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# Enhancing Business-Community Relations

## Figaro Coffee Company Case Study



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## Save the Barako Bean: The Philippines in the Coffee Belt

### Research Project Background

This case study is one of ten that were chosen as part of the ‘Enhancing Business-Community Relations’ project in India implemented in collaboration with Philippine Business for Social Progress (PBSP). These cases document examples of engagement between businesses and communities and can be used as learning tools for the promotion of responsible business practice and sustainable development.

The Enhancing Business-Community Relations project is a joint international initiative between United Nations Volunteers (UNV) and the New Academy of Business. Implemented in seven developing countries, the purpose of the initiative was to collect and document information on business-community practices as perceived by all stakeholders, build partnerships with them and promote corporate social responsibility practices. It is also intended to enhance international understanding of business-community relations through information sharing and networking with other countries especially those participating in the project - Brazil, Ghana, India, Nigeria, Philippines, South Africa and Lebanon.

The findings and recommendations reflected in the case study are those of the author and do not necessarily reflect those of UNV, PBSP or the New Academy of Business. It is important to note that these cases were written as examples of business-community initiatives. They do not constitute a comprehensive assessment of the company’s social responsibility.

### 1. Introduction

Circling the equator between the Tropics of Cancer and Capricorn, the ‘Coffee Belt’ is an area where countries like the Philippines, Brazil and Indonesia are located. The Coffee Belt has only two seasons a year and the weather is a temperate mix of humidity, heat and cold. The Philippines was historically one of the world’s top producers of coffee, with export earnings amounting to at least US\$150 million before 1986. However, output has dropped dramatically to only a total production of about US\$500,000 or 500 kg per hectare. Over the past ten years, 80,000 hectares were lost, with only about 120,000 hectares of productive coffee land remaining in mountainous areas and traditional coffee enclaves. This migration affects 60-80,000 coffee families, the majority of which are small farmers.<sup>2</sup>

This was mostly due to developments that cut farming profitability. The Philippines’ once rich coffee land had come reclassified as industrial or commercial land with increased land taxes. Farm-to-market infrastructure had not improved quickly enough in many of the country’s rural areas. Mechanization and increased efficiency in other parts of the world had greatly brought down the price of coffee. Most coffee lands are in typhoon-prone areas as well, adding to the seasonal risks. Dropping profitability led many farmers to abandon coffee growing.

This supply development did not match the domestic demand which continues to rise at 27 per cent per year, of which instant coffee consumption was four times that of gourmet coffee demand.

## **2. Know Your Bean**

There are five commercially known coffee bean varieties worldwide: Arabica, Robusta,<sup>3</sup> Excelsa, Stenophylla and Liberica. The most popular beans in use all over the world are Arabica and Robusta. The former has a more subtle and distinct flavour and is usually used for gourmet coffees. However, due to weather conditions, it cannot be natively grown in the Philippines except in some mountain areas, and therefore is mostly imported. Robusta on the other hand is grown in many parts of the country. Due to its more full-bodied flavour, Robusta is used mostly for instant coffee. The Excelsa and Stenophylla varieties are not cultivated commercially in the Philippines.

Liberica is known to be an indigenous product in only three Asian countries, including the Philippines, making the bean a very unique and potentially lucrative product. The term ‘Barako’<sup>4</sup> in the Philippines has become a generic name for the coffee grown and roasted in the Batangas region (just north of Manila). In truth, Barako is the Philippine Liberica bean known for “its particularly strong taste, powerful body and a distinctly pungent odour.”<sup>5</sup> Because of its homespun image, domestic demand for Barako had slacked off in favour of imported international Arabica and large-scale production of Robusta by and for large corporations. Saudi Arabia has been the only known export market for Barako. As a result, the Barako is now in danger of extinction.

In addition to the decline in Barako production, prevailing low world prices for coffee have meant that many Filipino coffee farmers have begun to shift to other crops and some have chosen to sell their land.

## **3. Figaro Coffee Company and the Barako**

The Figaro Coffee Company is a popular specialty coffee store in the Philippines that is 100 per cent Filipino-owned. Established in 1993, it is based on the concept of a complete store where “Filipinos can get the perfect coffee and all the necessary accoutrements for coffee making” that can compete internationally. From only two employees, a managing partner and a kiosk in the Makati Mall of the Ayala Centre, the company now has 31 outlets encompassing kiosks and cafes (including its first international store in Hong Kong that opened in 2001). This total includes 12 that are run by franchisees. The company’s product line includes specialty roasted coffees and various coffee-related paraphernalia sold at retail. The company does not own roasting facilities, but employs the facilities of a sister company, Boyd’s Coffee Company.

