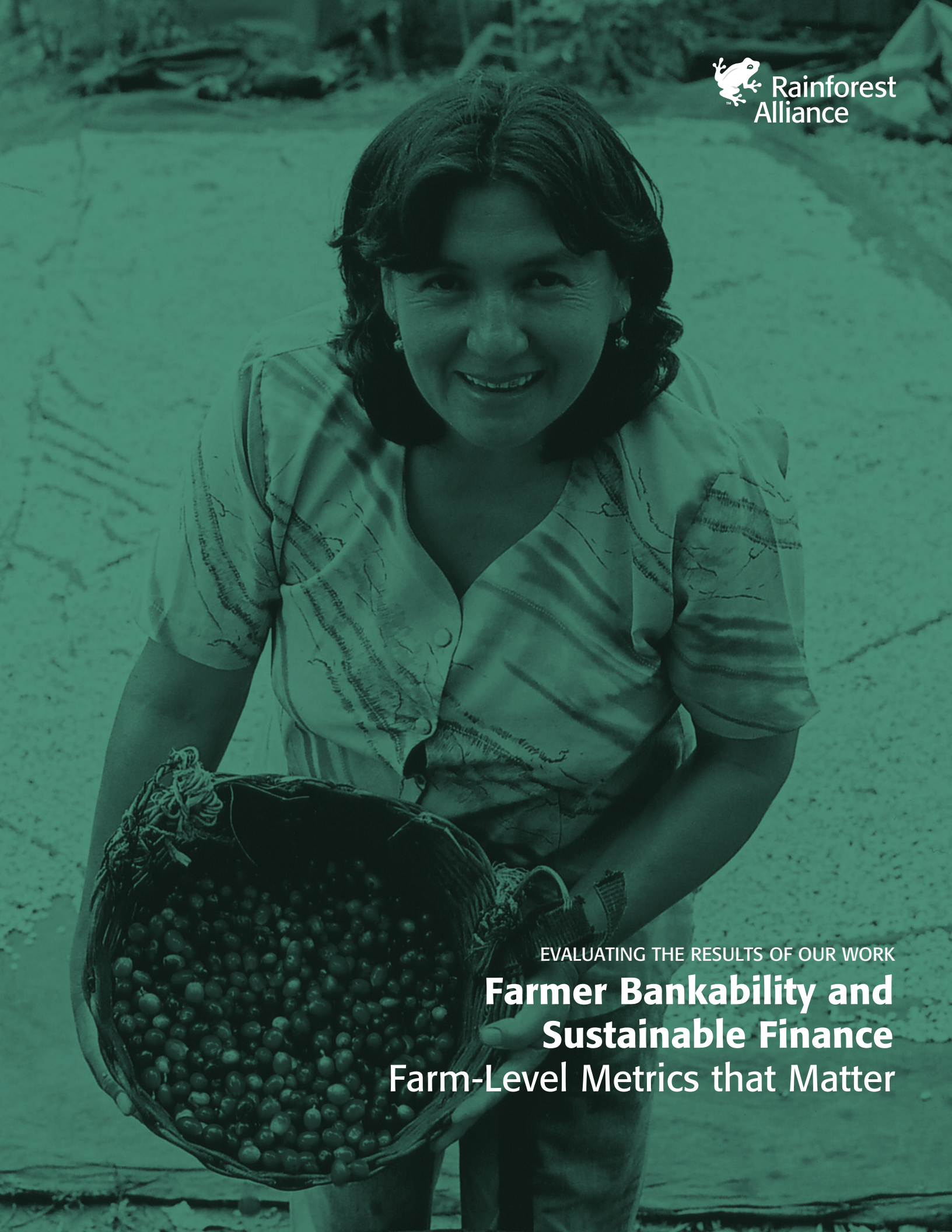

Rainforest Alliance

EVALUATING THE RESULTS OF OUR WORK

Farmer Bankability and Sustainable Finance

Farm-Level Metrics that Matter

September 2013

The Rainforest Alliance in partnership with Citi Foundation

With research conducted by:
Miguel Angel Beretta Cisneros
Charles M. Jack of Randolph Stephens, LLC

Assisted by:
Julio Cesar Villanueva Cardenas, independent consultants

Rainforest Alliance

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The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior.
www.rainforest-alliance.org

Citi Foundation

Farmer Bankability and Sustainable Finance: Farm-Level Metrics that Matter

In September 2012, the Citi Foundation and the Rainforest Alliance undertook Farmer Bankability and Sustainable Finance: Farm-level Metrics that Matter, a study designed to better understand farmer capacity and performance with regard to financial administration, as well as any bankability benefits associated with Rainforest Alliance certification.

Importantly, this study focused on farmers and their individual bankability. The Rainforest Alliance worked with a Peru-based team of researchers to survey a total of 110 coffee and cacao producers from 22 producer organizations in Colombia and Peru; 63 of the producers were Rainforest Alliance certified. Researchers recorded whether or not the producers were collecting data on a series of 50 key financial and production metrics and information on the farmers' lending experience. The study also solicited feedback from six international social finance and metric organizations as well as eight local, in-country financial institutions (LFIs) on their experience of lending to farmers.

Our primary objectives in undertaking this research are:

1. To better inform technical assistance packages for producers and producer organizations and to help improve farmer financial administration
2. To encourage farmers to regularly track information that is needed to create and update producer and SME financial and production profiles
3. To facilitate producers' access to finance

Below are the key findings of the study:

1. There is a common minimum set of metrics that producers must be able to record and report on in order to apply for credit. These metrics are based on the practical abilities of the farmer to record such metrics, as well as risk assessment indicators required by lenders.

One of the most critical results of this study is the insight gained into what farm-level financial and production metrics producers do and do not record. Notable metrics recorded at the farm-level include information related to crop production, volume and sales prices—but farmers would benefit from recording increased data related to production cost, income and delivery history. Lenders also express a desire to see an increased understanding by the farmer of the farm's projected cash flow and potential debt payback capacity.

Recommended Key Indicators
Production (General)
Production area by crop
Production area, total
Production volume, total
Production sales by crop
Estimated season crop production
Ability to deliver on production quota
Past ability to deliver on production quota
Producer Revenue
Farm net income
Crop revenue, total
Crop sale price (price/unit)
Total revenue, net of selling/mkting exp
Other revenue: remittances, etc
Revenue schedule (expected amounts & timing)
Crop quantity delivered last year
Producer Expenses
Farm/Equipment rent
Cost of production, total
Cost of production, per crop
Other Financial
Total assets
Certifications held
Length of certification
History of certification
Credit History (2-3 years)
Buyers (list)
Years selling to each buyer
Other financial obligations

Table 1
Recommended financial indicators
Source: FINPRO database

2. Certified producers are significantly better at tracking financial metrics than noncertified producers.

Ninety percent of certified producers track both revenue and expense metrics for their farms, while only about 30 percent of noncertified producers keep such records. Producers cite the technical assistance received from certification organizations and the subsequent required monitoring to maintain certification as impetus for such record-keeping. Over time, the potential for improved producer financial decisions and increases in farm productivity and sustainability make these records valuable to the producers and potential lenders alike.

Juan Pinchi harvests cocoa pods on his farm near Juanjui in Peru.
photo by David Dudenhoefer

Green coffee cherries mature on a farm in Colombia.
photo by Katy Puga

3. Certified producers have better access to credit than noncertified producers.

Social lenders interviewed unanimously agreed that certification provides a solid financial and agronomic base to improve farm operations. A majority of the producers surveyed have experience accessing short term financing, but certified producers are in a better position to complete credit applications on their own than noncertified producers. The study revealed that certified farmers in Peru and Colombia were awarded larger and more frequent loans than noncertified farmers. The average dollar value of the loans to certified producers was $5,562, compared with $3,311 for noncertified producers. The frequency of loans was also higher. Per year, certified producers reported receiving 1.36 loans on average, compared with 0.66 for noncertified producers. Unfortunately, longer term investment financing remains mostly unavailable for both certified and noncertified producers.

4. Lenders prefer to lend to an SME than to individual smallholder farmers.

During the study social lenders highlighted the difficulty they have in financing the farmer directly due to risk, small loan amounts, transaction costs, and geographical challenges. Unlike microfinance lenders that diversify small amounts of lending over large populations of borrows, nearly all social lenders and most local lenders focus on the SME or cooperative level. Despite the differences in the two approaches, both types of lenders emphasized the desirability and importance of good farm-level data and its organized aggregation at the SME level as beneficial to credit evaluation and finance accessibility.

Recommendations

Understanding that certified producers do a better job recording metrics than noncertified producers shows that certification and technical assistance have an important role to play in certified producers' access to finance. Access to credit, combined with better market linkages and improved financial, agronomic, organizational and professional skills, helps certified producers improve and sustain their livelihoods over the long-term.

