IMPACT STUDY COOPAFSI

alterfin

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ABSTRACT

This case study evaluates Alterfin's impact on COOPAFSI, an sustainable agricultural organization (SAO) active in Peru.

Coffee is an important export commodity for Peru driving rural economic activity since the early 18th century.

This study focuses on the coffee value chain in Peru, which serves as a significant source of employment, mainly in rural areas, where many depend on farming for their livelihoods. Despite its declining share in the GDP over time, the sector still contributes substantially to Peru's economy, generating employment opportunities and income for millions. Investments in agriculture and rural development not only contribute towards alleviating poverty and inequality but also foster broader economic development and social stability. This is visible through the improvement of living standards and opportunities for increasing household incomes.

In this study, we look at Alterfin's partner Cooperativa Agraria Frontera San Ignacio Ltda. (COOPAFSI), a cooperative of over 400 smallholder coffee farmers, which creates access to international markets and additional comprehensive services to these farmers. The services include training, technical assistance, pre-financing and certification support. Moreover, collaborations with government programs and buyer support enhance members' productivity and facilitate strategic improvement projects.

The study examines how COOPAFSI achieves its mission by exploring the impact it generates for its farmers.

ACKNOWLEDGEMENTS

We extend our sincere gratitude and appreciation to everyone who contributed and who made this study possible.

A special acknowledgement goes to Claudia Van Gool from Voices That Count, who accompanied Alterfin during the field impact evaluation of COOPAFSI using the «FarmVoices Methodology.» Their expertise was instrumental not only in deepening our understanding of COOPAFSI's impact on its members and their households, but also in strengthening Alterfin's capacity to conduct meaningful impact evaluations in the future. Finally, we thank our partner, COOPAFSI, its management and operational teams, and all their smallholder farmers for their cooperation and dedication. Their openness to sharing experiences was crucial to the study's success and enables us to draw meaningful and grounded conclusions.

We are truly grateful for their time, engagement, and commitment to this impact study.

EXECUTIVE SUMMARY

Peru, a country known for its rich cultural heritage and diverse landscapes, has witnessed notable economic growth over the past two decades. However, this growth has been accompanied by various socio-economic challenges that have impacted the wellbeing of its population. Peru's economic growth has been primarily fuelled by industries such as mining, agriculture, and tourism.

The coffee industry in Peru has a rich history dating back to the early 18th century when coffee plants were first introduced through their neighbouring country, Ecuador. Initially cultivated in the northern regions, coffee production soon expanded to various parts of the country, with the Andean region emerging as a key coffee-growing area.

This impact study focuses on Alterfin's relationship with The Cooperativa Agraria COOPAFSI San Ignacio Ltda. A cooperative established in 1968 under the leadership of a Jesuit priest and 90 small coffee producers. The cooperative is located in the Cajamarca region of Northern Peru. The cooperative was founded to promote innovation and entrepreneurship in the Peruvian coffee sector by eliminating intermediaries and ensuring fair prices for farmers.

The study endeavours to understand the impact of Alterfin's investment and support on our partner, COOPAFSI. At the end-beneficiary level, we aim to understand COOPAFSI's impact on the livelihoods of its smallholder farmers.

ALTERFIN'S INTENT

The socio-economic context of Peru combined with the developments in the coffee sector make COOPAFSI's work as a coffee cooperative of smallholder coffee farmers combined with the provision of comprehensive services a compelling case for investment. Hence, in 2006, Alterfin established a relationship with COOPAFSI and became their first international lender.

Between 2006 and January 2023, Alterfin disbursed eighteen loans from USD 80,000 to USD 1,500,000, including working capital and investment loans for the purchase of machinery. Each loan was provided with conditions that took into account the needs of COOPAFSI, allowing Alterfin to accompany COOPAFSI's journey to continue meeting its mission as the coffee industry in Peru began to see a resurgence and revitalisation.

IMPACT STUDY OBJECTIVES

Alterfin's investments are made based on a partner's likelihood to generate a positive impact on its beneficiaries, therefore it is imperative to examine the relationship between farmers and the cooperative. In 2023 we undertook this impact study to validate our expected impact on its beneficiaries. We aim to gather first-hand accounts from farmers to gain valuable insights into how the cooperative is impacting their lives at two levels:

The farm level

Here we look at the impact of the various services provided by COOPAFSI (purchase of coffee, inputs, training, prefinancing and technical assistance) on the farming activity of their smallholder farmers.

