



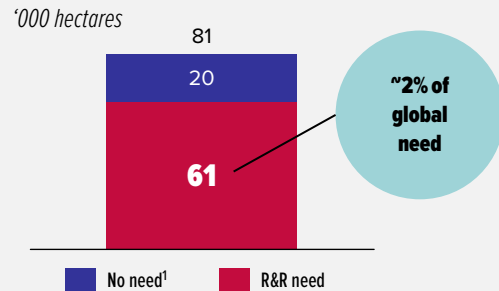
Costa Rica is a relatively small producer with high R&R need driven by age of trees, disease and climate change

Quick facts: Costa Rica is a relatively small Arabica producer

Production '000 tons, 2014	Production share Global & region	Coffee land '000 hectares, 2014	Varieties Arabica-Robusta
84	14th in world 7th in LA	81	100% A 0% R

R&R need: ~75% of land is in need of R&R

SHF land in R&R need out of all land



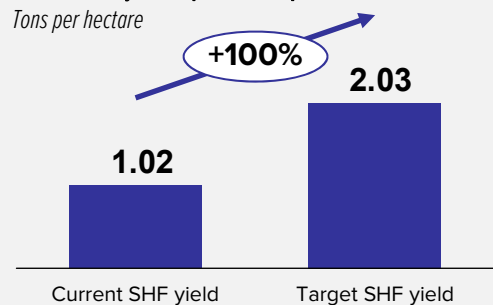
Drivers of R&R need:



Need is mostly driven by high age of trees (75% of trees have passed peak productivity), but also La Roya (affects 40% of trees) and climate change

Uplift potential: Significant uplift for SHFs, though little impact on supply

Current SHF yield & potential uplift¹



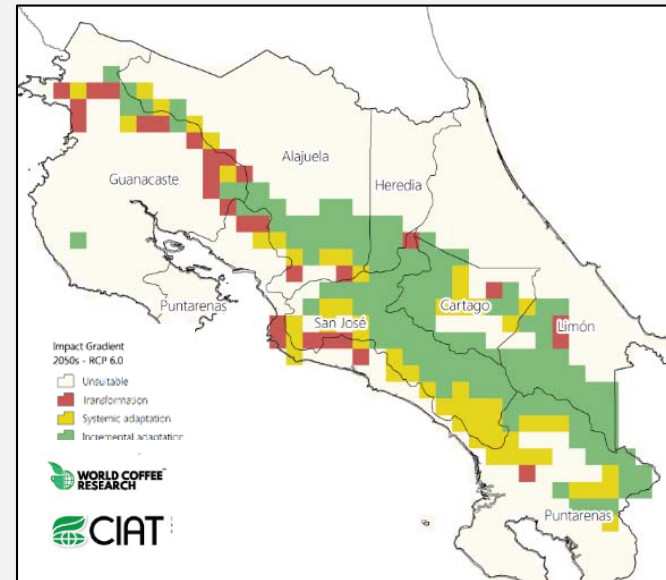
Potential increase in supply

~10-50%

Total national supply could increase ~10-50% if R&R and GAP is implemented on all SHF land in need of R&R²

Viability: Western and Northern areas are exposed to climate change

Suitability map



- Costa Rica could be impacted by climate change, especially in its Western and Northern growing areas
- There is need for both transformation and systemic adaptation

Other viability considerations

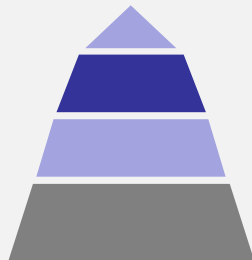
- Costa Rica has a well-functioning and transparent coffee sector that is relatively easy to invest in
- Production costs are high compared to other countries – partly as a result of government regulation: There is a relatively high minimum wage and imposition of 42% of social security tax.
- There is a strong enabling environment that contributes to the well-functioning of the coffee sector
- Diversification of income is needed – it takes around eight hectares to sustain a family of five, but average SHF farm size is around three hectares
- Farmer share of the coffee price is guaranteed by law

Notes: (1) The current yield is based on a specific estimate from the Coffee Institute of Costa Rica (ICAPE) and does not correspond to a manual calculation of SHF production divided with SHF land (2) Rounded to the nearest 5%, estimate assumes that R&R and GAP increase yields with 100%, and the range reflects a 25-100% R&R success rate. Sources: Dalberg interviews



Costa Rica is dominated by SHFs that work in a well-structured coffee sector with strong government support and access to R&R project components

Farmer segmentation: Production is dominated by strong SHFs



National production is dominated by SHFs in tight value chains

Around 45% of SHFs are connected to coops and micro-mills. Farmer organizations are well run and help to conduct R&R. Farmers receive support to market efficiently through Banking System for Development

SHFs
'000

41 – ~0.5% of global SHFs

SHF land
'000 hectares

79 (~97% of national land) – farm size typically ~3 hectares¹

SHF production
'000 tons

53 (~60% of national production)

Assessment of SHF
orgs.

SHFs are typically organized in coops and micro-mills

Links to market

A majority of SHFs have strong links to market

Enabling environment for R&R: Strong environment for R&R

Political
environment



- Coffee share of GDP: 0.7% in 2011 - Coffee exports reached \$374.9 million in calendar year 2011
- 55 of 81 cantons produce coffee – coffee is a major sector geographically and politically
- There is strong political support and the coffee sector is tightly regulated for increased transparency

Availability of
inputs



- Costa Rica has authorized seed production programs
- The Coffee Institute of Costa Rica produces the seeds and a government body regulates this production

Availability of
finance



- The Banking System for Development helps finance coffee production and R&R
- Farmers have access to flexible loan products through public banks

Knowledge
availability



- The Coffee Institute of Costa Rica has a national research centre on coffee production
- SHFs cannot afford agronomists, but The Coffee Institute of Costa Rica has six regional offices that are fully in charge of implementing new capabilities for SHFs.

Examples of R&R programs: There has been a national replanting program in Costa Rica in recent years

- **National Program for Coffee Plantation Renewal (PNRC)** (2010-2015) – National replanting program with objective to replant 16,000 hectares, with funding of USD 81 million. Only 16% of objective was achieved