Based on the above conclusions and in support of this study's objectives, this paper makes the following four recommendations to improve farmer bankability:

- Leading certification, metric and lending organizations should strive to adjust and standardize their relevant metric templates, loan applications and producer databases, incorporating the key indicators recognized in this report where applicable (see Table 1 on page 3). These templates should form the foundation of a system that works to streamline credit access and evaluation. As much as possible, producer and SME data-collection requests should be consistent and uniform to reduce cost, burden and confusion.
- Technical assistance providers are encouraged to design programs that, at minimum, meet farmer record-keeping requirements based on the key standard indicators to better prepare groups to complete applications for credit.
- Technical assistance providers could also design intermediate-level technical assistance programs for producers who already keep minimum records. These programs should focus on enhancing data collection management and analysis with an aim to improve financial decision making, farm operations and understanding of the potential need, capacity, risks and rewards of credit.
- Technical assistance providers can increase financing opportunities for farmers by training cooperatives and other potential intermediaries in financial and credit management and analysis of the key recommended indicators. Business and financial management technical assistance programs should expand training for cooperatives to enable them to on-lend (when one organization lends money that it has borrowed from another organization) to expand farmers' access to financing.

Introduction

In April 2011 and January 2012, Citi Foundation and the Rainforest Alliance hosted two sustainable finance workshops titled Sustainable Value Chain Finance and Sustainability as a Key Factor for Mitigating Risk in Agricultural Supply Chain Finance, respectively. During these workshops, participants identified the need for a better understanding of the capacity of producers to access finance, and the role of certification in terms of credit readiness. As a next step, in September 2012, the Citi Foundation and Rainforest Alliance undertook this study, *Farmer Bankability and Sustainable Finance: Farm-level Metrics that Matter.*

The smallholder farmer, or smallholder producer (this paper uses these terms interchangeably), is a critical part of the world's agricultural ecosystem. It is estimated that there are some 500 million smallholder farms worldwide, with more than 2 billion people dependent on them for their livelihoods.[1] These smallholder farms, commonly less than 25 acres (10 hectares) are often the backbone of the local economies, yet most, if not all, operate below their peak productivity potential without the financial advantages of larger commercial farming peers. Money for the best seeds, organic fertilizers, equipment, and sustainable and productive technologies are beyond the reach of most smallholder producers. The combination, however, of technical and financial management assistance for farmers with increased access to finance can help smallholder farmers make sustainable productivity improvements, benefiting themselves and their communities over time. Credit, when used appropriately and in combination with good financial management and effective improvements, has the potential to positively impact the lives of smallholder farmers around the globe.

Credit is currently required by millions of smallholder farmers. While global smallholder demand for finance is estimated at nearly $500 billion, less than $400 million in credit was disbursed by social finance organizations in 2011.[2] Practically speaking, farmer bankability is enhanced by admission to a producer organization, but globally less than 10 percent of smallholder farmers currently belong to producer organizations.[3] It is therefore important to understand what abilities and experiences individual farmers have in terms of accessing credit.

Thus this study focused on the farm-level. Whether lending goes directly to the farmer, or is channeled via the organization that the farmer belongs to, the critical information necessary to establish the right loan product and payback capacity ultimately comes from the farm. This is why the study focuses on the capacity to generate and aggregate this farm-level information.

Rainforest Alliance Activities in Colombia and Peru

The Rainforest Alliance works with a large number of coffee and cacao producers in Peru and Colombia. These producers were a natural choice to be participants in the study. Coffee, in particular, is a crop of national economic importance in each country, and information gleaned from coffee producers in both countries can have a substantial impact informing technical assistance packages going forward.

In Peru, coffee is the country's third most important agricultural crop and accounts for roughly 9 percent of all agricultural production. More than 370,000 hectares are planted with coffee in Peru, and within this almost a third is coffee grown with some level of certification. There are an estimated 145,000 families dependent on small-scale coffee cultivation. In Colombia, coffee has been an important national crop for decades. Though production is down almost a third since 2007, it still accounts for $2 billion dollars in trade. Cacao, while of less national economic importance in each country, is still a regionally important crop, and one that merits attention due to the increase in production in both countries over the past decade. Cacao production in Colombia grew 57 percent from 2002-2011, while growing 47 percent in Peru over the same time period.[4]

The Rainforest Alliance and its partners provide extensive technical assistance to farmers and producer groups in Colombia and Peru. Technical assistance does not only bring new producers towards certification, but guides producers in the implementation of best practices, and provides them with creative solutions to do so. The installment of water treatment systems, as well as practices to improve yield and quality, and support in accessing markets, have been key components of the Rainforest Alliance's technical assistance in both Peru and Colombia. In Colombia, the Rainforest Alliance's SAN (Sustainable Agriculture Network) partner, **Fundación Natura**, carries out the technical assistance necessary to help producers comply with the certification standards through its education of lead trainers for producer cooperatives and other umbrella organizations.

The Rainforest Alliance currently certifies a significant amount of coffee and cocoa in Colombia and Peru:

Country	Crop Production (ha)	Farms
Colombia	33,801	8,241
Peru	46,402	13,868

Data as of June 30, 2013
Source: Sustainable Agriculture Network

It is the hope of the Rainforest Alliance that this paper will find a broad audience, including development professionals, technical assistance providers, commercial banks, development finance institutions, social lenders and impact investors. We believe the results and recommendations herein will be useful as an aid to increase sustainable development and access to finance for sustainable producers.

Objectives and Methodology

Objectives

The purpose of the study is to identify which factors are most important to increasing producer access to finance, rather than undertaking a comprehensive analysis of farmer bankability. Our primary objectives in undertaking this research are:

1. To better inform technical assistance packages for producers and producer organizations and to help improve farmer financial administration
2. To encourage farmers to regularly track information that is needed to create and update producers' and SMEs' financial and production profiles
3. To facilitate producers' access to finance

Guided by these objectives, this study investigates and answers the following three questions relating to certified and noncertified producers' ability to access credit:

1. What is the capacity of producers to maintain records for self-reporting on key financial and production metrics?
2. What are producers' current financing experiences, possibilities and needs?
3. What is the list of indicators that can and should be managed, to record and report on farm operations so that a farmer qualifies as a target candidate for lending?

Methodology

The study was conducted in two phases: the field and feedback phases. In Phase I of the study, a Peru-based consultant visited 22 producer organizations and surveyed a total of 110 producers in two countries. Sixty-three of the producers were Rainforest Alliance Certified. Researchers surveyed the farmers and recorded whether or not they were collecting data on a series of 50 key financial and production metrics. The study group includes 41 Colombian producers (from 11 producer organizations) and 69 Peruvian producers (also from 11 producer organizations). By crop, 84 coffee and 26 cacao producers were interviewed. Annex I shows the geographical distribution of the producers by region and crop.

Colombia and Peru were chosen as appropriate locations for the study due to the number of Rainforest Alliance Certified producers receiving technical assistance in each country. Coffee and cacao producers were similarly selected because of their number, accessibility and importance to the local economy. This allowed for a larger sample size to be accessed more cost-effectively and efficiently.

The specific producers in this study were chosen using an opportunistic sampling method. The research team made a number of visits to different producer organizations during the harvest season, and those producers delivering crops to the organization at this time were asked to participate in the survey. A small number of producers were interviewed during specific field visits made to their farms. These farms were chosen purely based on their proximate locations. As such, and mainly due to the time constraints imposed on the project, this study is not meant to imply statistical significance or perfectly representative sampling.

Since one of the main goals of the study was to assess the role of certification in regards to access to finance, the study compared results between two types of groups:

1. Rainforest Alliance Certified producers (in Colombia, awarded certification by NaturaCert)
2. producers without Rainforest Alliance certification.

In addition, all references in the following pages to "certified" producers should be understood to be Rainforest Alliance Certified producers. Within the sample group, there were a small number of producers with multiple certifications, but it is beyond the scope of this study to comment specifically on producers certified by organizations other than the Rainforest Alliance.

Once the scope of the study was determined, and the target countries, producer groups, and producers were selected, both qualitative and quantitative methodologies were applied to collect and analyze data. For example, the producers were all interviewed using a semi-structured questionnaire called FINPRO (Annex IV) to collect the financial and production data. The FINPRO tool draws its inspiration from similar producer profile surveys developed by leaders in the field of sustainability standards, including the International Social and Environmental Accreditation and Labeling (ISEAL) Alliance and the Finance Alliance for Sustainable Trade (FAST). It also incorporates data collection indicators used by local producer organizations and financial institutions to evaluate a farmer's credit profile. See Annex IV for a copy of the FINPRO questionnaire (translated from the original Spanish version).

Phase I also included interviews and opinion surveys to collect data from local, in-country financial institutions (LFIs). The consultants conducted

Rainforest Alliance Certified farmer Ivan Vega poses by a protected stream running through his coffee farm in Colombia.

semi-structured, open-format oral interviews with eight financial institutions active in the respective farmer areas, with a particular focus on local, in-country banks and lending cooperatives. Annex II provides more information on the financial institutions surveyed in the study.

