

# EXECUTIVE SUMMARY

# MANAGEMENT REPORT

# 2022



MY COFFEE IS OF **QUALITY**,  
MY FARM IS **PRODUCTIVE AND SUSTAINABLE**,

**MY FUTURE IS PROSPEROUS**





**After a 2020 of pandemic and a 2021 of uncertainty, 2022 was a year of recovery and growth. An example of this was the historic crop value, COP 14.5 trillion, which exceeded all records.**

However, given the new risks and challenges that climate change has brought with it, Colombian coffee growers cannot lower their guard and must continue improving the agronomic indicators, such as renovation of coffee plantations with resistant, climate-smart varieties, and betting on high quality and differentiation to achieve high productivity and better profitability, always taking care of the environment.

Adhering to GRI standards, this 2022 Management Report integrates (as since 2019) the Sustainability and Industry reports.

Based on the **economic, social, environmental and governance** dimensions, which are none other than sustainability's, the FNC's value strategy is very much in tune with the sustainable development goals (SDGs), in addition to its firm support for the Global Compact and its 10 underlying principles.

And in each of these dimensions, important results were achieved, for the benefit not only of coffee producers and their families, who are the FNC's reason for being, but of all its stakeholders:



### Economic

Contributing to coffee growers' profitability.



### Social

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



### Environmental

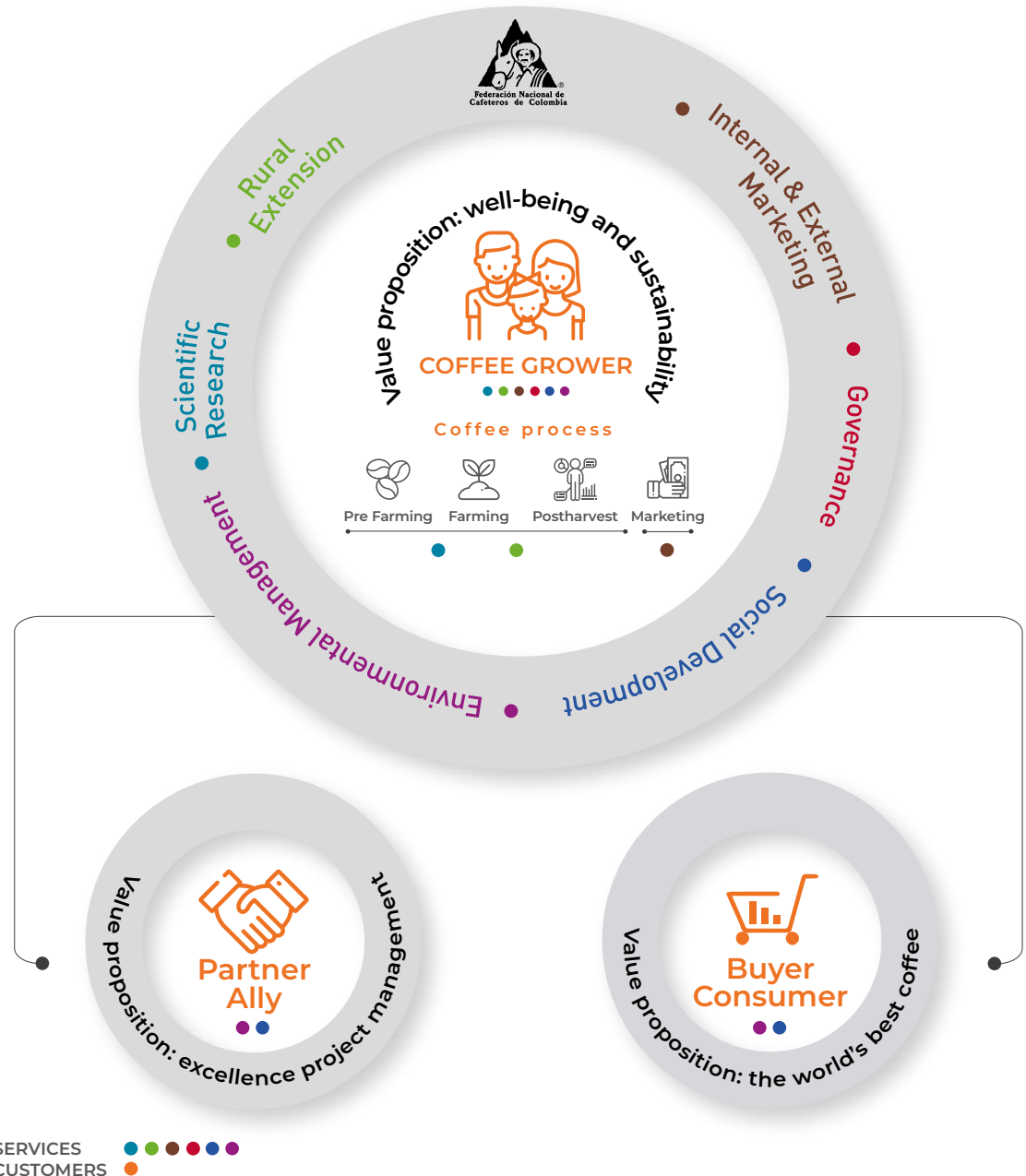
Promoting environmental sustainability of coffee production systems and at the organization