The household level

We evaluate whether working with COOPAFSI has led to enhancements in the overall quality of life and access to fundamental services for the smallholder farmers such as healthcare, education, and housing.

We do this by listening to the voices of the smallholder farmers of the cooperative. The goal is to understand the nature of our impact, if any, and to guide us in making meaningful investments.

HOW DO WE MEASURE IMPACT ON FARMERS?

This study uses the «FarmVoices Methodology» by Voices That Count to study how Alterfin's investments, channelled through its partner, affect smallholder farmers' practices, farming activity and well-being and what aspects the smallholder farmers value.

FarmVoices represents: a process and a tool that turns the individual experiences of farmers into patterns that visualise the bigger picture with the goal of understanding a complex social change or impact. It is inspired by the practice of SenseMaker, a method of inquiry that involves collecting and analysing story fragments about people's experiences to explore and make sense of complex emergent social patterns.

Therefore, FarmVoices applies a mixed methodology that combines first-hand narratives with the statistical authority of quantitative data.

In the case of COOPAFSI, we aimed at understanding what aspects farmers value most in of working with COOPAFSI farmers value most and the consequent changes they have experienced in their farming activity and overall wellbeing. I.e. What is 's the impact of COOPAFSI on the lives of the farmers?

Moreover, our approach recognises the importance of collaboration and knowledge-sharing that will make such studies valuable for both Alterfin and its partners.

In this spirit, Alterfin initially conceptualised the study with Voices That Count and then shared the study design and survey questions with COOPAFSI to adequately include their areas of interest.

To ensure the study's accuracy and reliability, three local researchers, extensively trained in the "FarmVoices Methodology" by Voices That Count, provided crucial support in gathering this invaluable information.

The methodology consists of two phases: first, we listen to the voices of the farmers to determine Impact Stories, then we ask the farmers additional questions, to establish Impact Trends.

KEY FINDINGS

Impact Stories: What are the key messages associated with the stories?

Through the open-ended questions, smallholder farmers were able to share their most significant experiences and stories with COOPAFSI over the past year.

Following this, respondents could select up to two keywords to describe their stories, which allowed us to learn more about the key messages in their stories. They were then asked to ascribe two emotions to each of the stories.

Together, we categorise the themes and feelings together to ascertain patterns from the farmer's story to highlight topics most pertinent to COOPAFSI farmers, as seen in **Figures 1 & 2**.

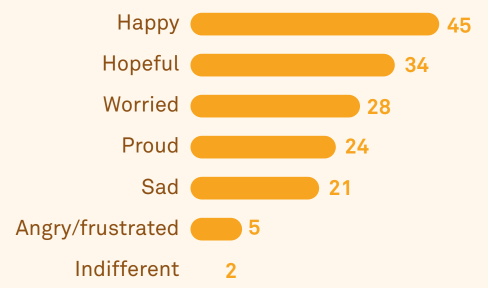

Figure 1: Emotions associated with farmers stories.

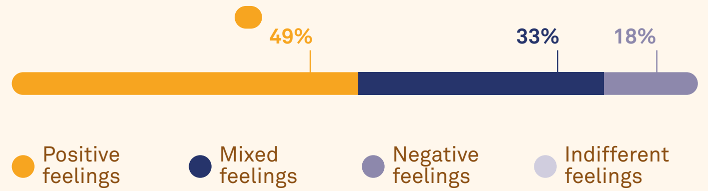

Figure 2: Story categorization by emotion.

In the first part of the findings, farmers can tell stories about their experience in the past year with COOPAFSI based on what they consider most important.

This story could either be motivating or concerning, after which they were asked to assign a maximum of up to two feelings to their story. Here, we see that 49% elicited positive feelings, 33% were mixed, and the remaining 18% were negative.

Upon further investigation of the stories, we see a pattern emerge between the content of stories and the associated feelings, which can be categorized as in **Figure 3**.

- About 50% of the stories are positive, where respondents value support services such as technical assistance, training and transport provided by COOPAFSI as key areas of impact. In addition to this, respondents also value support and loans for education, health, and housing.
- 50 % the stories predominantly refer to the theme of financial performance of the cooperative in the past year (2023) where they incurred loss due to price risk management.