The producer and LFI data was then collected and analyzed using both quantitative and qualitative methods resulting in a draft report that was used as the basis for Phase II of the study.
Phase II (the Feedback Phase) collected the insights and experiences of representatives of six international social finance and metric organizations through a Rainforest Alliance-sponsored Farmer Bankability Webinar in April 2013. The six Metric Advisory panelists were divided into two groups, with each group member providing a response for each of the three questions presented to them.

Panel I consisted of:

- Bernard Ornilla, Credit Manager, Latin America at Alterfin
- Genevieve Edens, Impact Assessment Manager at the Aspen Network of Development Entrepreneurs (ANDE)
- Ottavio Siani, Financial Advisory Services Coordinator, Root Capital

Panel I addressed the following questions:

1. Currently, finance packages are usually evaluated and provided at the group level. To what degree are finance institutions interested in knowing the farm-level financial conditions of a cooperative? And considering that many producers need investment capital for individual farm improvements, would financial institutions consider lending to them directly based on the indicators?
2. With the goal of increasing farmer bankability in mind, and looking at requested metrics in particular, are there data collection and technical assistance best practices that local, in-country financing organizations can learn from social finance organizations, or vice versa, to improve access to the flow of credit? And how could that back-and-forth communication be managed productively?

Panel II consisted of:

- Cristina Larrea, Project and Business Development Manager at the Finance Alliance for Sustainable Trade (FAST)
- Katy Lankester, Program Associate, IRIS Initiative at the Global Impact Investing Network (GIIN)
- Kristin Komives, Sr. Monitoring and Evaluation Manager at the ISEAL Alliance

Panel II addressed the following questions:

1. Will the proposed indicators (see Table 6) provide both the breadth and depth of information needed to determine farmer credit-application readiness? Are there others that should be excluded or included? Which indicators, or combination of indicators, are most critical—i.e. a loan would not be granted if these are

dissatisfactory, even if all other circumstances are favorable?
2. Are farmer level metrics of interest to industry metrics organizations? If metrics organizations are interested in data at the SME level, how should this inform the indicators and/or data collection methods?

All panelists* were asked: What weight would/do you put on certification in evaluating credit worthiness and why?

The views and opinions of these participants are incorporated in the 'Findings and Results' section below. In this way, the study hopes to bring together a more comprehensive view of potential farmer bankability and create a study that gathers information from several groups important to farmer financing, including local, in-country financial institutions and social finance and metric organizations.

Findings and Results

A brief summary of the study's main findings is presented in table form below, followed by a more detailed question-by-question assessment.

1. What is the capacity of producers to maintain records for self-reporting on key financial and production metrics?

Certified producers are significantly better at tracking financial metrics than noncertified producers. 90 percent of certified producers track both revenue and expense metrics for their farms, while only about 30 percent of noncertified producers keep such records (see Figure 1). In the initial stages of certification, producers cite the technical assistance received from certification organizations and the subsequent required monitoring to maintain certification as an impetus for such record-keeping. However, after recording and monitoring such metrics for a number of years, producers begin to view their farms with a more business-like regard.

Recording farm metrics helps producers make better financial decisions and may help improve the productivity of their farms over time, as data collection and monitoring indicate improved farm management. These benefits reinforce the value of good record-keeping practices as life-long habits. The above results are encouraging to technical assistance providers as well, providing evidence

Table 2
Overview of study findings and results
Source: FINPRO, interviews with financial institutions

Study Question	Certified Producers	Noncertified Producers
What percentage of farmers maintain records for self-reporting on key financial and production metrics?		
Percentage that maintain revenue records	92%	45%
Percentage that maintain expense records	90%	31%
What are farmers' current financing experiences, possibilities and needs?		
Short-term financing available to majority	yes	yes
Long-term financing available to majority	no	no
Percentage of farmers receiving a loan	82%	71%
Average dollar value of loans received	$5,562	$3,311
Average number of loans received per year	1.36	0.66
What is the list of indicators that can and should be managed, to record and report on farm operations so that a farmer qualifies as a target for lending?		
List of indicators produced by study	see Table 6	see Table 6
General production, revenue and expense metrics recorded by majority?	yes	no
Metric classification areas where farmers can improve?	net income, cash flow, total asset values, costs of tech. improvements	net income, cash flow, total asset values, costs of tech. improvements

** See biographies of the social finance and metric organization representatives who participated in this dialogue in Annex III.*

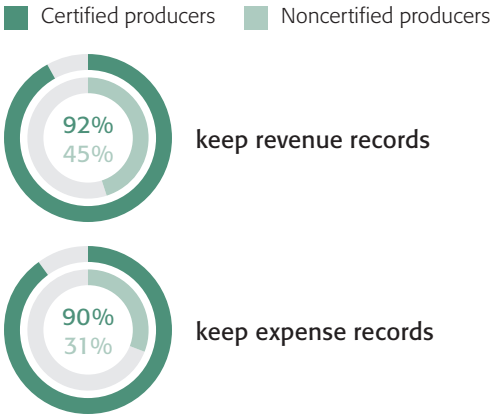

Figure 1
Producer revenue and expense records
Source: FINPRO database

that financial technical assistance recommendations made by certifying organizations are often implemented at the farm-level, and that these recommendations can be maintained over the long-term.

Looking solely at records kept by noncertified producers, the data show noncertified producers have a particularly difficult time recording expense metrics as compared to revenue metrics. While 45 percent of noncertified producers keep revenue records, only 31 percent keep the corresponding expense records. Social lenders also report a need for an increased emphasis on expense tracking and recording with the producers they work with. This should be an area technical assistance providers continue to emphasize in training packages.

While the number of certified producers recording revenue and expense information is encouraging, the actual indicators tracked and the method of record-keeping employed by individual producers varies greatly. One conclusion reached in this paper is that efforts by certifying organizations to standardize and formalize the metrics tracked by individual producers will improve farmer bankability.

To this point, a number of social lending organizations mentioned that they are currently working with the Financial Alliance for Sustainable Trade (FAST) to develop a more standardized list of indicators to evaluate credit-worthiness at the SME level. Indirectly, this will help provide a level of standardization for farm-level metrics, as producer organization data requirements flow downward to the farm-level. There is also increasing discussion about trying to aggregate this SME-level data in a central location or database, where the data would be accessible by lending organizations at the local and international level. This type of project should be encouraged as a boon to the further collection and standardization of farm-level metrics. Farmer bankability improves as financial lenders have easier and cheaper access to credible farm-level data.

Anecdotally, farm-level indicators are recorded in a number of different mediums, ranging from paper and pen notebooks to excel spreadsheets. Notebooks are most commonly used, though researchers noted that it is often a notebook different from the one commonly supplied by the cooperative or certifying organization. Also of note, on cacao and coffee farms in Colombia and Peru, men do most of the physically heavier farm work, and women and sometimes children are the main record keepers. This division of labor should be taken into consideration by certifying organizations during the presentation of different forms of technical assistance.

2. What are producers' current financing experiences and needs?

Producers are often able to achieve more sustainable, higher yielding, and ultimately more profitable farms through farm renovations and sustainability improvements. These investments allow individual producers to incorporate modern agronomic practices into their farm, replace old, low producing trees, and bring updated technological practices to the farm, often aiding in better resource management and disease control. These improvements, however, are difficult to finance because of a lack of producer collateral, inconsistent harvests and volatile crop prices.[5]

An assessment of farmers' financing needs and their experiences with financial institutions should be balanced by an analysis of the financial institutions that extend credit to producers in the surveyed areas. Through direct interviews with producers in both countries, the study assessed producers' current credit needs and experiences, which credit opportunities are available to them, and which are not. Interviews were also held with a number of local and national financial institutions, as well as with more internationally active social finance organizations.

The most important financing needs for smallholder producers can be divided into two categories: shorter-term input, trade finance and working capital needs; and longer-term investment capital needs:

- Short term needs involve capital for purchasing farm inputs (ex. seeds, fertilizers, and pest management); crop preparation and maintenance tools; and harvest season labor, processing and selling expenses.

- Investment capital needs include capital for farm renewal projects, building repair, updated processing equipment, and technological improvements.

Shorter-term credit is, for the most part, the only capital available to most smallholder farmers, and the majority of respondents in both countries and crops reported previously being able to obtain a loan (see Figure 2). Unfortunately, access to investment financing remains extremely limited for both certified and noncertified producers. Social lend-

Figure 2
Percent of producers receiving loans
Source: FINPRO

ers like Root Capital, Rabobank, responsAbility and others are working to develop, test and hopefully scale successful investment capital lending models for smallholders.

There was quite a difference observed in the lending experiences of certified versus noncertified producers. While certified producers are more likely to be able to provide all the required lending information on their own, noncertified farmers often lack the records to provide basic data. Many must rely on the help of cooperative managers or loan officials to fill out the required forms and are dependent upon evaluations by their producer organization as to their credit-worthiness.

