

COLOMBIAN COFFEE IS + QUALITY AND SUSTAINABILITY



EXECUTIVE SUMMARY

MANAGEMENT REPORT 2021



The most difficult moments of the pandemic were left behind thanks to vaccination progress. And along with the economic recovery, 2021 will be remembered as one of the best years in terms of coffee prices in recent decades.

Roadblocks and shortage of containers were challenges that impacted coffee marketing, but thanks to coordinated work the FNC assured the continuity of the supply chain.

Without lowering the guard in health care, in-person activities gradually returned, including hybrid work models.

Under GRI standards, this 2021 Management Report integrates (as from 2019) the Sustainability and Industry Reports. The FNC also expresses its continued support for the Global Compact, as well as the 10 principles that support it and the Sustainable Development Goals (SDGs).

True to its mission of ensuring Colombian coffee growers' well-being, the FNC shows significant progress in the four dimensions of its value strategy:



Economic
Contributing to **coffee growers' profitability**.



Social
Promoting holistic, sustainable **social development** of coffee grower families and communities, with a **well-being approach**.



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



Governance
Strengthening **effective representativeness** to ensure legitimacy of the FNC.

Our value chain



The FNC will continue working to achieve better coffee **quality**, which is synonymous with better prices, and for **sustainability** of coffee farming, which is synonymous with future for new generations.

ECONOMIC DIMENSION

Contributing to **coffee growers' profitability.**

In 2021, the international price of washed Arabica coffee, including Colombian coffee, exceeded **USD 2/lb**, in addition to the favorable devaluation of the peso and a quality premium above **52 ¢/lb**. Thus, the domestic price reached a historical high of **COP 2,116,484** per load of 125 kg.

With this price, the value of the **12.6 million bags** harvested reached COP 10.8 trillion (**USD 2.9 billion**), 20% more than the 2020 record.

Despite logistical constraints and climate variability, good agronomic indicators support stable harvest volumes: productivity of **19.32 bags/ha**, resistant varieties in **85%** of the planted area, average age of **6.79** years and average density of **5,268 trees/ha**.

The Extension Service was able to resume farm visits, with **536,611**, to bring technical assistance to producers.

This service continued being provided also by virtual means such as calls, WhatsApp, emails and text messages, reaching a total of **1,152,844 contacts** with coffee farmers.

The Comprehensive Perception Survey was carried out, whereby the producers assessed performance of the FNC: on average, it met **94.7%** of the targets set for the year, and its management was rated **8.2** out of 10.

Coffee forwards are a trading instrument that has been promoted since 2004 to protect coffee growers' income. Due to the historical increase in coffee prices, there were many delays or defaults in the agreed future deliveries, which made it necessary to design and implement commercial and communication strategies so that producers **keep and honor their word**.



FNC overcomes logistical constraints in coffee marketing

For developing and opening new purchase channels, the FNC expanded its portfolio to **210** products and **15** programs thanks to the work of regional teams, in coordination with Almacafé and the departmental committees.

With these actions, in 2021 the purchase volume reached **146 million** kg of dry parchment coffee (dpc), worth COP 1.95 trillion (**USD 520.7 million¹**), 29% more than in 2020.

With hard commercial work, which includes promoting competitions, auctions, virtual tours and the innovative Taza Móvil [Mobile Cup] initiative, the commitment to quality continues translating into significant premiums for producers.

The year closed with **227,856 farms** complying with at least one sustainability standard, for the benefit of **195,970 coffee growers**. The commercialization of these coffees (including regional) led to premiums of COP 64.4 billion (**USD 17.2 million**).

In 2021, the FNC reached **48 new customers** and **3 new markets** (Uruguay, the Philippines and Saudi Arabia), totaling 44 destinations, which translated into sales of **1.9 million**

60-kg bags, up **9.7%** from the previous year.

Buencafé continues setting new records and positioning 100% Colombian coffee in the global soluble industry. Worth **USD 167.4 million**, in the year it sold over **13,000 tons**, which were exported to 40 countries to reach 60 markets from there.

Procafecol stabilized and made its operation profitable after the impacts of the pandemic, and laid the foundation for growth for the coming years: its operating income grew **62.9%** to **COP 388.7 billion (USD 103.8 million)**, and it closed the year with **334 stores** in Colombia.

Almacafé's revenue from customers other than the FNC grew 20% to COP 31 billion (**USD 8.28 million**), thanks to new businesses that consolidate it as a logistics operator par excellence.

The **promotion of Café de Colombia** was reactivated at international fairs and reached academic events, with health experts endorsing its benefits.