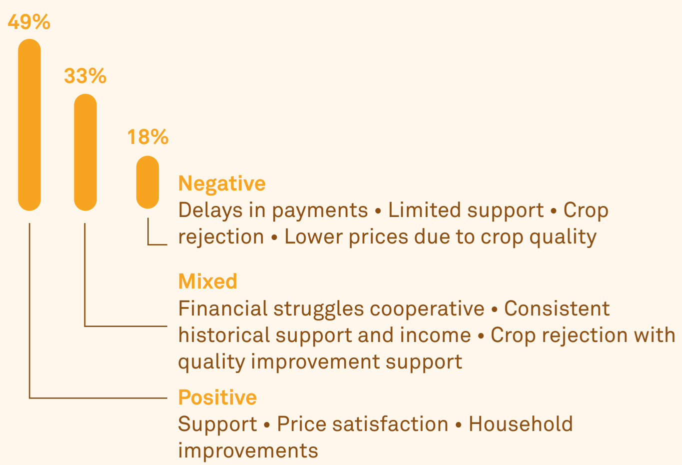

Figure 3: Story categorization by emotion and theme.

Impact Trends: Relationship with COOPAFSI

The stories lay the groundwork for the impact considered most significant by COOPAFSI farmers. However, it is important to keep in mind that the stories pertain to the experience of farmers in the past year only during which the cooperative experienced difficulties. This gives an important snapshot into the recent situation; however, these experiences should not entirely eclipse the overall positive trend we see when looking at the relationship and outcomes for farmers from the start of their collaboration with COOPAFSI, which, on average, is 13 years. The following results are intended to understand the relationship that farmers have with the cooperative.

We do this in three ways: by looking at (i) perception, (ii) preference and (iii) representation and aggregating the results from the multiple-choice questions that investigate how farmers perceive their relationship with COOPAFSI.

Key Findings: Relationship with COOPAFSI

- 70% of the respondents perceive COOPAFSI as being part of the family and at the very least worthwhile from a business point of view.
- A strong correlation in **Figure 4** indicates that both sentiments ("part of family" and "worth the effort") are likely to co-exist. Moreover, even in the case of outliers who perceive the relationship to be more business-like, they still find the relationship worthwhile.

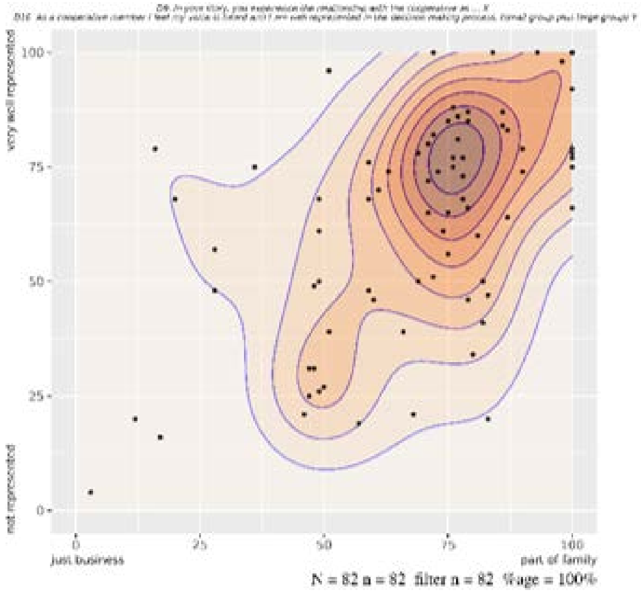

Figure 4: Perception of farmers
X axis: worth the effort • Y axis: part of family

- 87% of the respondents prefer to sell to the cooperative and 11% do it partly out of preference. A small percentage would be willing to sell to anybody, as demonstrated in **Figure 5**.

Figure 5: Preference among the farmers.

- Respondents rate their representation in the cooperative at 70% on average. 20% rate their representation at a level lower than 50%, which is further explained by their impact story, which predominantly expresses disappointment with the price and pest incidence.