### Governance

Strengthening effective representativeness to ensure legitimacy of the FNC.

## OUR VALUE CHAIN



# ECONOMIC DIMENSION

Contributing to coffee growers' **profitability and prosperity.**



In 2022, the international price of mild washed Arabica coffee rose 26.7% to **214.2 ¢/lb** on average; the Colombian coffee quality differential (UGQ) reached an average of 67.20 ¢/lb, and the exchange rate (TRM) depreciated 13.7% from 2021 to an average of COP 4,255 per dollar. These three variables translated into an average domestic price of COP 2,150,867 (USD 505.5<sup>1</sup>) per load.

The good prices, together with the FNC's work to strengthen the coffee sector, allowed the value of the harvest, of 11.1 million bags in 2022, to reach COP 14.5 trillion (USD 3.4 billion), **34.7%** more than the 2021 record.

Despite the prolonged La Niña event that hit Colombia, the good agronomic indicators support stable harvest volumes: productivity of 15.9 bags/ha, resistant varieties in 86.1% of the planted area, average age of 6.89 years, and an average density of 5,296 trees/ha, the highest in history.

In its tireless work, the Extension Service reached 1,220,001 contacts with coffee growers through individual and group methods, up 4% from 1,153,000 in 2021.

## **FNC consolidates and diversifies new markets and customers**

Thanks to coordinated and constant work, adding value in each of the chain links, the FNC expanded its portfolio and purchasing channels to 229 products and 14 programs as a result of joint work of the regional teams and Almacafé.

In 2022, relationships were established with 60 new customers, and 3 new markets were opened up (Kuwait, Vietnam and Malta), for a total of 42 destinations and 207 customers, which resulted in the sale of **1.47 million bags of 60 kg** for over **USD 585 million**, 60% more than in 2021.

<sup>1</sup> Unless stated otherwise, along this report an annual average exchange rate (TRM) of 4,255 COP/USD is used.

Thanks to the Commercial Division's work, coffee growers received specialty coffee premiums worth COP 55.98 billion (USD 13.2 million) and an average purchase price of COP 2,370,000 (USD 557) per load, the highest in history.

The volume of purchases reached 123 million kg of dry parchment coffee (dpc), a figure impacted by lower production in Colombia as a result of adverse weather conditions, but rewarded with a value of **COP 2.34 trillion (USD 549.9 million)**, 23% more than in 2021.

In the seventh version of the Colombia, Land of Diversity competition, the international auction reached a record average price of 17.01 USD/lb and also a record highest price: 78 USD/lb.

With mobile and flexible cup quality labs in more and more municipalities, over 9,800 producers were served, with more than 12 million kg of dpc purchased.

State-of-the-art technology such as blockchain and virtual reality have also substantially improved traceability of various origins.

The FNC facilitated the certification and/or verification of **197,587 farms** with at least one sustainability standard, for the benefit of **170,993 coffee growers**.

After its launch in December 2021, in May 2022 the line of coffee produced by women was presented on a global scale. For several years, the FNC has promoted production of women's coffee, and in 2022 these sales exceeded those of 2021 by 85.6%.

In 2022, Buencafé's sales exceeded **USD 210 million**, 26% more than in 2021, a figure never seen before in the factory's history. Of the **13,185 tons** sold, 10% are products certified with sustainability standards. The factory exports its products to 40 markets, with 5% of the global freeze-dried market. As raw materials, purchases reached 460,000 bags of green coffee.

