Summary

“We’re moving forward at full speed, towards coffee production which is sustainable and profitable for everyone…”

Gabriel Silva, NFC Manager

Colombia is a major coffee producing country, third only to Brazil and Vietnam in terms of volume. As a consequence, coffee represents a way of life for more than 566,000 Colombian farmers associated with the National Federation of Coffee Growers of Colombia (NFC), which was founded in 1927. About 95 percent of the NFC’s coffee growers are small-scale with coffee plantations of less than five hectares, and there are an estimated two million inhabitants in coffee growing regions that directly depend on coffee production. For decades, the coffee market has experienced an international crisis of price instability with significant repercussions on the quality of life of small producers and their families.

The Juan Valdez® character was created in 1959 to position Colombian coffee globally, particularly in the United States. Later on, it was re-launched in 2002 as a brand name with the inauguration of the Juan Valdez® Coffee Shops. This was an initiative of NFC to increase coffee producers’ profits by incorporating direct sales into its commercial model. In order to develop this strategy, a company called Colombian Coffee Promotion (Procafecol) was created in order to lead the Coffee Shops’ development and operation. In 2006, Procafecol operated 57 Coffee Shops in Colombia, the United States and Spain, with sales reaching US$20 million and more than 12 million clients. The commercial activity of the Coffee Shops made it possible to pay producers 25 percent more than the standard Colombian price. Moreover, producers have received multiple benefits from NFC, which is the major shareholder of Procafecol. In 2006, Procafecol put 15.75 percent of its shares up for exclusive sale to coffee producers.

This case explores the inclusive and sustainable business model of Juan Valdez® Coffee Shops, a fair trade chain linking communities of producers (NFC and others), businesses (Procafecol and other private partners), consumers (national and international) and catalyst organizations (government and international cooperation agencies). It analyses its main innovations, results and challenges, as well as its potential and required adaptations to scale up and consolidate the scheme.

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1 www.cafedecolombia.com is the web page of FNC; it has links to other organizations and documents related to FNC. It was the source for all the details included in the case, which don’t include an explicit source.

2 This represents a 150% growth rate, compared with 2005.
Colombian Coffee

Coffee has been cultivated in Colombia since approximately 1736, and its national expansion occurred in 1850. It is principally grown along the mountain slopes, harvested manually, during two harvest seasons a year, and processed in an artisanal fashion. Colombians take pride in their coffee, which is enjoyed by coffee drinkers worldwide. By 2006, coffee represented more than 20 percent of Colombia’s Agriculture Gross National Product (GNP) and accounted for seven percent of national exports. Coffee growing was present in 50 percent of Colombia’s departments and 55 percent of its municipalities. There were about 566,000 coffee farmers, associated with four million inhabitants of coffee regions (or ten percent of the country’s population). The sector generated 27 percent of direct, rural employment and one million indirect jobs (eight percent of total employment). Most coffee farmers were small producers; 94 percent operated farms of five, or less than five hectares, and 89 percent operated farms of less than three hectares.

In 2001, as a consequence of the collapse of the International Coffee Agreement in 1989, the lowest international price in the 180-year history of coffee production was registered, with negative effects for Colombian producers. The crisis particularly affected low-income populations, located in marginal rural areas. Paramilitary groups and illegal crops tended to become the primary alternative to confront difficult economic and social situations. In 2002, amidst this international coffee crisis, the Coffee Shops, under the initiative of the NFC and the banner logo of Juan Valdez®, were born.

The commercial development of specialized coffees from Colombia, such as those sold in the Juan Valdez® Coffee Shops and for which consumers accept higher prices, has created a “revolution in terms of income for the producer,” according to Gabriel Silva, NFC Manager. Those specialty coffees are the main, raw material of Juan Valdez® Coffee Shops. In order to study the Coffee Shops, it is important to review the history of coffee, the NFC and the Juan Valdez® brand, as well as the social, environmental and economic values generated by Procafecol, the community enterprise running the Coffee Shops.

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3 These farms depend primarily on family labor.
4 At the department level, such as in Quindío and Caldas, participation in coffee production reaches 40% to –70% of agricultural GNP.
5 In Colombia, departments are the equivalent of states.
6 According to the International Coffee Organization (ICO), specialized coffee is the green bean which differentiates itself in exemplary or superior quality; is produced in a single area with a particular history or antecedents, has a particular and preferred flavor and is priced higher than other coffees.
National Federation of Coffee Growers

“Everyone asks why Colombia is so successful in the organization of coffee production and growers compared to other countries. The answer is that other countries have opted for methods that don’t account for the ability to generate the patience needed to achieve strategic results.”

