffee sales, and because farmers already know and trust the cooperative, members do not consider COOMPROCOM loans to be risky. Even for those who could secure a bank loan, mortgages and other loans are considered an unattractive and dangerous option. Many farmers speak of the perils of extreme debt:

I used to sell coffee to the black market. I was having trouble facing myself because I was taking money out of the bank and the interest rate was really high. I was left with nothing. I had to sell land in order to free myself from the bank. I bought the land that I have now with the little bit of money that I had left from selling the other farm, which I had to sell due to my debt. I decided to become a member because a friend told me that it was good to be organized. So I joined COOMPROCOM and then I benefited from better prices and direct exportation.

²³ We used data from the 2011–2012 harvest to explore the relationship between the rate of compliance with the *compromiso* against the coffee yield (i.e., the absence of side-selling) with other factors. In our analysis, we find that the more credit a producer holds, the more likely the producer is to sell a higher percentage of committed volume to the cooperative. This result suggests that producers for whom COOMPROCOM meets all financing needs feel stronger reciprocity toward the cooperative, or at least that the structure of the loans (i.e., they are repaid by the value of the coffee delivered to COOMPROCOM) encourages compliance with the *compromiso*. An additional explanation could be that COOMPROCOM’s more loyal producers are more inclined to request financing from COOMPROCOM.



Juan Arauz Cruz, a COOMPROCOM member for eight years, has used his increased income to send his children to school and to renovate his coffee trees.

Another farmer explains, “The difference is that in the bank, you take out 20,000 cordobas and then in a few months you owe 30,000 cordobas, and then after a year you owe 50,000 cordobas because you couldn’t pay. It doesn’t work like this at COOMPROCOM. It doesn’t feel expensive. If you get 50,000 cordobas, you pay 55,000. The interest rate is cheap.”

Farmers with especially low levels of economic stability rely on credit during the lean months to stave off hunger. One struggling farmer reports, “During the lean months, the local market didn’t give me anything. The local market doesn’t have any advantages. We suffered more. There was no money. It is hard to get loans from the bank. You bring all this paperwork and jump through hoops and then might not get it.”

Farmers also report that microloans smooth income enough that they are able to stay on their farms instead of becoming migratory workers. A farmer explains, “The financing means that we don’t have to go out and work at the *hacienda*. If it weren’t for the financing, we’d have to be migratory workers. But because of it, we get to just work for ourselves on our farm. My kids don’t have to migrate to find work.”

Another farmer recalls, “When we had a need [before joining COOMPROCOM], there was nothing we could do about it. We went to the *hacienda* to work even if one of our kids got sick. Today we don’t have to do that.”



Agronomist Teresa Cruz Gonzales conducts training for COOMPROCOM members to become Rainforest Alliance-certified to indicate compliance with sustainable environmental practices.

Improved Practices, Productivity and Coffee Quality

COOMPROCOM offers training services to improve members' coffee yields and quality. It provides agronomic assistance through a variety of agronomic training courses, and it has been piloting a financial management tool to improve farm- and household-level accounting.

Upon joining COOMPROCOM, all members participate in a 40-hour training program on cooperative principles. They also attend trainings on how to obtain certifications and effective farm management, with topics ranging from quality control to coffee pruning.

Beyond formal training, COOMPROCOM offers field visits from professional agronomists and field promoters. The frequency of these visits varies significantly, with some farmers reporting field visits every other week throughout the entire year and others reporting visits three times per year. During a typical visit, the agronomist or promoter assesses the health and production of the coffee plants, demonstrates best practices, and offers written recommendations on how to better manage the crop.

For some farmers, agronomic assistance distinguishes COOMPROCOM from the local market and has a significant impact on the way they manage their farms. As one farmer describes it, an important benefit of being a member of COOMPROCOM is the training he received in the hygienic farming techniques required for organic certification and the resulting improvements to his operations and coffee quality:

We're more hygienic since joining COOMPROCOM. We use new sacks and new baskets for harvesting the coffee. There isn't a bad odor in the processing machines, so that the coffee doesn't pick up the bad smell. Everything is more tidy. In the local market, they don't keep

hygiene in mind. They use dirty sacks. But in COOMPROCOM, we don't do that. Before we used to throw our coffee pulp and waste water into the river. Now we don't.