The launch of the online store **comprocafedecolombia.com** was a milestone, joining the Real Academia del Café and the 100% Colombian Coffee Program to encourage domestic consumption, which reached **2 million bags** of green coffee in 2021.

¹ Unless stated otherwise, an annual average exchange rate (TRM) of 3,743 COP/USD is used.

In 2021, **60,560 producers** received incentives worth COP 25.3 billion (**USD 6.8 million**) to renovate their coffee plantations, one of the key strategies to maintain a young and highly productive coffee farming, for in turn improving their profitability.

Cenicafé continues taking firm steps towards sustainability of coffee production. In addition to the delivery of resistant varieties and the study of diseases and pests for preventing the use of agrochemicals (integrated management), it has focused its efforts on improving productivity.

The FNC continues leading rural financial inclusion in Colombia, with

75% of coffee growers with a Smart Coffee ID/Card, while in the country only 49% of adults have active or current savings accounts.

Thanks to the benefits achieved (effective since March 2020), the FNC saved coffee growers **COP 1.3 billion (USD 342,773)** in withdrawals from other networks, with **38%** more transactions in one year.

To finance key coffee production activities, **70,070** Finagro loans were granted to producers for COP 1.43 trillion (**USD 382.9 million**), the largest amount in seven years.



SOCIAL DIMENSION

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

The FNC redesigned its value proposition for the social dimension. The strategy consists of 6 components: rural education, social protection, infrastructure, coffee grower families with gender equity and generational change, associativity, and special projects.

There were also changes in the system for measuring the indicators and monitoring the social development strategy, aiming at more accurate assessments.

To build a coffee grower education policy, strengthen financing of the School & Coffee program, design the gender equity policy, implement a food security pilot, promote youth leadership and entrepreneurship, and bring more safety, health, biosafety and child labor prevention to more producers have been some of the initiatives that deserve being highlighted.

With significant investments in each area, the most eloquent figures include:

5,484 students in the School & Coffee program, with a recovery trend after the pandemic.

610,984 people benefiting from construction or improvement of **10,575 km** of tertiary roads

22,260 people benefiting from **2,153** housing, basic sanitation and energy works.

27,923 people benefiting from construction or improvement of **175** social infrastructure works.

5,210 coffee grower homes participating in actions to promote gender equity.

2,120 young people in activities that promote generational integration.

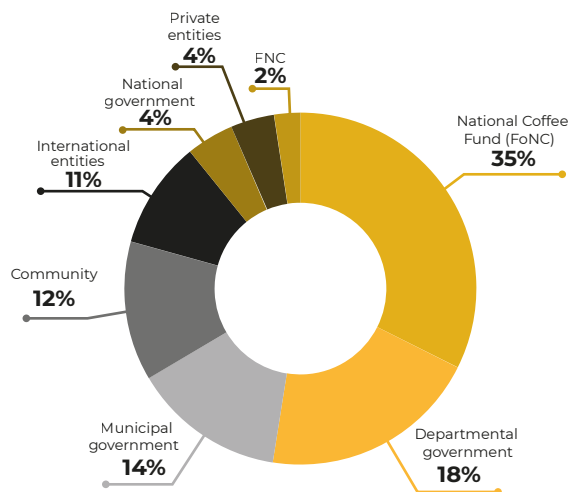
FNC implements projects worth USD 60.8 million

The figure is 34% higher than that of 2020, leveraging resources from the FoNC (whose share grew) with those from other sources in a **1-to-1.9 ratio**. Some of the most important projects involve partners such as the Howard G. Buffett Foundation, Tim Hortons, Nestlé and Starbucks.

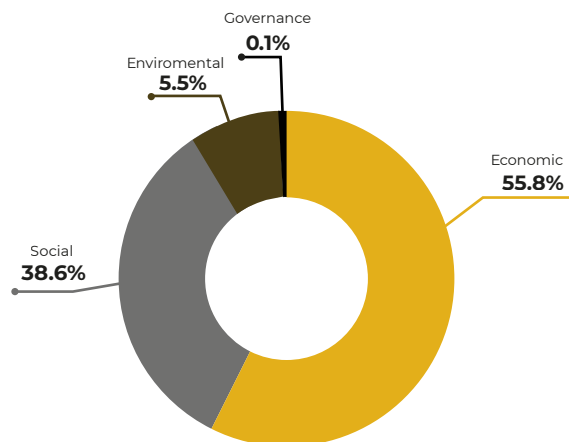
With the experience and knowledge of the departmental committees in the regions, the health and logistical restrictions were overcome to continue implementing projects of great economic, social and environmental impact.