With 500 stores in the world, including 357 in Colombia, **Procafecol** recorded operating income (including sales and others) of **COP 554.4 billion (USD 130.3 million)**, 52% more than in 2021; sales were 24% higher than planned, and the royalties transferred to the National Coffee Fund (FoNC) exceeded COP 24 billion (USD 5.64 million), and more than COP 170 billion (USD 39.95 million) since its creation.

**Almacafé** adds value to the FNC by logistically supporting its commercial operation, assuring the coffee quality and contributing profits via dividends. In 2022, its revenue was **COP 84.4 billion (USD 19.8 million)**, of which COP 43.4 billion (USD 10.2 million) came from

the FNC and COP 41 billion (USD 9.6 million) from other customers.

Promotion and marketing consolidate Café de Colombia as an active and visible brand, which in 2022 participated in **9 international fairs**, while the new online store, which has over fifty 100% Colombian coffee brands, sold 5,251 units, up 154% year over year.

In the 100% Colombian Coffee program, the number of licensees grew to 261 from 248 in 2021, and the number of brands authorized to use the Café de Colombia logo grew to 859, up 9% from the 791 brands in 2021.

All these activities and campaigns have been key to reaching new audiences and have contributed to consolidating the domestic coffee consumption in Colombia at 2.3 million bags.

The FNC is still a leader in rural financial inclusion in Colombia: 74% of coffee growers have a Smart Coffee Grower Card or ID Card, that is, over 386,000 with access to banking services at the end of 2022 compared to 51.3% of adults in the country with at least one active savings account.

Thanks to the benefits negotiated by the FNC, coffee growers saved COP 1.2 billion (USD 288,836) in withdrawals from other networks, with 28% more transactions since 2020.

And to finance key coffee farming activities, in 2022 a total of 79,948 Finagro loans were granted to producers for over COP 1.76 trillion (USD 414.6 million), the highest amount in the last 8 years.



# SOCIAL DIMENSION

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



In 2022, **nearly 17,000 coffee grower families** benefited from generational change and gender equity actions, thanks in large part to the departmental committees' commitment to expand the coverage of social programs.

The FNC executed 619 projects for more than **COP 108 billion (USD 25.4 million)**, focusing on road and rural housing improvement.

**2,699** housing improvement, basic sanitation (aqueducts, water supplies, drinking water and sewerage) and energization works were completed, benefiting **25,194 people**.

More than **25.6 km of strip roads** were built (13.5% more than in 2021), while the number of kilometers improved on rural roads fell 52.3%, mainly due to price increases and scarcity of materials.

Public-private partnerships have made it

possible to strengthen the School & Coffee program. Through the departmental committees, over 240 rural schools are part of this model.

In 2022, **the Coffee Grower Education Policy** document was prepared to respond to the recommendation of the National Congress of Coffee Growers and the guidelines proposed at the 2021 Coffee Grower Education Summit.

This document, in the process of consultation and adjusted with the comments and observations from different FNC internal actors, was presented to the Steering Committee in November 2022 and later to the Social Development Commission of the 2022 Coffee Growers Congress. In 2023 consultations will be made to departmental committees, as stated in the commission's mandatory recommendation.

# ENVIRONMENTAL DIMENSION

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

Few agricultural organizations show as much commitment to environmental sustainability and care of natural resources as Colombian coffee growers.

In 2022, almost 1,350,000 trees were established in forestry and agroforestry systems, and the first 319,000 trees were planted on farms as part of a partnership with Nestlé to plant 7.5 million trees, aiming to achieve a more sustainable coffee farming and strengthen the carbon sequestration capacity in coffee production systems.

As part of the government initiative **“Sembrar nos une [Planting brings us together],” 1,188,290 trees** were registered on the platform of the Ministry of Environment and Sustainable Development (MADS) between 2019 and 2022.

Thanks to good practices, coffee farmers saved 20.7 million m<sup>3</sup> of water per year, which is equivalent to the basic annual



consumption of 130,000 families. In households, **1,080 water savers** were installed in taps and toilets, and solid waste management was improved on **3,587 farms**, with 6,487 coffee growers trained.

Soil conservation practices were strengthened on about 23,065 farms, exceeding the target of 20,300.

With the commitment to conserve and recover biodiversity in the coffee regions, **3,369 hectares** of natural forests are under conservation agreements.