Gabriel Silva, NFC Manager

The NFC is a non-profit and politically unaffiliated trade organization founded, in 1927 by Colombian coffee producers in the city of Medellín, to strengthen the industry, improve economic opportunities and provide social benefits to producers’ families. Its mission is to assure the well-being of Colombian coffee producers through an effective, democratic and representative trade organization. Its vision for the year 2008 is to achieve sustainable coffee production, strengthen the social fabric in coffee regions and maintain the prestige of Colombian coffee as the best in the world. By 2006, about 566,000 coffee producers from different regions have benefited from NFC’s activities.

The NFC is owned and controlled by Colombia's coffee farmers. This is especially important because the average size of an individual coffee farm in Colombia is around five hectares. All resources are channeled back to the coffee producers and their communities. One important and direct result of the NFC's work has been the sale of Colombian coffee at a significant price premium on the international coffee market, providing a higher standard of living for growers. Colombian coffee growers have also benefited from a price guarantee, which was a buffer against the volatile and unpredictable international prices. Extra revenue, generated when international prices were higher, was held in reserve in order to maintain a minimum price when the international price dropped. In the early 1990s this system served to compensate the farmer's US$1.5 billion shortfall. However, the farmers were under no obligation to sell to the Federation. In fact, 50 private shippers and 40 cooperatives (partners of NFC) operated in the Colombian coffee trade market.

Since its foundation, the NFC began to influence the national coffee policy, signing a contract with the government to collect and manage the taxes derived from coffee exports. For decades, a system of minimum prices prevailed under which paid taxes were used to finance NFC’s activities to the benefit of the sector. Since 2002, that system was left behind and national prices began to fluctuate according to international market prices. Under this new scheme, each coffee producer contributes from two to six cents per pound of coffee exported.

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Case Study • Juan Valdez®: Fair Trade as an Inclusive and Sustainable Business
The NFC was recognized as Colombia’s primary coffee producers’ association and one of the largest in the world, and its functions included the following:

- Defend the rights of coffee growers
- Advocate for macro-economic and sector specific policies
- Raise the sector’s competitiveness
- Structure programmes and projects for the development of sector and cooperative agreements, at the national and international levels
- Finance activities for the development of coffee cultivation and the industry, in general
- Assist growers in increasing their income
- Disseminate technological advances (cultivation, processing and commercialization) among growers and keep them updated on the relevant fluctuations in economic, social and productivity statistics
- Provide support to growers through the acquisition, sale, lending, renting or distribution of productive inputs

The NFC created the Extension Services programme to support small coffee producers. Technical extension workers\textsuperscript{9}, who were trained in agronomy, production, quality control, the economics of coffee growing, information systems and institutional support, staffed the programme. Since 2002, approximately 1,000 extension workers have worked with producers in group and individual assistance activities.\textsuperscript{10} A survey conducted in 2006 showed that 90 percent of growers felt that the NFC contributed to the national, industrial and grower’s development.\textsuperscript{11} Below are some of the social investments of the NFC from 1970 to 2002:

Table 1: Construction of Infrastructure in the Coffee Region 1970 – 2002

<table>
<thead>
<tr>
<th>Aqueducts</th>
<th>Number</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2,087,287</td>
</tr>
<tr>
<td>Electrification</td>
<td></td>
<td>241,765</td>
</tr>
<tr>
<td></td>
<td></td>
<td>59,304</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td>16,792</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,522</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17,978</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43,553</td>
</tr>
<tr>
<td>Roads and bridges</td>
<td></td>
<td>16,611</td>
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<tr>
<td></td>
<td></td>
<td>107,518</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,911</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,381</td>
</tr>
</tbody>
</table>

Source: NFC

\textsuperscript{9} According to the NFC, “Extension workers are catalysts in the development process who articulate the technical, economic and social areas of the cultivation and production process, thinking foremost about the well being of the grower and his family, with the goal of creating competitiveness and sustainability.”

\textsuperscript{10} General Management Report, 2006.