More broadly, some farmers value COOMPROCOM's support in combating the effects of global climate change on their crop:

The climate has been changing, which gives us an exaggerated winter. This means that too much coffee falls from the trees and that the flowering was different last season. It creates disorder. This year is normal so far. There is some erosion, but we work to conserve the soil with terracing and barriers. We use organic compost, which we make ourselves using manure and coffee pulp. COOMPROCOM helps us deal with the erosion through trainings.

In addition to agronomic assistance, COOMPROCOM is developing a program to improve farm and household financial management by training members to use a simple accounting notebook called the *registro*. Some members use it effectively and consider it a staple tool for managing their income and expenses. For some farmers, particularly those who cannot read or who have a low level of math skill, the *registro* fails to satisfy its intent. Mr. Miranda explains, "You see two challenges in communication: the level of education of the member and our capacity as a team to translate an idea into the language most appropriate for the producers."

As one farmer says, "We do have a *registro*. You put everything that you've been working on in it. But I don't know how to read. My son who is in fifth grade can help, or some other members know [how to read] and they help you."

Conversely, another farmer considers the *registro* a useful tool to better understand the costs and revenues of his coffee production. He explains, "We have the *registro* so we can keep records. It is good because we realize whether we are earning or losing. We're accustomed to just planting stuff. But then we aren't realizing whether it is better to buy something or produce it ourselves. [The *registro*] isn't difficult to use because we're well trained."

Social and Environmental Programs

Starting in early 2012, COOMPROCOM invested \$8,000 in a reforestation program to help farmer members plant new shade trees on their farms and replace aging trees with nitrogen-fixing varieties that are interspersed with their coffee plants and contribute to both fertilizing the soil and sequestering carbon. COOMPROCOM helps farmers invest in nurseries and provides inputs such as seeds and planting equipment. As of March 2013, COOMPROCOM has helped reforest 6.25 hectares of land, with a goal of reforesting 35 hectares within the next three years. The project is overseen by an environmental manager who works half-time at COOMPROCOM and coordinates with the two full-time field agronomists who provide technical assistance.

In 2008, COOMPROCOM launched a scholarship program for the children of low-income cooperative members and students who have been involved with the work of COOMPROCOM. The program supports students in careers related to cooperative management, such as marketing, farm administration, coffee cupping and accounting. In the past five years, it has awarded university scholarships to 18 students. It also offers one- to three-year loans to students pursuing other careers through its microloan fund, described above.

Finally, through a grant from Save the Children, COOMPROCOM offers support to farm families to grow staple crops and improve their production of cash crops, particularly coffee. Agronomists are currently working with 100 COOMPROCOM families to grow corn and beans and to improve coffee yields. They are also working with 100 families in the community who are not yet members of

COOMPROCOM. The overall goal of the program is to establish productive family gardens to improve food security and cash crop income, thereby improving the economic stability of the household.

As one participant explains:

Save the Children helps us by giving us plants so we can improve how we feed our kids. They give us little plants for yucca, papaya, *camote* [sweet potato] and plantains, which helps with the children's nourishment. It helps a lot because sometimes you might need to go buy food but you don't have any money to buy it with. They also gave us a silo for storing corn and beans.

Conclusion

COOMPROCOM delivers a range of benefits to its members, including modest but material price premiums of 5 to 10 percent, timely payments, microloans to farmers to survive the lean months and invest in their farms, and training that improves agronomic practices. Underlying the majority of farmers' interactions with COOMPROCOM is a relationship of mutual loyalty and the strong sense from farmers that "COOMPROCOM always solves my problems."