The study also revealed that certified farmers in Peru and Colombia were awarded larger and more frequent loans than noncertified farmers. As shown in Figures 3 and 4 below, the average dollar value of the loans to certified producers was $5,562, compared with $3,311 for noncertified producers. The frequency of loans was also higher. Per year, certified producers reported receiving 1.36 loans on average, compared with 0.66 for noncertified producers. Thus, better access to credit is available to certified producers whose records and financial administration capacity allow them to more easily produce the information requested by lending institutions.

3. What is the list of indicators that can and should be managed, to record and report on farm operations so that a farmer qualifies as a target for lending?

There is great interest from organizations within the agricultural value chain in viewing farm-level data. Until recently, this interest has mostly taken the form of using farm-level data to evaluate impact. There is an increasing movement however, by certification organizations and other stakeholders, to increase the amount and quality of data recorded at the farm-level, and to use this information to improve farmer financial administration and access to credit. This data can also be used by lending organizations to better evaluate risk.

One social lender reported on the benefit of using farm-level data versus SME-level data to evaluate credit risk, particularly with regard to financing for long-term improvements like farm renovations. Seeing the distribution or uneven spread of data, such as crop disease across member populations, is very different than receiving one average data point on member crop disease exposure from the SME level. It can mean the difference between a successful loan and a difficult one. It is precisely this farm-level data that is important for such decision making.

This paper attempts to match production and financial information recorded by the farmer with that information recognized as most important by LFIs and international social finance and metric-related organizations. This exercise provides information on where producers are doing a good job recording and presenting data required for credit, and in what areas they need to make progress in order to improve their bankability.

Eight financial institutions (four in each country) were asked what information they require producers to provide on loan applications. The results of the surveys have been summarized in Table 3. The results are not surprising; nevertheless, they further reinforce the areas that producers need to focus on in the financial administration and professional management of their farms. For more detailed information on each financial institution, see Annex II.

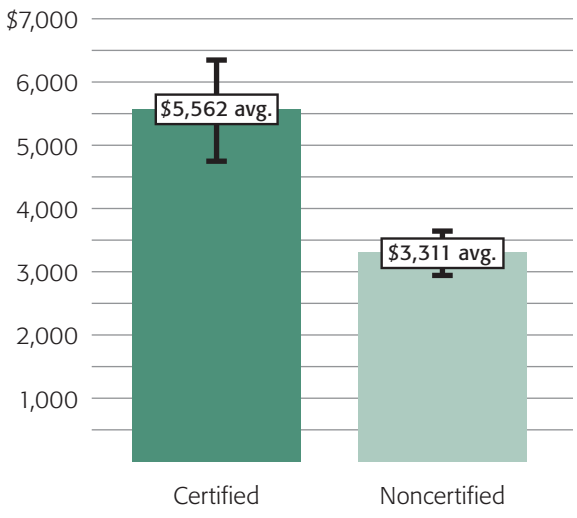

Figure 3 (left)
Average dollar value of loans awarded (note: the standard error bars are a representation of the variability of the data)
Source: FINPRO

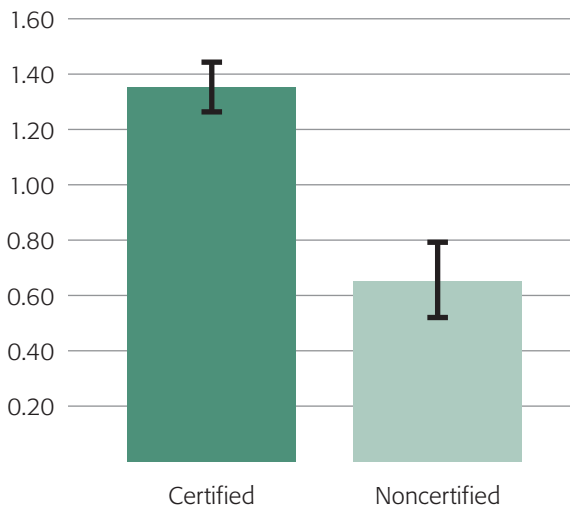

Figure 4 (right)
Number of loans awarded (note: the standard error bars are a representation of the variability of the data)
Source: FINPRO

Farmers load sacks of coffee at a cooperative in Colombia.

Sources of Smallholder Finance

Data and experience from Colombia and Peru shows an agricultural sector in need of capital. In Colombia, the agricultural sector contributes 10–14 percent of national Gross Domestic Product (GDP), and agricultural exports make up 40 percent of Colombian GDP from trade, yet the agricultural sector receives only 3.8 percent of all loans.[6] In Peru, the agricultural sector, which grew at a 4.2 percent rate between 2001 and 2011, contributes 6.4 percent of GDP. In addition, 7 percent of all exports are agricultural goods.[7] Here too the agricultural sector receives insufficient credit, as only about 3 percent of all loans go to the agricultural sector. Despite the low percentage of loans going to agriculture, Colombia has a much more developed credit infrastructure for reaching out to smallholders than does Peru, but improvement can still be made in both countries.

The financial systems in both Colombia and Peru are characterized by a few large, complex financial institutions operating in the center, with ancillary smaller banks, trading companies, social finance firms and microfinance institutions (MFIs) operating in the periphery. In Colombia, the three largest banks (Bancolombia S.A., Banco de Bogota S.A., and Davivienda S.A.) hold 60 percent of all banking system assets.[8] Domestic credit extended to the private sector accounted for 45 percent of GDP in 2011, or almost $150 billion.[9] However, 90 percent of Colombian banks' commercial loans go to only 7 percent of debtors.[10] Microcredit has grown rapidly over the past decade in Colombia, and in 2011 there was $5.3 billion in loans outstanding to 2.3 million borrowers.[11] In Peru, domestic credit extended to the private sector was 26 percent of GDP, or $47 billion. In 2011, there was $8.8 billion in microcredit loans outstanding to 3.6 million borrowers.[12] While state banks and microfinance institutions lend to SMEs and to a small amount of individual farmers, social finance organizations focus their lending almost exclusively at the SME level. As mentioned above, they cite difficulties collecting data and evaluating risk in an efficient and cost effective way from individual farmers.

Researchers' discussions with social finance lenders suggests that access to finance for rural producers can gain traction as transaction costs are reduced. Perhaps one of the most encouraging lending models gaining traction in smallholder agricultural lending is that of the Savings and Credit Cooperatives. By bringing financial services to the local level, these organizations are in a position to capitalize on the timeless banking maxim, "know your customer," to reduce risk in a way that larger lenders are currently unable to achieve. Social finance lenders are partnering with such organizations to increase their reach and impact while reducing their risk. Well-run Savings and Credit Cooperatives can potentially play a meaningful role in the improvement of farmer bankability.

Another promising lending model involves onlending, whereby a social finance or other financial organization lends to an SME or cooperative that then lends the money to individual producers. In this case, the SME aggregates the farm-level financial and production metrics, and evaluates the farm credit-worthiness. Root Capital's program Root Link focuses on strengthening the internal credit systems of agricultural cooperatives by providing technical assistance training in basic lending skills, accounting and financial management. These cooperatives are then able to provide microloans to help meet the needs of farm households.

Table 3
Most requested indicators on credit applications ("yes" denotes > 75% of producers record this information)
Source: Interviews with financial institutions

Indicator	% of Banks Requesting Indicator	Recorded by Certified Producer
Area (ha) under cultivation	75%	yes
Crops grown	63%	yes
Crop sale price	63%	yes
Production sales by crop	63%	yes
Estimated season crop production	50%	yes
Farm/equipment rent	50%	no
Other revenue sources	50%	no
New area (ha) under cultivation	38%	yes
Production for sale	38%	yes
Crop quantity delivered last year	38%	yes
Input costs: seed, fertilizers, etc.	38%	yes
Mechanization costs	38%	no
Labor costs	38%	yes
Picking/harvest costs	38%	yes
Soil preparation costs	38%	yes
Water/irrigation costs	38%	no
Sanitation costs	38%	yes
Technical assistance costs	38%	yes
Purchase cost of raw material	38%	yes
Crop marketing costs	38%	yes
Administration costs	38%	no
Public service costs	38%	yes
Maintenance costs	38%	yes
Incoming cash flow estimates	38%	no
Other financial obligations	38%	yes
Other expenses	38%	no

The officials interviewed in this study said the most important metric used in evaluating a potential short term working capital loan to a producer is the producers' past and current ability to fulfill a commitment to deliver on the production quota to the purchasing party. There may not be one metric that can predict whether or not this commitment can be fulfilled, but a past record of yearly fulfillment is an indication of a responsible producer who manages a well-run farm. This data point should not be overlooked and should be both recorded by producers, with supporting documents if possible, and requested by lending institutions.