\textsuperscript{11} Conducted by the National Consultancy Center.
More information on the organizational structure of the NFC and the specialized organizations created by it to assist the coffee producers is presented in Appendix A.

**Juan Valdez® Brand**

By the end of the 1950s, there was a worldwide surplus of coffee, which led to a 16 percent price drop in Colombian coffee price. At the same time, while the United States was the destination for 77 percent of Colombian coffee exports, only four percent of US consumers were aware that Colombia was a coffee producer. In this context, the NFC contracted the publicity agency of Doyle Dane & Bernbach (DDB) to design a publicity campaign for positioning Colombian coffee worldwide.

The first campaign was launched in 1959 with the aim of presenting and distinguishing Colombian coffee among the people of the United States for its unique cultivation, artisanal harvesting and high quality control. The campaign sought to bring the consumer closer to the world of coffee growing, its cultural history, the environment of coffee growing regions and the importance of the product to the lives of numerous peasant families. In a short time, DDB created the character of a man who represented the characteristics of a peasant coffee farmer; he was called Juan Valdez. Information on the development and consolidation of the Juan Valdez® logo is presented in Appendix B-1.

**Procafecol**

Procafecol was created in December 2002 to face the crisis affecting the coffee sector and to take advantage of NFC’s greatest assets: the Juan Valdez® and 100% Café de Colombia brands, in which more than US$1,500 million had been invested on publicity over the previous 40 years. Its main purpose was to sell processed coffee on the national and international markets under the Juan Valdez® brand. Its strategy was based on the concept of taking Colombian coffee “from the tree to the cup.”

The Procafecol strategy involved a wide product portfolio including the following:

- Specialty coffees
- Organic and environmentally responsible coffees
- Regional coffees with unique attributes
- Limited edition coffees for celebrating coffee municipalities on their foundation dates
- Special edition coffees, for example for Mother’s Day, Christmas and other holidays
- Individual coffee bags of ground coffee or “pods”
- Energizing coffee drinks

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12 More information about the positioning of Juan Valdez® through marketing campaigns, primarily in the United States, can be found in “The Colombian Coffee Book: How Juan Valdez Became a Household Name”, published by Doyle Dane & Bernbach in 1999.
The marketing channels identified by Procafecol to distribute its products included supermarkets, establishments such as hotels, restaurants and airlines, and Juan Valdez® Coffee Shops. Procafecol’s vision reflected the importance of the Coffee Shops as retail outlets for the coffee produced by NFC growers: “with Juan Valdez®, together with our strategic partners and a group of committed collaborators, we aspire to be the second largest coffee shop chain in the world in terms of profits and sales, thereby improving the conditions of coffee growers and being recognized for the socially responsible attention to our clients.”

In 2006, NFC owned 83.46 percent of Procafecol’s shares, and 15.75 percent (two million shares) was in the hands of 20,000 coffee producers following a 2005 preferential stock offering scheme exclusive for coffee growers.\(^\text{13}\) At the end of the first quarter of 2007, NFC announced that the International Finance Corporation (IFC) was investing US$12 million in Procafecol, extending a credit by US$8 million to support the international expansion plans of Juan Valdez® Shops in Chile, Ecuador, Russia and Sweden.\(^\text{14}\)

According to Gabriel Silva, “what we want to achieve with the Coffee Shops is the defense of the origin of Colombian [coffee]. What we seek is that the over ten million clients -who have gone through the shop and have enjoyed an excellent drink- come out and demand it everywhere. This is one way to achieve loyalty among consumers and to create a basic alliance between consumers and Colombian coffee producers.”\(^\text{15}\)

**Juan Valdez® Coffee Shops**

The first Juan Valdez® Coffee Shop was opened on December 14th, 2002, in Bogotá’s International Airport. It specialized in the direct sale of coffee produced by NFC growers and was owned and operated by Procafecol. The mission of the Coffee Shops was to participate in the value chain of the coffee business and create increased visibility and recognition of Colombian coffee throughout the world, thereby increasing the demand for, and income of, Colombian producers. Besides improving the quality of life of coffee growing families through higher and more dependable incomes, the Coffee Shops also sought to maintain coffee farming as a profitable and sustainable business. The Shops also promoted the quality of Colombian coffee and contributed to the activities of its largest shareholder, the NFC. Procafecol subcontracted

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\(^\text{13}\) The percentage remaining was owned by la Fundación Manuel Mejía, which is briefly described in Appendix A. Available at: [www.juanvaldezcáfe.com/uploads/media/0606_Emisión_n_de_Acciones_Procafecol.pdf](http://www.juanvaldezcáfe.com/uploads/media/0606_Emisión_n_de_Acciones_Procafecol.pdf) (April 2007).