Understanding the benefits that COOMPROCOM and other clients provide their farmer suppliers helps Root Capital identify the various dimensions of our overall social impact. It is also important to contextualize the findings from this case study in relation to our portfolio of more than 200 clients. Relative to our Latin American coffee cooperative clients, which comprise roughly half of our portfolio, COOMPROCOM is on the smaller end. However, its recent growth, supported by our financing and training, puts it on a similar trajectory as other gazelles in our portfolio. Still, COOMPROCOM, like 15 percent of Root Capital's Latin American clients, received its first loan from Root Capital and continues to be unable to access loans from other sources. Root Capital's impact on these enterprises is especially high, given that they lack other financing options and yet are well-run businesses in most cases, each reaching hundreds of smallholder farmers.

Going forward, COOMPROCOM faces several challenges. First, while the manager's deep personal support is critical to the daily functioning of COOMPROCOM, in the long term such dependence can be risky. This dynamic is common in small enterprises with charismatic leaders, and COOMPROCOM is preparing to expand the capacity of middle managers and ensure a clear succession path. Second, beyond the price premium for organic certified coffee, COOMPROCOM does not currently offer price differentials to farmers based on quality, although it has plans to do so in the future. Finally, the diverse education levels of COOMPROCOM members makes it difficult to implement an effective financial and agronomic training curriculum. A differentiated approach that considers farmers' individual skills, combined with higher education levels in the next generation of farmers, will require more human and financial resources but likely will result in more effective training and produce long-term benefits for both the farmers and the cooperative.

Root Capital and COOMPROCOM share a common goal of continuous improvement in our ability to meet the needs of smallholder farmers. By conducting case studies designed around farmer interviews, we gain a firsthand understanding of the challenges farmers and their families face, and thereby gather insight into how best to address them. Working with clients such as COOMPROCOM, together we aim to generate farmer-level information that can be used by both organizations to improve our services for the ultimate benefit of the smallholder farmers we serve.

Appendix A: Progress out of Poverty Index (PPI) Survey Responses

The Progress out of Poverty Index (PPI) is a poverty-measurement tool developed by the Grameen Foundation. The PPI is a statistically based survey in which the answers to 10 questions about a household's characteristics and asset ownership are scored to compute the likelihood that the household is living below or at a particular poverty line. Each country has its own set of PPI questions, depending on how particular living standards, characteristics and assets correlate to poverty. Nicaragua's PPI correlates poverty levels with the following 10 questions. The results from Root Capital's PPI with COOMPROCOM, conducted during the 2011–2012 season, are presented here.

How many household members are there?

Responses	Informants #	Informants %
8 or more	47	22.4
7	11	5.2
6	32	15.2
5	32	15.2
4	36	17.1
3	26	12.4
1 or 2	26	12.4

How many household members aged 7 to 12 are enrolled this year in the formal education system?

Responses	Informants #	Informants %
Not all	26	12.4
All, and all are in a nonautonomous public school, community school or other	110	52.4
All, and one is in an autonomous or private school	0	0
No children aged 7 to 12	74	35.2
All, and two or more are in an autonomous or private school	0	0

Can the female head/spouse read and write?

Responses	Informants #	Informants %
No	47	22.4
Yes, or no female head/spouse	163	77.6

What is the main material of the floor of the residence?

Responses	Informants #	Informants %
Earth, or other	96	45.7
Wooded planks, tiles or concrete, mud bricks, or cement bricks or tile (mosaic, ceramic or glazed)	114	54.3

What type of toilet arrangement does the household have?

Responses	Informants #	Informants %
None	8	3.8
Outhouse or latrine (with or without treatment), or flush toilet connected to cesspool, septic tank, river or stream	175	83.3
Flush toilet connected to sewer	27	12.9

What fuel does the household use for cooking?

Responses	Informants #	Informants %
Nonpurchased firewood	186	88.6
Purchased firewood	3	1.4
Charcoal, butane or propane gas, kerosene, electricity, other, or does not cook	21	10.0

Does the household have a refrigerator?

Responses	Informants #	Informants %
No	152	72.4
Yes	48	27.6

Does the household have a blender?

Responses	Informants #	Informants %
No	152	72.4
Yes	58	27.6

Does the household have an iron?

Responses	Informants #	Informants %
No	68	32.4
Yes	142	67.6

Does the household have a radio, radio/tape player or stereo system?