The above table is not the whole picture, however. While the above indicators are the most prominent on the actual credit application, loan officers for the financial institutions make their decision based on other information as well. Trust and character were repeatedly mentioned as important intangibles during the loan application process by both LFIs and social lenders. Thus, producers themselves and producer organizations that can develop strong relationships with lending institutions are in a better position to receive financing. It should be noted that a number of financial institutions said the presence of certification on a farmer's application makes the information presented more credible. This again underscores the asset value of certification.

Six social finance and metric organizations were also surveyed for this study. Phase II (the Feedback Phase) of the study took the form of a Rainforest Alliance-sponsored webinar in April 2013 with the six social finance representatives serving as Metrics Advisory Panelists.

Overall, social finance organizations are very interested in viewing farm-level metrics. The main use of such information is for impact evaluation purposes. However, it is also used for credit risk assessment purposes. In addition to commenting on key metrics surveyed on, they also suggested additional metrics they view as important to farmer bankability. Table 4 lists these additional indicators.

One of the most interesting results of the surveys with producers is the insight provided into what production and financial information producers do and do not track (See Table 5).

While it was noted above that certified producers are more consistent in the recording of revenue and expense information than noncertified producers, farmers across the spectrum demonstrate an ability to track different data points regarding farm size and crop cultivation, direct production costs, and revenue and expense estimates.

Two groups of indicators are presented on the following pages. Tables 6–10 present a list of metrics and the type of entity requesting the data. There

Farm-level Indicators
History/length of certification
Total assets
Crop insurance
Other risk mitigation strategies
Sales contracts with buyers, number/different buyers
Sales contracts with buyers, type (ex. fixed price, etc)
Revenue schedule (expected amounts & timing)
Credit history (2–3 yrs)

Table 4
Additional significant indicators requested by social lenders
Source: Interviews with social lenders

are four main categories of indicators that producers should collect and share with potential lenders in order to be considered for a loan. These proposed indicators belong to four main categories: 1) general indicators that describe the farm, including metrics such as the types of crops grown on the farm, the surface area that is under production, and the volumes of crop produced; 2) indicators related to cost; 3) indicators related to revenue; and 4) miscellaneous indicators.

The study found that, beyond the total costs of production, the vast majority of producers do not really keep track of the costs of each of their on-farm activities, but that this information is requested by lenders. Data related to income, on the other hand, is both registered by producers and requested by lenders.

The fourth, miscellaneous category brings together other indicators of financial risk, such as financial obligations and certification. The table shows which indicators are most frequently requested by LFIs, recorded by farmers, or suggested by social lenders. It also indicates for which metrics there is a mutual interest, such as a metric requested by lenders and recorded by farmers.

Highlights from the Rainforest Alliance Farmer Bankability webinar:

- Certification provides a solid financial and agronomic base from which producers can build a stronger farm and business.
- By achieving and maintaining certification and incorporating the accompanying standards into their farms, producers demonstrate a level of managerial skill, organization and professionalism that lenders like to see. Certified producers are able to access better markets.
- The record-keeping requirements of certification improve farmers' access to credit.
- Social finance organizations' current lending models do not translate well toward lending directly to individual producers due to time and personnel constraints, as well as high transaction costs.
- An on-lending model, in which social lenders lend to SMEs, who then on-lend to the individual farmer, allows social lenders to reach more producers more efficiently. This model should continue to be improved through both the improved aggregation of data at the SME level, as well as transparent dissemination of farm-level metrics to relevant organizations in order to facilitate increased access to finance for smallholder farmers. In order to on-lend however, many cooperatives need additional training in financial and credit management.

Table 5
Metrics most recorded by producers
Source: FINPRO database

Metric Category	Survey Questions Answered by Producer	Metrics Provided by Producer
Crop production	What amount of each crop is produced at farm-level? What is the total production?	Production volume by crop; Total production
	How much land is assigned to each crop planted at farm-level?	Production area per crop; Total production area
Crop expenses	What is the total expense paid per season for the target crop?	Total cost of production per crop
Crop revenue	What percentage of the crop harvest was sold or is expected to sell?	Total crop sold; Crop sold as a percentage of total harvest
	What is the total revenue received for the target crop per season?	Total revenue received per crop; Average sales price per crop
Total farm revenue	What is the total income earned by the producer for all on- and off- farm activities?	Total crop revenue; Other farm revenue; Other non-farm revenue; Total passive revenue and remittances
	What is the net crop revenue after sales and marketing expenses?	Selling and marketing expenses; Net revenue after selling and marketing expenses

Table 6 (top left) Farm-level producer revenue metrics database ("both" denotes metric is both requested by local FI and recorded by farmer; "FI" denotes financial institution)

Source: FINPRO database

Producer Revenue Indicator	Notes
Producer Revenue	
Total crop sold to date	Recorded by farmer
Crop sold, as % of crop harvest	Recorded by farmer
Crop sale price	Requested by local FI
Crop revenue, total	Both
Total revenue, net of marketing expenses	Both
Other farm revenue	Both
Passive revenue and remittances	Both
Other non-farm revenue	Both

Table 7 (top right) Farm-level producer expense metrics database

Source: FINPRO database

Producer Expense Indicator	Notes
Producer Expenses	
Cost of production per crop	Recorded by farmer
Cost of production, total	Both
Costs of technological improvements	Reported by consultant
Farm/equipment rent	Requested by local FI
Labor costs	Both
Selling and marketing expenses	Both
Picking/harvest costs	Requested by local FI
Crop insurance	Suggested by social lender

Table 8 (bottom left) Farm-level production (general) metrics database

Source: FINPRO database

Production (General) Indicator	Notes
New area (ha) under cultivation	Requested by local FI
Production volume by crop	Both
Production volume, total	Both
Production area (ha) by crop	Recorded by farmer
Production area (ha), by total	Both
Crop quantity delivered last year	Requested by local FI
Other risk mitigation strategies	Suggested by social lender

Table 9 (bottom right) Farm-level other financial indicator metrics database

Source: FINPRO database

Other Financial Indicator	Notes
Other financial obligations	Requested by local FI
Total assets	Suggested by social lender
Revenue schedule (expected amounts & timing)	Suggested by social lender
Ability to deliver on production quota	Reported by consultant
Past ability to deliver on production quota	Reported by consultant
Sales contracts with buyers, amount	Suggested by social lender
Sales contracts with buyers, type	Suggested by social lender

There are a total of 12 metrics that are requested by lenders but generally not recorded by farmers. There are also notably four indicators that producers record that were not found to be consistently or explicitly requested by lenders. These have to do with keeping track of data per crop, taking into account the fact that many producers grow a variety of crops in addition to just their one principal cash crop. The amount of crop sold, as the percentage of total crop harvested, is also recorded by producers.

Three of the indicators are categorized as "Reported by Consultant." These indicators were not directly recorded by either party, but did come out of the research as important indicators that are taken into account—sometimes more indirectly—by lending institutions. For example, lenders often want to know about the costs of different types of technological improvements. As mentioned previously, another critical factor is "information on capacity to deliver on production commitments" since this single activity reflects on producer ability to deliver volume and quality on a timely basis, as well as logistical capabilities and loyalty.

Interestingly, producers record revenue and expense information, but very few take the extra step to calculate farm net income or cash flows. Net income and cash flow are terms strongly associated with the running of a business, and producers' understanding and application of these ideas in the financial administration of their farm may go

Miscellaneous Indicator	Notes
Length of certification	Suggested by social lender
History of certification	Suggested by social lender
Multiple certifications	Suggested by social lender
Credit history (2–3 years)	Suggested by social lender

Table 10
Farm-level miscellaneous metrics database
Source: FINPRO database

a long way in redefining the way they think about the farm as a business. See Tables 6–10 for the full database of developed metrics.

Table 11 is a list of the study's minimum recommended financial indicators for producers. After conducting interviews with both producers and lenders, the study team recommends these metrics, which are based on the practical abilities of the farmer to record them as well as risk assessment indicators required by lenders. Further, it is recommended that certification bodies, metrics organizations and lenders promote the farm-level metrics listed in Table 11 in their technical assistance packages, templates, loan applications and producer databases.

Conclusions and Recommendations

Researchers have reached four main conclusions and corresponding recommendations based on the investigations conducted for this study:

Conclusion 1: There is a common minimum set of metrics that producers must be able to record and report on in order to apply for credit. These metrics are based on the practical abilities of the farmers, as well as risk assessment indicators required by local, in-country financial institutions and international social lenders.

Recommendation 1: Leading certification, metric and lending organizations should strive to adjust and standardize their relevant metric templates, loan applications and producer databases, incorporating the key indicators recognized in this report. Producers should receive standardized financial administration and agronomic training in order to adopt farm and financial management best practices that enable them to consistently and accurately provide the recommended metrics.

These templates should form the foundation of a system that works to streamline credit access and evaluation. As much as possible, producer and SME data collection requests should be consistent and uniform to reduce cost, burden and confusion.