\(^\text{15}\) General Manager’s Report, 2006.
the roasting and packaging processes and then sold brewed and packaged coffee (among other products) to consumers.

The Juan Valdez® brand was re-launched in 2002 for the opening of the Shops. Appendix B-2 shows and describes some elements of the brand’s visual identity. The reorientation of the brand towards a new strategy of direct sales to the consumer was possible through the Shops. Besides coffee, the Shops offered a variety of Juan Valdez® products: coffee drinks (espresso, filtered coffee, ices and cold drinks), specially packaged coffee (specialty lines, commemoration coffees, organic coffee), merchandise bearing the brand (such as t-shirts, caps, umbrellas), as well as some handcraft products such as natural fiber cup insulators and a variety of snacks. The Coffee Shops have achieved outstanding results including the following:

**GEOGRAPHIC SCOPE**

After the national operation was stabilized and consolidated, Procafeco continued to grow by opening Coffee Shops in the United States. The company concluded the year 2006 with 57 Shops nationally, and in other cities (Madrid, New York, Washington and Philadelphia), the number of Shops more than doubled from the 26 that existed in 2005.

**OPENING OF COFFEE SHOPS AND SUPERMARKET SALES**

In 2005, the first Coffee Shop was opened in one of Bogotá’s Carrefour supermarkets. Nowl Prio, President of Carrefour, commented that, “the first idea is to allow the client to go to a coffee nook, since Colombia produces the best coffees in the world.” It was a goal to open two or three more Carrefour Shops in Bogotá and at least two in Medellin. Finally, he said that if the new format of Coffee Shops in supermarkets works nationally, “Carrefour could be a bridge for the transfer of the concept in all Carrefour stores around the world.” The adaptation of the Coffee Shop concept to enter the supermarkets consisted of a special design format for large-scale retail stores. The Coffee Shops also opened the way for the sale of coffee in food wagons of large retail chains. The General Report of the Federation to the Coffee Growers Congress in 2006 mentioned that, at the beginning of that year, Juan Valdez® coffee was being sold in 159 Wal-Marts, and by the end of the year it would be in 700 stores on the East Coast of the United States, with sales of more than US$956,521. Roasted and ground coffee was also sold in 180 locations in the Colombian supermarket chains of Pomona, Éxito, Olímpica, Carrefour, La 14 and Carulla Vivero.

**CLIENTS**

In 2005, around 2.5 million clients visited the Coffee Shops, which averages to 210,000 per month. The company estimated that since it opened in 2002, until September 2006, 8.4 million clients were received and that, by the end of 2006, the figure will reach nearly 11 million.
SALES
The sales for 2006, including those in the United States, amounted to US$10.6 million, an 88 percent increase from 2005. The accumulated income since the Coffee Shops opened reached US$20 million. In 2006, most of the income from the Coffee Shops (51 percent) was generated from the sale of food and drinks, especially coffee in all of its preparations, while packaged coffee accounted for 30 percent, and the line of products bearing the Juan Valdez® logo accounted for 19 percent of sales. The number of sales of Juan Valdez® Coffee Shops is presented in Appendix C.

The development of the Shops (innovations, results, challenges and scalability) as an inclusive business model with low-income productive rural communities and its economic, social and environmental elements are described below.

An Inclusive and Sustainable Business Model
The Coffee Shops operate with a vertically integrated fair trade chain (FTC), and differentiate themselves in the market with the associated economic and social value generated through the business model.

Figure 1: Fair Trade Chain Business Model\textsuperscript{16}

The FTC, including the Coffee Shops, is unique in a few ways. First, it integrates coffee producers (represented by the NFC) and the private sector (Juan Valdez® Coffee Shops

\textsuperscript{16} Source: Avella, 2006
operated by Procafecol), maximizing social and economical value since the NFC and coffee growers are the owners of the Coffee Shops. Second, the catalyst organizations (primarily the Colombian government through the National Coffee Fund) and various cooperation agencies support the development of the Coffee Shops as a business model with a high impact on rural development. Consumers, who have access to Juan Valdez® products through a socially responsible model, are also part of this model.