For the first time in history of the FNC elections, 100% of the material used and left over from the process was delivered to recyclers to contribute to circular economy.

As a national rule, **styrofoam and plastic glasses and mixers** were eliminated from the FNC's purchases list, thus preventing the use in institutional events and their



respective offices of items that are difficult to recycle.

Buencafé continues working for the productivity of its processes, doing more with less. Since 2019, it started the path towards decarbonization. With panels, solar power generation increased to **24 kWp** (kilowatts peak), 100% of which is used for consumption in the factory, preventing the emission of **5.4 t** of CO2 equivalent.

The operation of the boilers with coffee husk to generate steam (saving natural gas as fossil fuel) and the non-disposal of coffee grounds to landfill allowed saving over **COP 2.7 billion (USD 634,548)**, while the use of rainwater (16,924 m<sup>3</sup>) for replacement in the cooling towers saved **COP 46.3 million (USD 10,881)**.

With the continued purpose of circularity and zero waste, **200 t** of waste that was previously sent to landfill was used: the boiler ashes and wastewater treatment plant sludges are used to produce fertilizer and municipal composting; and laminated plastic, waxed paper (label rolls) and strapping were included in recycling.

In 2022, a lid for organic coffee jars was developed as a mix of PLA resin and avocado seed.

In addition, Buencafé reduced the weight of packaging materials by **540 t**, including plastic, cardboard, single-use wood and glass. In biodegradable packaging, bags for roasted and ground or freeze-dried coffee were developed. And a 100% recyclable bag for freeze-dried coffee is also being developed.

Although the factory has reached historic production levels, in the year the total generation of on-site waste decreased vs. 2021; 98% of the dry coffee grounds were used as fuel for the boilers, preventing the generation of **13,879 t eq. of CO2**.

Almacafé began the path towards carbon-neutrality in 2050, while Procafecol calculated for the third time its carbon footprint for all its channels and supply chain with a view to creating a GHG prevention, correction, mitigation and/or compensation strategy.

In 2022, with the Vaso Reúso [Reuse Cup] program, **13,696 reuses** were reached in Colombia, promoting consumers' active role to reduce single-use cups. And with the gradual substitution of plastic straws and mixers with those made of plant material and wood, respectively, **2.4 t of plastic were avoided**.

# GOVERNANCE DIMENSION

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



The Colombian coffee growers once again reaffirmed the legitimacy of the FNC. Continuing with a long tradition of participatory democracy, almost 185,000 federated producers went to the polls to elect their 4,824 representatives at the 387 municipal and 15 departmental committees.

With a turnout of 55%, 16,400 candidates registered in the electoral process. The fundamental pillars of the 2022 elections were participation, transparency and legitimacy.

Female representation in FNC decision-making bodies continues growing: from 8% in 2014 to 22% in 2022 in the departmental committees, and from 16% to 28% in the municipal ones. The elected coffee grower government now has **40 women** at the departmental committees and **1,300** at the municipal ones.

During the year, there were 19 *Conversemos con el Gerente General* [Let's Talk with the CEO], with over 3,500 coffee growers connected.

Since 2015, almost **40,000 producers** have been directly heard by the FNC leader.

Within the framework of the digital transformation strategy, the FNC began the process of automating the registration of coffee exporters and industrialists, and the Cafix platform completed the first coffee exports with door-to-door shipments.

The FNC continued monitoring and accompanying legislative initiatives that have an impact on the coffee sector.

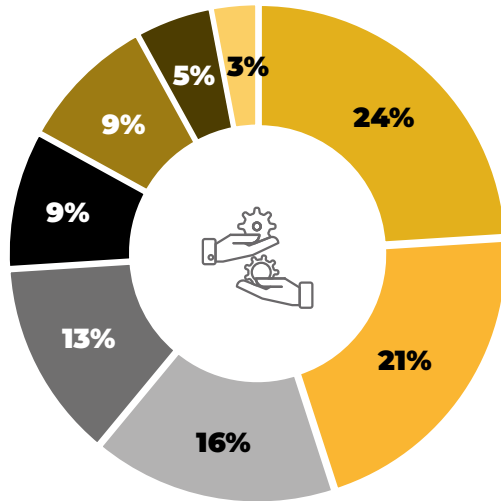
At the international level, for the second time in the history of the International Coffee Organization (ICO), Colombia hosted its 134th annual meeting, at the end of which the country signed the International Coffee Agreement (Bogotá 2022), which the FNC helped drive.