With resources from royalties worth **USD 15.7 million**, sensory coffee quality is improved, while recurring projects of the FNC Commercial Division with key customers totaled **USD 4 million**, for the benefit of almost **32,000 coffee growers**.

Value share by contributor type



Share by value strategy component



ENVIRONMENTAL DIMENSION

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

FNC launches new environmental strategy

Colombian coffee growers continue strengthening their great potential in environmental matters. Greater coordination has strengthened the efforts made for years and the actions are being multiplied.

In 2021, the FNC launched a **new environmental strategy** based on: Implementing (cross-cutting) work nodes to strengthen and make these actions visible; strengthening conservation, reforestation and water saving on farms; and promoting environmental management within the organization.

On the farms, better wet milling systems and water treatment; water savers; training in land use and waste management; reforestation, and tree planting were some of the actions implemented. The FNC joined the government initiative Sembrar nos Une [Planting Brings Us Together] and planted **350,872 trees** in 2021.

For biodiversity conservation and recovery, there were activities in **4,754 hectares** of natural forests, and **184 ha** of the most threatened forests or riparian zones were fenced, along with biological connectivity actions by establishing **4,530 ha** of conservation corridors.

Within the FNC, an environmental performance baseline was built, which will allow it to better guide and measure its specific actions, along with those already implemented by its different branches. And the **"FNC Consciente** [Conscious FNC]" strategy is kept to raise environmental awareness and encourage responsible consumption among employees.



At **Cenicafé**, 6 internal environmental management programs have made it possible to maintain water consumption below that of 2018, when measuring began, and steadily reduce energy consumption, as well as waste generation.

Buencafé, with **5.41 kg of CO₂eq/kg** of freeze-dried coffee (equivalent to 4,179 t CO₂/year), reduced its GHG emissions below the annual target of 5.5 kg CO₂ eq/kg; and increased from 26% (2020) to **29%** the use of renewable fuels (biomass: coffee grounds and husk) for generating steam for the boilers, with the consequent saving of **USD 744,056** from replacing natural gas and **USD 280,791** from not sending sludge to landfill.

Regarding waste management, the factory aims at being certified under the global “Zero Waste” standard, and better wastewater treatment reduced the biological oxygen demand indicator to **375 mg/L**.

Procafecol generated 79.6 tons of waste, of which **77%** was organic, especially coffee grounds, which reached its highest use level in the Bogotá HQ since 2017.

And **Almacafé**, at its Soacha industrial complex, completed the construction of a **216-kW photovoltaic solar system** (made up of 540 solar panels and 9 inverters), which will guarantee self-sufficiency of between 25% and 30% of the energy required for the operation.



GOVERNANCE DIMENSION

Strengthening **effective representativeness**.

Once again, the FNC showed its leadership in challenging situations. The pandemic continued to be a challenge, in addition to roadblocks in Colombia, but the union took full advantage of its legitimacy, power of dialogue, experience and organizational capacity to deal with these issues in the best way.

The institution remained close to the coffee grower base, and actively participated in the discussion of crucial matters. Observing physical distancing, the FNC CEO met virtually with over **3,700 producers**; since 2015, more than **37,000 coffee farmers**, including women and young people, have been directly heard.

22

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

+37.000

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

In its second year, the podcast reached its **213th** broadcast; the *Líderes [Leaders]* magazine, its **12th** edition, and the *Ensayos de Economía Cafetera [Essays on Coffee Economics]* journal, its no. **34**.

The third (virtual) World Coffee Producers Forum brought together **3,330 participants** from 67 countries.

With a view to the union's most important democratic event, the 2022 FNC elections, producers, including young people and women, are being prepared through workshops and key information provided.

Defending the rights of coffee growers, safeguarding their interests, promoting their prosperity and achieving regulations in accordance with the sector's reality is permanent work. And in 2021 the FNC achieved the approval of the **Conpes 4052**, a policy document that sets the roadmap to 2030 for the coffee sector.

As part of its digital transformation strategy, the FNC simplifies and optimizes processes, such as the platform Integrated Coffee Growers and Families for Coffee Exports (**Cafix**).

FoNC finances USD 109.8 million in public goods and services for coffee farmers

In 2021, the National Coffee Fund's (FoNC) income was **USD 778.5 million**, of which **USD 509.7 million** came from green coffee trading, **USD 167.4 million** from Buencafé, and **USD 101.5 million** from the institutional activity.

With its income, the FoNC was able to finance public goods and services worth **USD 109.8 million**, that is, almost COP 411 billion.