The unique characteristics of the Juan Valdez® Coffee Shop’s performance in FTC are reflected in the following community descriptions:

GROWERS’ COMMUNITY
The Juan Valdez® Coffee Shops provide an opportunity for the NFC to bring visibility to the brand and to promote its social and environmental initiatives. At the same time, the NFC promotes the development of producer communities, which are part of the Coffee Shops’ value chain. The inclusive business attributes are reflected in the participation of small producer communities in three ways: suppliers who receive a better price (25 percent premium); direct beneficiaries of the NFC programmes; and preferential shareholders (for those small producers who bought shares). In addition, participations provides the National Coffee Funds with higher resources through royalties for the use of the brand, which support the services provided to and social investment realized for the coffee growers.

CONSUMERS’ COMMUNITY
The Coffee Shops provide a commercial opportunity to market the 100% Café de Colombia brand directly. The added value us linked to the experience (infrastructure, service and brand), the coffee quality, and the social, environmental and economic value created. The Coffee Shops represent an innovation by bringing the producer closer to the consumer’s cup, thereby defending the origin and differentiation of Colombian coffee in the market.

CATALYST COMMUNITY
With support from the NFC, the National Government, and bilateral and multilateral organizations, the small producers of specialty coffees (actual and potential providers to the Coffee Shops) are strengthened through a diversity of initiatives.\(^{17}\)

Inclusive & Sustainable Development Outcomes
According to Gabriel Silva, General Manager of the NFC, “the policy of added value of the Juan Valdez® Coffee Shops is a social development alternative for Colombian coffee growers.” The outcomes generated by the Coffee Shops positively impact coffee producing low-income communities. Although it is not certified as fair trade, the NFC follows the standards of the International Fair Trade Association (IFAT) as well as the definition

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proposed by the network of fair trade organizations, called FINE (see Appendix D). The following are some of the general results of the Coffee Shops for growers’ communities:

GROWERS AS SUPPLIERS
At the national scale, with an average 25 percent premium that the Coffee Shops pay to producers, an uncertified fair trade price is being paid. According to the NFC, producers receive, per cup of coffee, four to five times more than they would conventionally receive under fair trade schemes. The Coffee Shops support the commercialization of organic coffees that contain no chemical traces and origin coffees that come from a specific region with unique qualities and special attributes in flavor and aroma. By 2006, four special edition coffees had been released on the market: Centauros, Huila, Guajira and Nariño. Finally, commemoration coffees are offered as limited editions on the founding dates to pay homage to Colombian coffee municipalities. In 2005, the Coffee Shops sold 3,370 sacks of 60 kilograms of green coffee beans, both for roasting and packaging as well as for preparing coffee-based drinks, thereby consolidating the Shops as an important source to meet demand for the Specialty Coffee Program of the NFC. The Coffee Shops selected social programmes to support coffee growers and their families’ well-being and development. In 2005, the Association of Specialized Coffee Producers “El Jordán”, located in the lowlands of the southern part of Tolima department, was selected for the purchase and commercialization of their product for the annual Christmas Edition, under the name of “Gaitania Coffee.”

GROWERS AS BENEFICIARIES OF THE NFC
According to Gabriel Silva, each of the coffee growers in the NFC benefit from the Coffee Shops. The earnings for individual sales are returned to the NFC, and they are invested in promoting the Juan Valdez® brand and improving the Colombian coffee regions through the construction of roads, schools, health centers, housing and the development of many social investment programmes. In 2005, the Coffee Shops generated royalties for the National Coffee Fund of more than US$260,869 through the use of the logo. In 2006, royalties of US$652,173 were generated. The positioning and sales of Colombian specialty coffee have also increased. Due to the export of specialty coffees of the National Coffee Fund, prices above market value equivalent to US$13.6 million have been transferred with payment to producers of US$700,000.