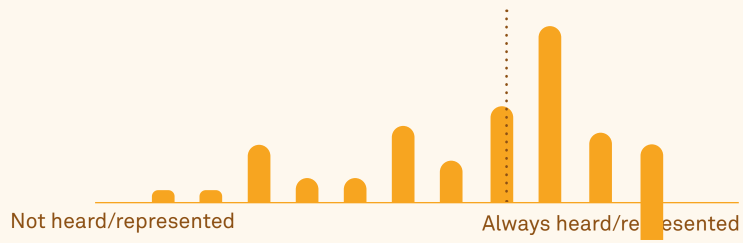

Figure 6: Representativeness of COOPAFSI farmers

Impact Trends: At the farm level

When assessing COOPAFSI's impact at the farm level, we identified four key trends that we derive by aggregating the multiple-choice questions on farm level impact and further analysing farmer stories covering price, timeliness, use of farm income and most valued services.

Key findings: Impact at the farm level

- COOPAFSI pays a better price historically indicated by 60% of respondent farmers. However, due to recent financial challenges of the cooperative and crop quality issues, which led to the rejection of the purchase, 33 (40%) respondents did not share this view.

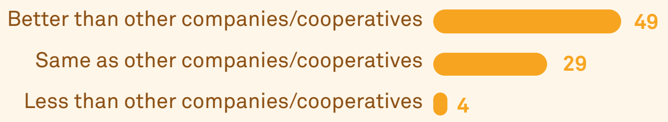

Figure 7: Price paid by COOPAFSI to farmers.

- 70% of the respondents report to have seen their economic situation improve slightly or more significantly since they began working with COOPAFSI. 25% did not experience any change in their economic situation, and the remaining 5% experienced an adverse change, which can largely be attributed to quality issues of their produce, leading them to sell outside the cooperative for a lower price.

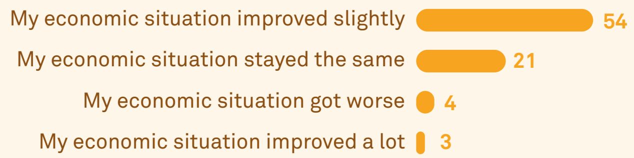

Figure 8: Evolution of economic situation of the farmers.

- 69% of the respondents either always receive their payment on time (46%) or are paid mostly on time (22%). Another 30% receive their payment on time sometimes and one respondent never received the payment on time and had a negative experience with COOPAFSI as the payment was significantly delayed due to perceived cashflow issues at the cooperative.

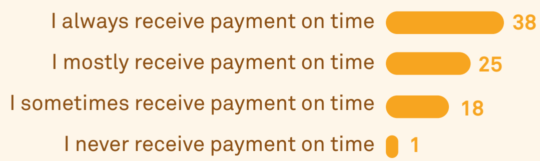

Figure 9: Timeliness of payment by COOPAFSI to the farmers.

- 41% of COOPAFSI farmers use their income predominantly to meet farmer needs prepare for the next season and invest in their farm to an equal degree, 21% use it exclusively to meet family needs, and 20% distribute their income between preparation for next season and to cover family needs.

Figure 10: Use of farming income by farmers.

- The valued service of COOPAFSI is technical assistance (37%), followed by logistics/transport for crops (18%) and financing for farmers to renew their coffee plantations (17%). This is also affirmed by the impact stories, where it makes up half of all positive experiences. These findings clearly indicate that support for farming activities is greatly valued.

Figure 11: Most valued services provided by COOPAFSI

Impact Trends: At the household level

When looking at COOPAFSI's impact on smallholder farmers' households, respondents had to pick a maximum of two options two prominent trends emerge:

- 90% of respondents shared to have at least one household level improvement. The greatest impact at household level experienced by the respondents are education for children (31%), followed by housing improvements (26%), accumulation of savings (19%) and purchase of assets (14%). The remainder focused on health and access to infrastructure, and 6% of the respondents experienced no improvement at all.

- For the majority of respondents, these gains have been made possible due to the longstanding relationship with COOPAFSI that enabled these outcomes. With those experiencing the greatest impact had on average a 13-year work relationship with COOPAFSI, while of the eight farmers who did not experience any improvement, four have a working relationship of 3 years or less with COOPAFSI.