Conclusion 2: Certified producers are significantly better at tracking financial metrics than noncertified farmers. Reviewing the data, this paper attributes this capacity gap to the technical assistance and monitoring offered by certification-related training. Technical assistance focused on entry-level farmer financial administration helps producers keep better records.

Recommendation 2: Technical assistance providers are encouraged to design programs that at minimum meet farmer record-keeping require-

Manuel Arias spreads coffee beans in a drying tent on his farm in Peru.

Table 11
Recommended financial indicators
Source: FINPRO database

Recommended Key Indicators
Production (General)
Production area by crop
Production area, total
Production volume, total
Production sales by crop
Estimated season crop production
Ability to deliver on production quota
Past ability to deliver on production quota
Producer Revenue
Farm net income
Crop revenue, total
Crop sale price (price/unit)
Total revenue, net of selling/mkting exp
Other revenue: remittances, etc
Revenue schedule (expected amounts & timing)
Crop quantity delivered last year
Producer Expenses
Farm/Equipment rent
Cost of production, total
Cost of production, per crop
Other Financial
Total assets
Certifications held
Length of certification
History of certification
Credit History (2-3 years)
Buyers (list)
Years selling to each buyer
Other financial obligations

ments based on the key standard indicators so that groups may complete basic applications for credit.

Producers must be taught and encouraged to implement record keeping for these minimum level farm and financial metrics, and maintain these records consistently, as a means to manage their businesses more effectively, as well as potentially access financing.

Conclusion 3: Certified producers have better access to credit than noncertified producers. Certification provides a solid financial and agronomic base from which producers can build a stronger farm and business. Technical assistance that focuses on farmer financial administration and improved agronomic techniques improves the sustainability and productivity of a farm.

Recommendation 3: Technical assistance providers should also design intermediate-level technical assistance programs for producers who already keep minimum records. These programs should focus on enhancing data collection management

right
A Colombian coffee farmer demonstrates how coffee cherries are picked.

and analysis with an aim to improve financial decision-making, farm operations and the understanding the potential need, capacity, risks and rewards of credit.

Conclusion 4: Lenders prefer to lend to an SME than to individual smallholder farmers.

During the study, social lenders highlighted the difficulty they have in financing farmers directly due to risk, small loan amounts, transaction costs and geographical challenges. Unlike microfinance lenders that diversify small amounts of lending over large populations of borrows, nearly all social lenders and most local lenders focus on the SME or cooperative level. Despite the differences in the two approaches, both types of lenders emphasized the desirability and importance of good farm-level data and its organized aggregation at the SME level as beneficial to credit evaluation and finance accessibility.

Recommendation 4: Training cooperatives and other potential intermediaries in the value chain increases opportunity for increased lending to farmers. Cooperatives need additional training in financial and credit management, as well as analysis of the key recommended indicators, in order to expand their on-lending capacity.

ANNEX I

Geographical Distribution of Producers

Figure 5 (left)
Colombia producers

Figure 6 (right)
Peru producers

ANNEX II

Local Financial Institution Information

Colombia

FINAGRO

The Fund for the Finance of the Agricultural Sector (FINAGRO) is an arm of the state-run Agricultural Bank of Colombia. FINAGRO provides subsidized loans, credit guarantees, debt relief and capital investment loans to the agricultural sector in Colombia. In 2012 FINAGRO made credit disbursements of $6.5 billion.

Comultrasan

Comultrasan is a diverse community-focused organization that offers products and services to improve quality of life, including: household products, construction material services, credit products, mandatory health plan-POS, complementary health services, education and training. Comultrasan Crediaportes is a savings and credit cooperative that offers banking and loan products to clients through its branches in the cities of Bucaramanga, Barrancabermeja and San Vicente. As of the end of 2011, Comultrasan had more than 85,000 active borrowers and a loan portfolio of $350 million.

COAGROSUR

The Comprehensive Agricultural Cooperative of Minera Santa Rosa del Sur (COAGROSUR) is a credit union with its headquarters in the city of Santa Rosa, Colombia. The main objective of the credit union is to contribute to the social, economic, cultural and environmental development of its members and of the region through the provision of financial services.

APROCASUR

The Association for Cocoa Producers South of Bolivar (APROCASUR) is a nonprofit industry association created in 2004. Its headquarters are

Ripe cocoa pods after harvesting on a farm in Peru.

located in Santa Rosa del Sur in the Bolivar region. Its mission is to contribute to improving the quality of life of rural communities through programs that ensure comprehensive and sustainable development of families' lives. APROCASUR offers rural micro-credit funds and direct individual credit to its association members.

Peru

Mountain Coffee

Mountain Coffee is a nonprofit coffee industry association, founded in 2001 in the District of Pichanaki, Chanchamayo Province, Junín Region, Peru. Over the past three years Mountain Coffee has maintained a specific focus on working with its members to produce specialty-grade quality coffee. Mountain Coffee helps its members access small loans, mainly for pre-harvest activities, season maintenance, and harvesting and processing expenses.

AGROBANCO

The Peru National Agricultural Bank (AGROBANCO) is the main instrument of state financial support for the agriculture sector in Peru. AGROBANCO provides credit access to individual producers, small and medium-sized farming associations, and large-scale agricultural businesses. In 2013, AGROBANCO has a goal to distribute up to $310 million in loan funds.

ACOPAGRO

ACOPAGRO is a cooperative that represents small-scale family producers that harvest cacao and coconut, situated in the Central Huallaga Valley in the San Martin region of Peru. Family producers are located across four provinces: Mariscal Caceres, Huallaga, Bellavista and Picota. The cooperative was the first to export cacao in all of Peru. Within its regions of operation, ACOPAGRO serves 1,800 farming families. ACOPAGRO provides access to finance for its member producers.

CREDIFLORIDA

The Cooperativa de Ahorro y Credito La Florida (CREDIFLORIDA) is a savings and credit cooperative founded in 2003 by a 40-year-old fair-trade-certified coffee cooperative. CREDIFLORIDA delivers financial services to small and medium-sized coffee producing members in and around the Chanchamayo Province of Peru who are otherwise underserved by commercial financial service providers.

ANNEX III

Metric Advisory Panelist Biographies

Genevieve Edens
Aspen Network of Development Entrepreneurs (ANDE)
www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs

Genevieve Edens works as Impact Assessment Manager at the Aspen Network of Development Entrepreneurs. There, she supports members working to adopt best practices in measuring the impact of their work with small and growing businesses. In particular, she supports alignment with IRIS metrics to enable aggregation of performance data from across the network. Genevieve has experience in private, nonprofit and academic settings. Before moving to Washington, D.C., she spent several years living in Tanzania, where she worked for the coffee importer Sustainable Harvest. Genevieve also conducted research at the Kellogg School of Management at Northwestern University on cultural differences in charitable giving. Genevieve is pursuing an M.B.A. at George Washington University and has a B.A. from Wesleyan University.

The Aspen Network of Development Entrepreneurs is a global network of organizations that invest money and expertise to propel entrepreneurship in emerging markets. Officially launched in 2009, it is a member-driven organization housed within the Aspen Institute, an international nonprofit organization that promotes enlightened leadership. Its members are the vanguard of a movement focused on small and growing businesses that create economic, environmental, and social benefits for developing countries. The organization seeks to build sustainable prosperity in the developing world.

Kristin Komives
The ISEAL Alliance
www.isealalliance.org

Kristin Komives first joined ISEAL in 2010 to help set up a monitoring and evaluation system for the ISEAL Secretariat. Since then, her job has grown to include the management of ISEAL's work on the impacts of sustainability standards. In this capacity, she supports ISEAL members in the development of their own monitoring and evaluation systems and facilitates collaboration on the development of indicators, methodologies, and research studies that help members measure and understand their sustainability impacts. With the support of the Ford Foundation, she works with ISEAL's agriculture and forestry members to develop common indicators for examining poverty reduction and pro-poor development impacts and to define priority topics for future research on certification impacts. As ISEAL's resident expert on the Impacts Code, she helps existing and potential members understand what they need to do to come into compliance with the Code.

ISEAL is a non-governmental organization whose mission is to strengthen sustainability standards systems for the benefit of people and the environment. Its membership is open to all multi-stakeholder sustainability standards and accreditation bodies that demonstrate their ability to meet the ISEAL Codes of Good Practice and accompanying requirements and commit to learning and improving. Through membership in ISEAL, standards systems show a commitment to supporting a unified movement of sustainability standards. ISEAL also has a non-member, subscriber category to engage with governments, researchers, consultants, private sector organizations, nonprofit organizations and other stakeholders with a demonstrable commitment to the ISEAL objectives.