GROWERS AS SHAREHOLDERS
As mentioned earlier, the preferential shares sold to producers had an assured annual return equivalent to fixed rate deposits for the first five years. The minimum purchase of just two shares was made affordable to many producers (US$8.5).18

SMALL PRODUCERS OF OTHER ITEMS AND WOMEN’S INCLUSION
The Coffee Shop business was also inclusive with other kinds of producers and, particularly, with women. The National Federation of Coffee Growers, Procafecol and the San Lorenzo of Barichara Foundation (Santander department) launched the “Rings of Hope” programme in

18 The maximum was 15,000 shares (US$69,000).
July 2005 with the aim of supporting socially responsible programmes. Heat insulating rings made of natural fiber were produced by female artisans to be used as insulators for hot drink cups in the Juan Valdez® Coffee Shops. The viability of the project is threatened by the inability to keep up with the growing demand of the Coffee Shops. With this in mind, in 2005 the NFC formulated a viability, sustainability and profitability project for “Rings of Hope” through its new policy to support and promote mid-sized, small and micro-enterprises. With support from Procafecol, a five-year guarantee was formalized as long as the product was adjusted to market conditions. USAID Colombia, through its “More Investment for Alternative Sustainable Development” (MIDAS) programme, supports this effort. Likewise, the Latin American Foundation for the Development of Small and Medium-Sized Enterprises (FUNDES) became a consultant. Through this programme, the participation of other female artisan communities working with natural fibers, as well as the introduction of other complementary products of small producers to the Coffee Shops, will be analysed.

Challenges and Scalability

There are diverse challenges that Juan Valdez® Coffee Shops have to overcome in order to succeed and differentiate themselves in national and international markets. This is particularly true in terms of providing visibility to the generation of social, environmental and economic value for growers. These challenges call for a higher visibility of the FTC and a clearer connection with consumers who, although they recognize the attributes of the Juan Valdez® brand and experience the Shops, do not necessarily identify with the social responsibility and scope of the FTC. Procafecol’s goal for 2009 is to have a total of 200 Coffee Shops worldwide. The challenges and the scalability issues can be analysed through the following:

INCLUSION OF NEW SMALL COFFEE GROWING COMMUNITIES

As stated above, there are 566,000 producers (mainly small growers) who benefit from the organizations and programmes of the NFC, regardless of whether or not they are voting members and who they sell their products to (Juan Valdez®, Starbucks or others). Among them are those producing and selling specialty coffees at differential prices, principally for export of the green coffee bean. In 2005, the Juan Valdez® Coffee Shops were supplied with 3,370 sacks of specialty coffee. Colombia is expected to produce one million sacks of specialty coffee in 2007, most of them for exports. Hence, a great opportunity exists to involve new growers’ communities into this scheme.

INCLUSION OF SMALL PRODUCERS OF OTHER PRODUCTS

As mentioned above, the NFC has supported artisans from Barichara (Santander department) who make coffee cup insulation rings from natural fiber for the Coffee Shops since 2005. The possibility of scaling up is exemplified by the Coffee Shops’ potential for promoting additional complimentary products of other rural, non-coffee producing communities. The inclusion of new products requires research and development in other fields that are unrelated to the NFC’s core. It is estimated that by 2010 there will be a monthly demand for four...
million insulation rings, which implies the future building of three more factories in three more departments and new jobs for many other women artisans.

**DIVERSIFICATION**
To increase the options for the consumer and to attract new markets, some of the Coffee Shops are now selling an energy drink, *Juan Valdez® Extreme*. They have also increased the sales of desserts and included sandwiches and salads in their offerings. To reach a greater scale, the Coffee Shops need to diversify the products offered. For 2007, there were plans to improve and expand these products, re-launch energizing coffee sodas and drinks, produce coffee drinks with milk to attract younger clients and enter the “student lunchbox” market.

**NATIONAL AND INTERNATIONAL EXPANSION**
To finance the launch of one Coffee Shop per week in Colombia, the company needed an investment of more than US$14 million. In order to grow internationally, on the other hand, Procafecol seeks shared-risk relationships with associates who comply with key characteristics for business development, including experience in retail business, national origins for operations, solid networks of contacts and the availability of capital resources to guarantee the building of a critical mass of Shops in a period of three to four years. Procafecol President, Ricardo Obregón, revealed that the international expansion of the Coffee Shops will be more aggressive beginning in 2007. Negotiations have begun in Chile, Korea, Sweden and Ecuador and market testing is being conducted in Canada, Belgium, Peru, Costa Rica, Argentina, Mexico and China. The 2006 plan projected placement of *Juan Valdez®* coffee in 40,000 cafeterias worldwide. Dub Hay, Vice-President of Starbucks, said the following about the Coffee Shops: “We are well informed about what they are going to do and we believe there is space for everyone”.