It's noteworthy that the FoNC contributed COP 25 billion (**USD 6.7 million**) to the national renovation program, and consolidated assets of **USD 417 million**.

The financial prosperity of the FNC is based on three goals: investment priority, lower structural debt (settled since 2019) and financial strength.

For the third year in a row, the central budget was in surplus. And in HR management, workers are increasingly connected with the present and future of the FNC and the coffee industry.

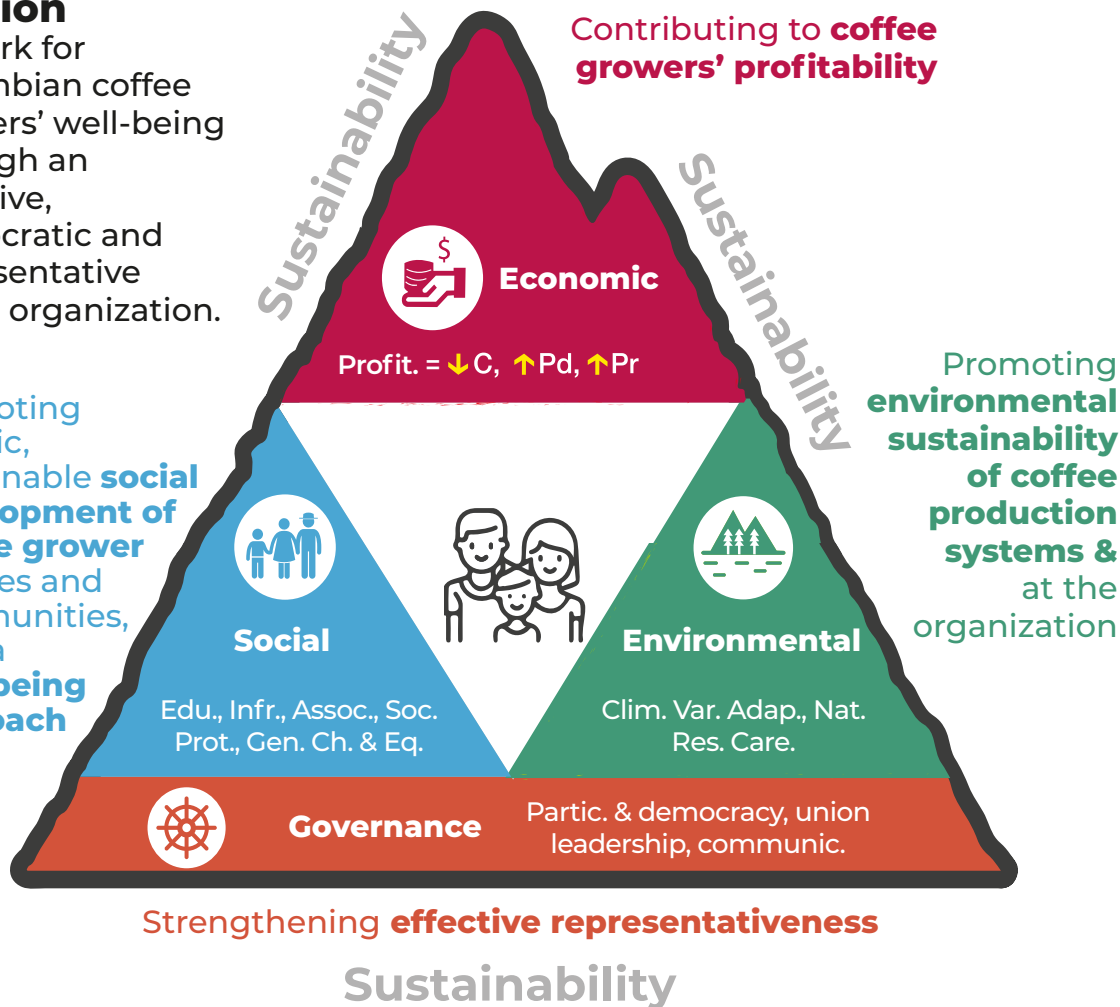


VALUE PROPOSITION TO COFFEE GROWERS

Mission

To work for Colombian coffee growers' well-being through an effective, democratic and representative union organization.

Promoting holistic, sustainable **social development of coffee grower families and communities, with a well-being approach**



Sustainability



Scan this QR code or download the Android app to learn all about the 2021 management results of the Colombian Coffee Growers Federation (FNC).

Check it out on our website:
www.federaciondecafeteros.org



Federación Nacional de
Cafeteros de Colombia

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