Katy Lankester
The Global Impact Investing Network (GIIN)
www.thegiin.org

Katy Lankester serves as Program Associate on the IRIS initiative, where she focuses on IRIS taxonomy development. Before joining the GIIN in 2010, Katy worked in the public health sector in Vietnam, where she developed the strategy and operational foundations for Moto Medic, an entrepreneurial program to improve emergency pre-hospital care. While in Vietnam, she served as a member of the Vietnamese Ministry of Health expert panel to establish national first-aid standards. Katy first moved to Vietnam as a Princeton-in-Asia fellow. During her fellowship she served as Program Development Manager at the Asia Injury Prevention Foundation where she expanded AIP's policy and program work to prevent road traffic crash fatalities and injuries globally. Katy holds a B.A. from the Woodrow Wilson School of Public and International Affairs at Princeton University.

The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments in companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. The GIIN

A house sits atop a hill on a Colombian coffee farm.

addresses systemic barriers to effective impact investing by building critical infrastructure and developing activities, education, and research that attract more investment capital to poverty alleviation and environmental solutions.

Cristina Larrea
Finance Alliance for Sustainable Trade (FAST)
www.fastinternational.org

Cristina Larrea has eleven years of strong project management and strategic direction experience, among which include seven years of field work managing sustainable development initiatives with rural communities in the tropical rainforest, and leading agriculture small and medium-sized enterprise (SME) business development with relevant success. At her position at the Finance Alliance for Sustainable Trade, she has acquired significant experience in the impact investment industry targeting capital flows in sustainable agriculture and forestry SMEs in developing countries. Cristina has conducted comprehensive work and has relevant expertise in providing valuable market and impact information for investor decision-making processes and improving SMEs bankability. Cristina holds an M.A. in International Development and a B.A. in Business Management and Administration. She is author and co-author of nine publications related to sustainable development and impact investment.

The Finance Alliance for Sustainable Trade is a member-driven, nonprofit association that represents over 140 members in 30 countries including financial institutions, producers, supply chain actors, development NGOs, and certification agencies dedicated to bringing sustainable products to market. FAST brings together this diverse group of stakeholders to work collectively to increase the number of sustainable producers and small and medium-sized enterprises in developing countries who can successfully access affordable financing, tailored to their business needs as they enter sustainable markets.

Bernard Ornilla
Alterfin
www.alterfin.be

Bernard Ornilla Laraudogoitia holds a B.A. in Business Administration (CUNEF/University Complutense of Madrid) and an M.A. in Development and International Aid (University Complutense of Madrid). He has experience in business development and microfinance. He worked for organisations such as BBVA Bank, Citigroup, Red Cross, Triodos Bank (Barcelona) and the Caixa Catalunya Foundation, where he was International Microfinance Program Manager. At Alterfin, Bernard is responsible for credit management in Colombia, Ecuador, Costa Rica, Honduras and Nicaragua.

Alterfin was founded in 1994 and is an investment firm that encourages cooperation between organizations in the Northern and Southern hemispheres, financial institutions, social organizations, some companies and over 3,500 private individuals. Alterfin invests in microcredit institutions and associations of fair trade producers in Africa, Asia and Latin America. These organizations for their part grant credits to tens of thousands of small producers and entrepreneurs in the South.

Ottavio Siani
Root Capital
www.rootcapital.org

Ottavio Siani is the Financial Advisory Services Coordinator for Root Capital in Africa. He works to expand both the size and impact of Root Capital's training program in Africa. He also works for the lending department underwriting loans. He previously worked as a loan officer for Root Capital underwriting loans and redesigning Root Capital's due diligence tools. His previous experience includes working in fixed income securities and teaching basic business education to Grameen Bank clients in Guatemala. He also founded Cheap and Cheerful, a short-lived grilled cheese company in Canada. Ottavio holds a B.A. in political science from Stanford University.

Root Capital is a nonprofit social investment fund 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. Root Capital clients include associations and private businesses that help create sustainable livelihoods by aggregating the products of hundreds, and often, thousands of producers. As March 31, 2013, Root Capital has disbursed more than $500 million in credit to over 400 businesses. These loans have helped Root Capital clients improve incomes for more than 500,000 rural households.

ANNEX IV

FINPRO Tool

SINGLE REGISTRATION FORM FOR COFFEE AND CACAO PRODUCERS (FINPRO)

FORM Nº	..... - PE - CB
DATE	/ /

SECTION I - OWNER / HOLDER INFORMATION

1. NAMES AND SURNAMES OF THE OWNER/HOLDER	AGE	SEX (F/M)	Do you have a RUC no.?	2. IDENTITY DOCUMENT (Nat. ID) Put the document number in the boxes below after the **Nº** box.
			Y/N_____ Nº_____	**Nº**

3. NAME OF PRODUCTIVE UNIT * Write the name of your Farm or Production Unit (PU)	RUC Nº of your PU	4. TYPE OF ORGANIZATION: Mark with an X
		Natural person.....1 Corporation or *Sociedad Anónima* (SA).....2 Limited Liability Company (LLC).....3 Individual Limited Liability Company (ILLC).....4 Private Company 5

5. PRODUCT SOLD Have your recorded your sales from 2011?	Annual Sales (Y/N)	Monthly Sales (Y/N)	Cellular Phone Nº: _____	Tel.:	Email:
COFFEE			6. Year productive activity began _____		
CACAO			7. How many years have you been RA Certified? _____		
8. Other certifications_____/_____/_____/_____			9. How many people are in your family? No. of men _____No. of women_____		

10. FARM ADDRESS (St., Ave., Km, other.)			
11. DEPARTMENT	**12. PROVINCE**	**13. DISTRICT**	**14. NAME OF LOCALITY / COMMUNITY**
15. REFERENCE POINT OR LANDMARK FOR FARM LOCATION			

16. How much area does your economic activity cover? (square meters-m2)		17. The land where you development your activity. . .?	1. Is yours.....% 2. Is leased.....% 3. Is borrowed.....% 4. Other.....%	18. Do you have internet service?	On the farm.....1 At home.....2 Use an Internet café.....3 None.....4

SECTION II - CHARACTERISTICS OF ECONOMIC ACTIVITY

19. Machinery and Equipment?	20. What energy is used most in the business?	21. The farm's sanitary system is connected to:	22. Water supply on the farm is from:
Manual depulper .....(1) Electric depulper.....(2) Centrifugal pump .....(3) Pre-dryer (*oreadora*)... .....(4) Dryer.....(5) Washer.....(6) No. cacao Boxes .....(7) Cacao dryer .....(8) Other (9) (.....)	Monophasic electricity .....(1) Triphasic electricity .....(2) Kerosene / Gasoline .....(3) Candle.....(4) Gas .....(5) None.....(6) Other (7) (.....)	Domestic public network ..... (1) Outdoor public network..... (2) Latrine/ Septic tank..... (3) Cesspool..... (4) Ditch or canal..... (5) None.....(6) Other (7) (.....)	Domestic public network.....(1) Public network outside business...(2) Basin or trough for public use..... (3) Well (groundwater).....(4) River.....(5) Ditch.....(6) Spring.....(7) Cistern or tank truck .....(8) Other (specify).....(9) _____

SECTION III – SALES INDICATORS

What types of products or crops did you produce and sell on your farm? (Read them the list)

ORGANIC CROPS OR PRODUCTS	23. Do you know the area of the land in use? (in HA)		24. Do you keep production records? (S1 & F6)				25. Sales Records (last large campaign) (S1, S2, S4 & M8)			26. What crop technique is used? (F7)
	Total Area (HA)	Harvested Area in (HA)	Nº Production Campaigns per year	Amount (last large campaign)	UM kg	Unit Price farm (S/kg)	Amount (last large campaign)	UM kg	Unit Sale Price (S/kg)	
01 COFFEE										
02 CACAO										
03										
04										

Question 26: 1=Drip irrigation, 2=Sprinkler irrigation, 3=Intercropping, 4=Machinery, other

Certified organic practices and principles

27. For the products, do you record monthly income and expenses for the following activities? (S2)	RECORDS (Y/N)		Volume of certified crop sold in kg. (S4 & M3)	Premium value for certification S/kg, (S4)	Type of certification (S4 & M3)	No. of hectares of land that are in the process of certification (M4)
	Income	Expense				
COFFEE						
CACAO						

28. Scope? (M5)	Records	Data Nº	Records?	
			Frequency	Type
Number of producers who are members of the producer organization	YES ( ) NO ( )			
29. Techniques used in the SME context (M6 & F7)	**Uses**	*Total area in m2*	**Records?**	
			Frequency	**Type**
Drip irrigation	YES ( ) NO ( )			
Sprinkler irrigation	YES ( ) NO ( )			
Intercropping	YES ( ) NO ( )			
Machinery	YES ( ) NO ( )			
Other				
30. Land under conservation management (M7)	**Possesses**	*Nº of land units under conservation management in m2.*	**Records?**	
			Frequency	**Type**
Forest	YES ( ) NO ( )			
Farm	YES ( ) NO ( )			
Other	YES ( ) NO ( )			

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.**Type**: Manual, Mechanical, Other*

31. Do you keep records of the agreements/contracts with buyers or clients? (S3 & F5)	Records	Data	Frequency	Type
Number of buyers or clients	YES ( ) NO ( )			
There are written contracts	YES ( ) NO ( )			
Other:……				