Aside from the superior-tasting coffee that a customer can enjoy in the Figaro Cafes, the company also offers a host of freshly roasted beans on retail. Among the selection is Barako and from the time it was introduced in 1999, Figaro Barako has become a bestseller. The ‘Save the Barako’ cause has somehow given the coffee added value as portion of the bean sales is channelled back to into a project to promote the revival of the Barako. The project encompasses awareness programmes, new plantings, research, and targeted marketing, and is coordinated with the Figaro Coffee Foundation (see below).

Meanwhile, as the consumption of Barako increases, a greater need arises to keep the production going which gives all the more reason why Barako needs to be saved from extinction. The continued increased demand for Barako on the other hand allows the advantage of bringing the price of Barako to a viable level that benefits both the farmer and the retailer.

The waning supply of Barako beans prompted the company to be more aggressive in securing supplies. The ‘Save the Barako’ campaign is its showpiece effort, and has earned the company a reputation as a company that cares for the coffee farmer.

Through Figaro’s customer-loyalty scheme called Coffee Club, the company organises farm tours twice a year wherein coffee enthusiasts are shown the process of coffee harvesting and planting. Since the company is primarily a coffee distributor and coffee shop operator, it did not have prior experience in actually growing coffee for commercial production.

#### 4. Looking for the Barako, Finding a Cause

As the company started to get recognition as a major coffee chain, especially with the arrival in the country of international coffee brands such as Starbucks, Figaro was in search of the popular Barako coffee. Quite serendipitously, Figaro’s CEO Pacita Juan met Father Roger Bagao, a coffee farmer/priest in Tagaytay City who headed a farmer’s coffee cooperative. Father Roger hailed from the southern province of Bohol and has made coffee his life. A member of the Divine Word Seminary (SVD) in Tagaytay, Father Roger chose to live among the coffee-farming people. He knew that to assist them to attain spiritual awakening or enrichment, he first had to learn what crops they grew, how they made their livelihoods. This meant first helping them to fill their stomachs, and later reaching their souls. So COFFEE was it. He organized a farmers' cooperative that ran a coffee mill known as SMSK.

Pacita Juan met Father Roger and asked him to show Figaro the other side of coffee – farmers, different varieties and where they grew, coffee in the south, coffee in the mountains. When Pacita was looking for the native Barako, Father Roger could only tell her that this variety or species was no longer profitable as their yields were low and Nescafe (the biggest processor) would have no need for the Barako. This saddened Figaro, as Barako is an important part of Philippine coffee history. “How do we change the tide?” she asked Father Roger. “Can we start planting Barako? How do we tell people about this sad fate of this species that is so popular among our people?” These questions made Figaro, with the help of Father Roger, establish a foundation to address the needs of the Philippines Coffee Industry – now known as the Figaro Foundation Corporation. (See box, right.)

**The Figaro Coffee Foundation was formed in 1998 with a singular thrust – to boost Filipino coffee production, particularly Barako. As part of this process, it provides aid to the remaining local coffee families. The foundation’s activities are mostly communications-focused: art exhibits and seminars shedding light on the domestic coffee industry situation. Geared towards obtaining consumer sympathy, the foundation’s initial activities were aimed at securing a steadily increasing domestic demand for Barako coffee.**

**Another aspect of the foundation’s work is linked to the City Blends.<sup>1</sup> These are specially designed coffee packs indicating particular cities where specific charities are chosen as beneficiaries. All City Blend beneficiaries are children’s causes. As an example, the Makati Blends coffee benefits the ‘Children Hour’, a charitable institution based in Makati. Using the same strategy as City Blends, the company developed the Barako Blends, the proceeds of which go to the operations of the foundation.**

The first project of the foundation was general coffee awareness-driven: The Coffee Farm Tour is now held every January in Cavite or Batangas, two provinces appropriate for a day trip. The second project is Barako awareness-driven. The Barako is slowly being cut down due to its ‘low’ demand among big processors. However, there is growing demand for Barako from specialty roast and ground processors in the Philippines, and for export to the Middle East. A related foundation project is called ‘Barako Tree Planting’. Launched in 2000, this project is run every July or August. The key challenges facing the tree-planting project are where to get seedlings and where to get land. Luckily, Father Roger found land during 2000 and 2001. After 2001, however, the foundation met with some problems regarding land

ownership and could no longer access the first plantings to check on progress. In the same year, Father Roger introduced Cavite State University (CaVSU) and its research head, Dr. Andy Mojica to the Figaro Foundation. Dr. Mojica would be one of the keys to Barako seedling propagation, and he would also be a major part of the Presidential Task Force on Coffee Rehabilitation prompted by Figaro’s persistent invitation.

In January 2002, Figaro (now working with Dr. Mojica’s group) began to visit CaVSU for its Annual Farm Tour and also to work with them on Barako seedling supply, a task that used to be performed by Father Roger. Meanwhile, Father Roger went on a sabbatical in 2002 and Figaro was subsequently invited to be a member of the Presidential Task Force on Coffee Rehabilitation (see below). In this same period, the coffee town of Amadeo was visited by President Gloria Macapagal-Arroyo for the first-ever Pahimis festival to signal the start of today’s Filipino coffee revolution – a peaceful revolution of going back to coffee farms to increase production to turn the country from being a net coffee importer to a net exporter as it was until 1990.