Responses	Informants #	Informants %
None	16	7.6
Only radio	113	53.8
Radio/tape player, regardless of radio, and no stereo	32	15.2
Stereo, regardless of radio, and radio/tape player	49	23.3

Appendix B: Coffee Payment Options

As summarized in Table 3, COOMPROCOM offers its members three payment options: spot price, fixed price and liquidation price.

Table 3: Summary of Payments

Payment	Amount	Timing
Spot	Market price ²⁴ on the day of delivery, minus pre-harvest credit and interest	The same day that the farmer delivers the coffee to COOMPROCOM
Fixed	Market price on a day of farmer's choosing after delivery of coffee, minus pre-harvest credit and interest	Upon request after the farmer has delivered the coffee to COOMPROCOM
Liquidation	COOMPROCOM average price per pound from the contracts, minus pre-harvest credit, advances and interest	Most farmers receive a portion of their payment (first payment) upon delivery of their coffee to COOMPROCOM. They receive a liquidation payment for the remainder after the harvest, after the buyer has paid COOMPROCOM, generally between March and May.

Each farmer can select the method of payment most appropriate for his or her situation, unless COOMPROCOM does not have sufficient cash on hand and is unable to offer the spot or fixed price options. (Root Capital's trade credit gives COOMPROCOM the liquidity to offer more advance payments to its members while its pre-harvest loans allow COOMPROCOM to offer pre-harvest microloans.) Depending on the variations in the international commodities market prices, the liquidation price could be higher or lower than the market price. Most farmers (approximately 75 percent) accept a lower payment upon delivery (the advance) and wait for the final liquidation price.

Under all three plans, the farmer may be subject to discounts off the base price depending on the percentage of imperfections. But excluding these small penalties, in the past COOMPROCOM has offered a single liquidation price for organic coffee and a single liquidation price for conventional coffee, with no consideration of quality. Increasingly, COOMPROCOM is offering payments that are differentiated by quality and by certification type.

²⁴ The market price is determined by the prices that local middlemen are quoting. However, because middlemen have an incentive to quote falsely high prices, the determination of the daily market price is approved by COOMPROCOM's general manager.

Appendix C: Microloan Products

COOMPROCOM offers microloans to virtually all of its members, which farmers cite as one of the most compelling benefits of belonging to the cooperative. Ninety-six percent of all loan solicitations are approved. Despite the high approval rate, COOMPROCOM maintains a low 2.6 percent default rate. This low default rate reflects members' high rate of compliance with their *compromisos*, or pledged volumes. That is, because the loan is repaid in coffee, if producers are supplying the amount of coffee they committed, they are automatically repaying their loan.

COOMPROCOM offers three types of microcredit: **pre-harvest advances**, **standard advances** and **special fund loans**. Farmers can request a pre-harvest advance, which has an 18 percent interest rate, of up to \$0.60 per pound of coffee (based on their *compromiso*). Half of the advance is designated for maintenance and half is for hiring laborers. Farmers can also use pre-harvest advances to purchase farm inputs, such as fertilizer and tools, which COOMPROCOM buys in bulk from private conventional and organic suppliers. Standard advances, which are provided at the time of coffee delivery, are available to members who opt for the liquidation payment.

Finally, special fund loans are for education, health, food security and house improvements. If a farmer has a need and requests credit from the education or health fund, he is only charged the base 12 percent interest rate. Loans from the food security and house fund carry a 15 percent interest rate.

Table 4: Summary of Microcredit Products

	Declared Use	Interest Rate	Amount	Timing	Available To
Pre-harvest advance	Coffee	18%	Up to \$60 (average \$40) for 70% of total yield estimate	Before harvest	All members
Advance	Coffee	18%	A portion of total liquidation payment (average \$0.30 per lb.). Members receive final payment minus advance at liquidation.	Upon coffee delivery	Members paid by liquidation price
Special fund loans	Education	12%	Determined by availability of cash and amount requested, average \$150	Upon request	All members
	Health	12%			
	Food security	15%			
	House improvements	15%			