32. Do you keep records on sales agreements/contracts with ecological/sustainable markets? (S5)	Records	Data	Frequency	Type
Number of agreements with ecological markets	YES ( ) NO ( )			
Sales report	YES ( ) NO ( )			
Signed agreements	YES ( ) NO ( )			
Other				

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.**Type**: Manual, Mechanical, Other*

SECTION IV- MANAGEMENT INDICATORS

33. Profitability (M1)	Records	Data	Frequency:	Type
			W, B, M, Q or C	Mn, Mc, or O
Total income obtained from products sold S/kg	YES ( ) NO ( )			
Total cost of products sold S/kg	YES ( ) NO ( )			

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.* ***Type**: Manual, Mechanical, Other*

Nº	34. PAYROLL RECORDS (M2) (Do you keep records on the workers' data?)	(Y/N)	Data Nº	Frequency:	Type
				W, B, M, Q or C	Mn, Mc, or O
01	Nº of persons working full-time				
02	Nº of persons working part-time				
03	Daily wage (S)				
04	Contracts Nº				
05	Sex MEN				
06	Sex WOMEN				
07	Affiliation (AFP, ONP, other)				
08	Insurance (SIS, ESSALUD, RED, other)				
09	No. of hours worked				

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.**Type**: Manual, Mechanical, Other*

SECTION V- FINANCIAL INDICATORS

Nº	35. FINANCIAL RECORDS (Do you keep records on financial data?)	Nº	Records or keeps control of (Y/N)	Data	Frequency:	Type:
01	Total amount of loans S/.	F1				
02	Total amount of loans pending S/.	F1				
03	Amount of loans reimbursed for 2011 S/.	F1				
04	Institution providing the loan Nº	F1				

05	Number of loans Nº	F2				
06	Number of credits IFI Nº	F2				
07	Gross value of the product production S/.	F2				
08	Total production costs for the products S/.	F2				
09	Unit cost S/.	F2				
10	Average sales S/.	F2				
11	Cost of labor S/.	F2				
12	Total cost of inputs S/.	F2				
13	Cost of equipment used last campaign S/.	F2				
14	Depreciation	F2				
15	Degree of post-harvest product processing	F2				
16	Degree of first transformation product processing	F2				
17	Income invested in the business S/.	F3				
18	Equity value S/.	F3				

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.**Type**: Manual, Mechanical, Other*

Nº	**36. Training Reinvested in Research and Development (F4)** (Do you keep records on training?)	**(Y/N)**	**Data (Nº of times)**	**Frequency :**	**Type**
				W, B, M, Q, C	**Mn, Mc, Ot**
01	Innovative agricultural techniques and sustainable practices				
02	Health and social benefits				
03	Adult literacy, business and financial management, recordkeeping, accounting and administrative procedures				
04	Health and safety				
05	Ecosystems services and/or training in biodiversity conservation				
06	Business Development (market access, marketing strategy, quality control, other).				

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.**Type**: Manual, Mechanical, Other*

Nº	**37. Inputs (F9)** (Do you keep records on input data?)	**Records (Y/N)**	**Unit**	**Unit Cost S/.**	**Amount purchased**	**Frequency :**	**Type**
01	Fertilizers						
02	Biocides						
03	Chemical products						
04	Natural fertilizers						
05	Chemical fertilizers						

***Frequency**: Weekly, Biweekly, Monthly, Quarterly, Campaign.**Type**: Manual, Mechanical, Other*

38. Do you know about the kinds of reports that producers keep? Yes (…) No (…) Which kinds?:……..

39. How (by what means) do they keep their records?.....

40. In order of priority, give four reasons why records are useful to you:

a) ……

b) ……

c) ……

d) ……

41. Would you recommend some reporting mechanism that is easy for the producer to manage? Yes (…) No (…) Which one of the following?

Format established on behalf of RA:…… (1) Format recommended by the Coop/Association……..(2)

Train the producer……(3) Train producer's children ……(4)

42. Would you be willing to pay for the training of your son/daughter or another member of the family unit to keep records on the economic information of production?… Yes ..(…) No (…)

About the Research Team

Phase I

Miguel Angel Beretta Cisneros is an independent consultant and professor at the National University of San Marcos in Lima, Peru. He teaches classes on Banking, Strategic Management, Sustainable Development, and Public Management.
Contact: berettamiguel@gmail.com

Julio Cesar Villanueva Cardenas is the Director of Financial Services at the Rural Agrarian Productive Development Program (AGRORURAL) in Lima, Peru.
Contact: jcvillanuevac@gmail.com

Phase II

Charles M. Jack is Sr. Financial Analyst at Verve Coffee Roasters in the San Francisco Bay Area. Previously, Mr. Jack was an independent consultant with Randolph Stephens advising impact investors and NGOs in the coffee sector. He has also worked on investment teams at the Kellogg Capital Group and Wall Street Access before joining the nonprofit TechnoServe on their East Africa Coffee Initiative in Ethiopia and South Sudan.
Contact: cjack@randolphstephens.com

Metrics Advisory Panel

The following six professionals provided extensive insights and perspectives on the challenges and opportunities social finance and metric related-organizations face in working to improve farmer access to finance. As part of the project's Metric Advisory Panel, their extensive knowledge and experience was an invaluable contribution to this report.

- Genevieve Edens, ANDE
- Kristin Komives, the ISEAL Alliance
- Katy Lankester, GIIN
- Cristina Larrea, FAST
- Bernard Ornilla, Alterfin
- Ottavio Siani, Root Capital

Related Documents

Sustainability as a Key Factor for Mitigating Risk in Agricultural Supply Chain Finance
http://rainforest-alliance.org/publications/svct-report-2012

Sustainable Value Chain Finance Workshop Report
http://rainforest-alliance.org/publications/svcfw-report-2011

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For More Information, Please Contact:

Michelle Buckles, Director of Sustainable Finance
Contact: mbuckles@ra.org

Alexandra Tuinstra, Farmer Finance Manager, Latin America
Contact: atuinstra@ra.org

Jessica Grillo, Livelihoods Analyst, Evaluation & Research
Contact: jgrillo@ra.org

www.rainforest-alliance.org

River plants cover the surface of an Amazon tributary near Iquitos, Peru.
photo by Max Bello

A red-eyed tree frog perches on a branch in the Colombian rainforest.

photo by Julie Larsen Maher

About the Rainforest Alliance

Since its founding in 1987, the Rainforest Alliance has operated on the principle that natural resources can only be conserved if the economic needs of the communities that depend on them are also met. The Rainforest Alliance applies market-based solutions that promote sustainable land-use and support the economic and social wellbeing of workers, families and communities. The Rainforest Alliance involves businesses across the supply chain and consumers worldwide in bringing responsibly-produced goods and services to a global marketplace where the demand for sustainability is growing strongly.

The Rainforest Alliance focuses on three sectors— forestry, agriculture and tourism—with the greatest potential impact on land-use practices. The Rainforest Alliance has certified more than 190 million forested acres (77 million hectares) worldwide to the rigorous standards of the Forest Stewardship Council. The Rainforest also works with farmers and agricultural cooperatives around the world to promote agricultural practices that conserve water and soil resources, reduce pesticide use and provide fair treatment of workers. As of 2012, more than 875,000 farms and producer groups earned the Rainforest Alliance Certified seal of approval for meeting the requirements of the Sustainable Agriculture Network Standard. The Rainforest Alliance is also a leading validator of forest based carbon-offset projects, ensuring that they meet rigorous, internationally recognized carbon standards. The Rainforest Alliance has also developed best management practices for hotels and tour operators, and it provides technical assistance to help entrepreneurs implement these practices, obtain verification and/or certification, and market their services to conscientious consumers.

About the Rainforest Alliance Sustainable Finance Initiative

The Rainforest Alliance recognizes that in order to conserve our world's most precious ecosystems, we must promote an economically viable future for those who depend on the land for their livelihoods. Our Sustainable Finance Initiative (SFI) program was established in order to support small and medium-scale farms and forestry enterprises working toward Rainforest Alliance certification, and those already certified, to access the financing they need to help their business grow and become economically sustainable.

The Rainforest Alliance provides support to certified producers and SMEs, and those in the process of achieving certification, by helping identify their financial needs, supporting the credit application process, connecting them with business and financial management technical assistance, and linking them with the appropriate financial institutions. Rainforest Alliance does not lend money or assess credit worthiness directly but makes introductions to lenders who then complete their own due diligence. Rainforest Alliance also works to educate these institutions about the investment needs of sustainable producers, the risk-mitigation benefits of sustainability and certification, and to influence the design of financial products suitable for sustainable producers.

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www.rainforest-alliance.org

233 Broadway, 28th Floor
New York, NY 10279-2899
T: +1.212.677.1900
F: +1.212.677.2187
www.rainforest-alliance.org