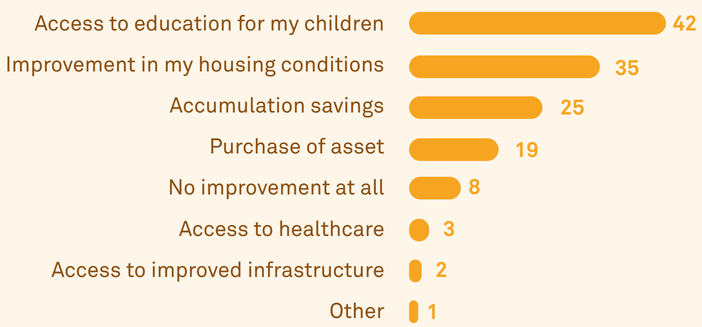

Figure 12: Household level Improvements.

- 31% of respondents can rely on their savings, conveying resilience within the household. 47% would rely on borrowing from the cooperative indicating its pivotal role in farmers' ability to cope with unforeseen events. The remaining farmers would either borrow from family and friends, a financial institution or sell an asset.

Figure 13: Resilience of farmers to economic shocks.

CONCLUSION

These findings of COOPAFSI's impact on farmers provides several insights in how the cooperative influences the lives and livelihoods of its smallholder farmer members.

Firstly, through Impact Stories, the narratives shared by COOPAFSI farmers reveal a diverse set of experiences, ranging from positive affirmations of support and satisfaction to concerns regarding financial stability and quality issues. Despite these challenges, a significant portion (49%) of farmers express gratitude for the support services provided by COOPAFSI, particularly in terms of technical assistance, pricing satisfaction, and household-level support, such as loans for education and housing improvements.

However, it is crucial to acknowledge the challenges faced, particularly regarding financial performance and quality issues, which have led to mixed emotions (33%) among farmers. The recent events that led to fluctuation in pricing and delays in payments have understandably raised concerns among some members and deeply influenced the narratives of the farmers. Nonetheless, aside from the sentiments specifically attached to this recent shock, it is evident that farmers greatly appreciate the services provided by COOPAFSI, which has improved their economic and household well-being due to improved quality and quantity of coffee yields.

Despite these challenges, the overall impact trend that looks at the long-standing relationship between COOPAFSI and its farmers indicates a strong and positive relationship between them.

The results show that over 85% of respondents perceive COOPAFSI as an integral part of their lives, with a significant preference for selling their produce to the cooperative. Additionally, farmers feel represented within the cooperative, although there are areas identified for improvement, particularly regarding pricing and pest management.

When examining the impact at the farm level, it is clear that COOPAFSI has contributed to improving the economic situation of respondents, with 70% experiencing some level of improvement. Timeliness of payments, utilisation of income, and valued services such as technical assistance further underscore the positive impact of COOPAFSI on farm operations.

At the household-level, COOPAFSI's impact is equally significant, with improvements noted in education, housing, savings accumulation, and asset acquisition. As such, 31% of respondents highlighted education for children as the most substantial household-level impact, emphasising the importance of investing in future generations.

This was closely followed by 26% of respondents reporting improvements in housing conditions, indicating a tangible enhancement in living standards. Moreover, 19% of respondents mentioned the accumulation of savings, showcasing an increased ability to plan for the future and cope with unforeseen expenses.

Furthermore, the cooperative plays a role in enhancing the resilience of farmers, as evidenced by their reliance on COOPAFSI for financial support during emergencies. It is worth noting that these positive changes are consistent across various demographic profiles, affirming the widespread and enduring impact of COOPAFSI's initiatives on the households of farmers.

In conclusion, the findings affirm COOPAFSI's commitment to improving the lives of its farmers and fighting against poverty in the region. However, to ensure continued positive impact, it is imperative for COOPAFSI to address the challenges identified, particularly regarding financial stability and quality control. By doing so, COOPAFSI can further solidify its position as a reliable partner in the journey towards prosperity for its farmers.

ANNEX: METHODOLOGY

Through the unique FarmVoices methodology developed by Voices that Count, the study combines first-hand narratives and stories with quantitative data that is meaningful for Alterfin and COOPAFSI.

Demographic Summary: Who are the voices behind the stories?

We heard the voices of 82 farmers in the villages of San Ignacio, where COOPAFSI's coffee producers reside and farm. From the sample, the average duration of membership was approximately 13 years. Overall, this sample adequately includes the voices of all farmers in accordance with their demographic characteristics and history with COOPAFSI.

Average Farm Size	3.2 hectare
Median age	51 years
Men	48 farmers
Women	34 farmers
Average household size	6.12
Average years working with the cooperative	13 years

Table 1: Proportional sampling of COOPAFSI farmers.

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