**LEADERSHIP AMONG ETHICAL CONSUMERS OF ORGANIC PRODUCTS**
The Coffee Shops can become leaders in ethical and solidarity (fair trade) consumption among coffee shops worldwide by making their social responsibility towards producer communities evident to the consumer. By integrating the actions of the NFC, as the main contributor and majority shareholder of Procafecol, the coffee shops can have a unique social value.

**COOPERATION PROGRAMMES AS CATALYSTS OF COFFEE SHOPS**
The contribution of the national government and international cooperation agencies plays a key role in multiplying NFC programmes. Many of these initiatives have positive impacts, direct or indirect, on the development of the Coffee Shops, growers’ communities and producers of specialty coffees. The necessary adaptation would be to market the Shops’ sustainable development impacts through these collaborative initiatives. This would imply

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19 The NFC recently opened an office of commercial representation in Beijing.
20 Information about the Coffee Information Network is from an article published in the New York Times, 3 December 2003, “Move over Starbucks, here comes Juan Valdez” highlighting the project of Coffee Shops.
informing cooperation agencies about the Shops’ strategic importance for the development of Colombian rural communities.

Conclusions

The case of the Coffee Shops as an inclusive and sustainable business in the framework of the fair trade chain (FTC) brings to light three vital needs for the growth and development of the business: differentiation, communication and education. The third provides a guideline for the other two and encompasses the principal challenge and contribution that the Coffee Shops can make in the promotion of inclusive and sustainable businesses: *to promote communities of responsible consumers.*

Today, consumers go to Juan Valdez® Coffee Shops to enjoy top-quality specialty coffees from a variety of origins in Colombia and to experience an attractive atmosphere. They are not patronizing the Coffee Shops for other reasons that are equally valid: to recognize the triple bottom line (economic, social and environmental benefits) unique to the Coffee Shops which supports four million people in the rural sector through its primary shareholder (NFC); to recognize the price differential paid to communities that produce specialty coffees; or to recognize the preferential shares available exclusively to Colombian coffee growers, the majority of which are small producers.

There are innumerable possibilities for market, communication and education actions in terms of making consumers aware of the impact of their choices. But beyond the possibility of success or failure of these possibilities, it is fundamental to promote a community of responsible consumers, at the national and international level, which feels identified with the Coffee Shops and the fair trade chain that they are a part of.
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All photographs taken by Luis Felipe Avella Villegas.

Translated from Spanish by Carolyn Bancroft.
Different specialized organizations with a variety of tasks within the coffee sector simultaneously form part of the NFC. Among them are the following:

- **National Coffee Fund**: An account in the National Treasury, created in 1940 and administered by the NFC, where obligatory contributions from the sector are deposited to be distributed to specific destinations. This mechanism has permitted the consolidation of the commercial function in order to meet the requirements of international agreements and for the defense and stabilization of coffee growers’ incomes, as well as for the development of a series of policies that favor growers.

- **Almacafé**: A logistical service company which exercises four functions: supports the guarantee of coffee purchases; provides logistical support to the NFC for commercialization, export and domestic consumption; threshes, roasts, grinds and packages coffee; and provides quality control for exported coffee. Among its assets is a roasting facility for the production and packaging of the coffee destined to the Juan Valdez® Coffee Shops.

- **Coffee Grower’s Cooperatives**: In 1959 the NFC created and, since then, has promoted cooperatives. These are economic solidarity organizations owned by coffee producers in which the principal function is to guarantee the sale of coffee harvests at the best possible market price. In 2006 there were 38 cooperatives and 488 sales points in Colombia.

- **Cenicafé**: Created in 1938, under the framework of the IX Coffee Congress, and, until 2006, has developed more than 1,000 projects in experimentation of coffee cultivation, from genetic studies to create new varieties, to research about harvesting, quality and the benefits of coffee, oriented to Colombian coffee producers and consequently to consumers.

- **Fundación Manuel Mejía**: Created by the coffee sector in 1960, its mission is to train coffee producers, their families and community in an integrated manner and to contribute to grower’s wellbeing, competitiveness and sustainability. It has also proposed itself to be a quality, sustainable organization for the development of education in the coffee sector.