Faced with stricter regulations, the Colombian coffee growers have adapted measures and relevant controls to preserve key markets.

## FNC executes projects worth USD 59.5 million

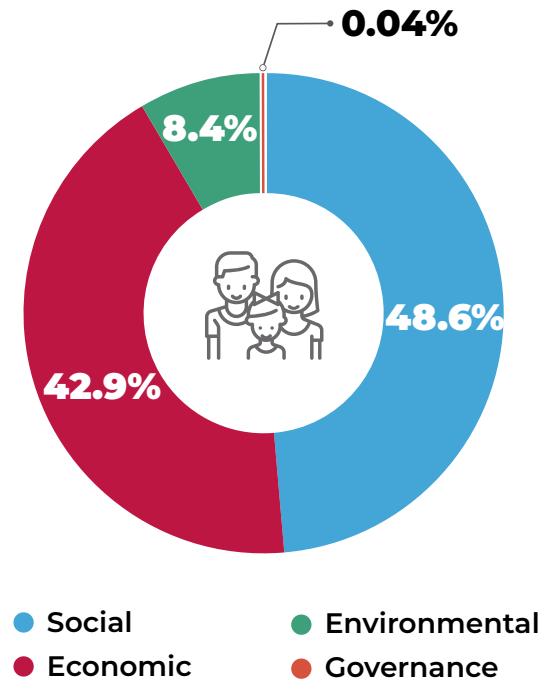
In 2022, the FNC executed projects worth **COP 253.3 billion (USD 59.5 million)**, a figure 11.4% higher than that of 2021, leveraging FoNC resources with those from other sources in a **1-to-3.8 ratio**.

### Value share by contributor type



- Departmental government: **24%**
- National Coffee Fund (FoNC): **21%**
- International entities: **16%**
- Municipal government: **13%**
- Community: **9%**
- National government: **9%**
- FNC: **5%**
- Private entities: **3%**

### Share by value strategy component



- Social
- Economic
- Environmental
- Governance

**COP 39.7 billion (USD 9.44 million)** was leveraged from international partners, the highest figure in recent years. Strategic cooperation models were established for new projects with agencies or organizations such as USAID, CAF and UNDP.

In recurring projects of the Commercial Division, **USD 8.5 million** was leveraged, impacting 34,000 producers in 13 departments.

The committees continue leading projects of great impact for coffee growers. Their knowledge of the needs of producers in the regions, the relationship with key partners, and their implementation capacity allowed them to execute important sustainable development projects.

## The FoNC finances **USD 95.5 million** in public goods for coffee growers

In 2022, the FoNC's income was **USD 890 million**, of which USD 585.7 million came from green coffee commercialization, USD 210.9 million from Buencafé, and USD 93.4 million from the institutional activity.

With this income, the FoNC financed **USD 95.5 million**, equivalent to COP 403 billion, in public goods for coffee growers.

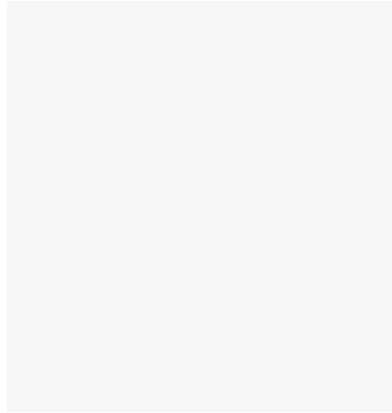
The FoNC equity reached **USD 528 million**. Although the indicator is higher than that of 2021, it has been affected by USD -61 million due to failed coffee deliveries under forward contracts, hence the importance of producers honoring their commitments.

The backing of the FNC long-term obligations exceeds 100%. It was the fourth consecutive year with a surplus budget at the central level, with no debt to the financial system and a stable financial structure that consolidates the financial prosperity of the FNC.

Sales of agricultural supply stores, which play a key role in providing quality inputs to coffee farmers, exceeded **COP 195 billion (USD 45.83 million)**.



In HR management, this year the higher purpose of the FNC was built collectively: **We make a more sustainable world through the best of Colombia**. Connecting it with each worker's is a challenge that inspires us every day to create new capabilities.



Scan this QR code or  
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results of the Colombian  
Coffee Growers Federation.

Check it out on our website:  
[federaciondecafeteros.org](http://federaciondecafeteros.org)