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21 The description of each entity of the NFC can be consulted in: [www.cafedecolombia.com](http://www.cafedecolombia.com).
### Appendix B-1: Milestones in the creation of the Juan Valdez® logo

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>The Juan Valdez® character is born, representing the typical Colombian coffee farmer.</td>
</tr>
<tr>
<td>1980s</td>
<td>The 100% Café de Colombia logo is introduced to promote international consumption of Colombian coffee. Development of a campaign among roasters to use the logo in their packaging as an inclusive brand, i.e. a means to distinguish and generate value added to the product. In this period, the 100% Café de Colombia programme begins so that final consumers identify the triangular logo in packaging as a guarantee of high quality, unmixed coffee. The NFC registers the Juan Valdez® commercial brand for the first time for this campaign.</td>
</tr>
<tr>
<td>1990s</td>
<td>Development of a campaign directed towards young people at the beginning of the boom of specialized coffee shops. The campaign concentrated on television commercials with Juan Valdez® as the protagonist of sports. Simultaneously, the company sponsored international sports events (tennis, skiing and climbing) to promote 100% Café de Colombia.</td>
</tr>
<tr>
<td>2002</td>
<td>From the success of the Juan Valdez character and, in order to develop the strategy of Colombian coffee valorization, the product brand Juan Valdez® is created.</td>
</tr>
<tr>
<td>2005</td>
<td>A line of Juan Valdez® accessories was presented in Colombiamoda, the principle fashion event in the country; launching of four special editions of Juan Valdez® Coffee; giant billboard in Times Square, New York; launching of specialty coffees from the departments of Nariño, Huila and Meta. Juan Valdez® is elected as the most important publicity icon in the United States by Publicity Week in New York, surpassing characters such as Ronald McDonald and the Geico gecko. The logo campaigns led to 87 American roasters and 962 registered brands using the logo by 2005 as a means to distinguish their product.</td>
</tr>
<tr>
<td>2006</td>
<td>The number of licenses for Colombian Coffee increased to a total of 120 roasting and packaging companies. The royalties from this licensing reached nearly US$1.87 million between 2002 and 2006.</td>
</tr>
</tbody>
</table>
## Appendix B-2: Visual identity elements of Juan Valdez® Coffee Shops

<table>
<thead>
<tr>
<th><strong>Tipografía</strong></th>
<th>&quot;Cafetero&quot; is the special font design based on the signature of Juan Valdez. Its goal is to achieve greater visual identity of the brand and it is used to emphasize texts.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Submarcas</strong></td>
<td>Sub-brands speak to the diversity of the coffees. Each coffee is given a name of a mountain, the natural home of the coffee.</td>
</tr>
<tr>
<td><strong>Marca de agua</strong></td>
<td>The Juan Valdez® Coffee &quot;Watermark&quot; is a graphic showing Chonchita that is a complimentary element in the visual identity, which may be used completely or partially.</td>
</tr>
</tbody>
</table>

Since the inception of the Coffee Shops (2002), the Juan Valdez brand has been renewed with the square symbol of Juan Valdez® and Conchita, the logotype "Juan Valdez®" and the slogan "Premium Colombian Coffee."
Appendix C: Sales from Juan Valdez® Coffee Shops (2002-2006)
(in thousands USD)

Source: NFC

Appendix D: Fair Trade Standards proposed by IFAT and defined by FINE

<table>
<thead>
<tr>
<th>IFAT</th>
<th>FINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access to poor</td>
<td>Fair Trade is a trading partnership, based on dialogue, transparency and respect, seeking greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers, especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, raising awareness and campaigning for changes in the rules and practices of conventional international trade.</td>
</tr>
<tr>
<td>2. Transparency, responsibility</td>
<td></td>
</tr>
<tr>
<td>3. Capacity building</td>
<td></td>
</tr>
<tr>
<td>4. Fair trade promotion</td>
<td></td>
</tr>
<tr>
<td>5. Payment of fair price</td>
<td></td>
</tr>
<tr>
<td>6. Improve the situation of women</td>
<td></td>
</tr>
<tr>
<td>7. Labor conditions</td>
<td></td>
</tr>
<tr>
<td>8. Environment</td>
<td></td>
</tr>
</tbody>
</table>

Source: IFAT (The International Fair Trade Association)

Source: FINE Network (FLO, IFAT, NEWS, EFTA)
September 2007

The information presented in this case study has been reviewed and signed-off by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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