In Amadeo, Figaro met Mayor O.J. Ambagan who gladly offered his land for the next Figaro Tree Planting activity. In the same year, Leisure Farms, a first class farm community invited the Figaro Foundation to undertake another tree planting activity in Lemery, Batangas which would be provided with irrigation and all the care needed for a first class farm.

These efforts have now grown into a series of projects with the local government of Amadeo such as the ‘Adopt-a-farm’ programme, coffee farm tours, and the organization of a coffee cooperative to promote ‘Café Amadeo’ – a ‘monobranding’ exercise to promote Amadeo’s coffee roasters who used to sell under different brand names.

More than just to sustain its core product or core business, Figaro has become the trailblazer on how ‘out of the box’ ideas can be used to encourage farmers to plant the Barako again, motivate local governments to do their part and get cooperatives working toward one goal.

Through its partnership with the municipality of Amadeo, Figaro will be able to plant around 30,000 Barako trees in and around the Amadeo town providing farmers with a niche product that can be their ticket to higher selling prices and export potential of a value-added product branded with the Figaro name.

Figaro took up the cause of the Barako when everybody else thought it an impossible task. But because of its belief in the cause, Figaro enjoined small groups who equally believed in the integrity of the cause and subsequently slowly built awareness towards a greater mass. Today, Barako has gained many supporters and made a dream a possibility, further proof that an inspired vision that is led by a credible company to sustain its own industry is the heart of corporate social responsibility. Ultimately, ‘Save the Barako’ has moved even the simplest coffee customer to help sustain this once-threatened variety – that is reward in itself.

## **5. The Coffee Board<sup>6</sup>**

Strengthened by this experience, Figaro has since been invited to be the private sector representative for the Presidential Task Force on Coffee Rehabilitation. Letting go of its initial misgivings to partner with government, the company has found that a multi-stakeholder partnership can provide the dynamism and sustainability that it needed to address the Barako challenge. The Task Force is composed of the Cavite State University, various government agencies including the ‘One Million Jobs Program’ of the President, creditors, the Makati Business Club (a private sector think tank primarily representing top Philippine business interests), the local government of the town of Amadeo in the Cavite province, millers and processors and another international coffee retailer chain, Seattle’s Best. Surprisingly, no big coffee producers were included in this task force.

Figaro’s Pacita Juan co-chairs the Task Force with a particular focus on work in the private sector. This includes the merchandising coffee as a group using the Kape Isla seal (the seal of the Philippine Coffee) both domestically and internationally, and enjoining hotels and such to serve Philippine coffee.

This Coffee Task Force is set to implement a coffee fertilization and rehabilitation programme in line with the ‘One Million Jobs Program’. With plans to establish the programme in 22 provinces, Cavite (beside Metro Manila) will serve as the model province with activity jumpstarting from the town of Amadeo. The coffee programme includes spreading techniques perfected by CavSU and Nestle Philippines to willing farmers, with a loan of about Php 15,000 per farmer (US\$300). Both Robusta and Barako are targets for rehabilitation. In May 2002, the Task Force was elevated to become the National Coffee Development Board.

In line with this new duty, the ‘Save the Barako’ campaign has kicked into a higher gear as it provides Figaro with land for its new model farm in Amadeo. With Barako prices three times higher than for other varieties, this allows for a greater profit margin for farmers. Figaro is implementing a system of contract farming that allows for a controlled supply of Barako as a niche market alternative, thus ensuring that there will not be a glut in Barako supply. In order to minimize dollar reserve losses due to importation, approximately 20,000 MT (approximately 1.5 MT per hectare) is expected to be produced each year. All these targets coincide with the lifting of tariffs due to WTO agreements, but as Figaro’s CEO Pacita Juan quipped during the third Barako tree planting in Amadeo in August 2002, “we are a small company and we know this is something we cannot do without our partners – the farmers, the people of Amadeo, the academe...”

## **6. Lessons Learned**

As a medium-size company without the mass marketing resources of larger firms, Figaro has strength in specialty store marketing and communications strategies for advocacy and education purposes. The company sees itself as an agent of volunteerism not only because it inspires coffee advocacy for betterment of the industry.

Originally seeing consumers as their primary community, the company adopted charities in the cities where it had its strongest market share (City Blends). However as supply chain issues emerged, it became obvious that the company’s view of its community has expanded from its consumers to the farmers that produce its products. Given its youth, the company had been cautious about building government relationships because such partnerships can be notoriously short-lived. It is highly remarkable that a company of such a small stature was willing to take it upon itself to secure the future of a dying coffee bean.

However, the company has needed guidance to develop the mechanics for more long-term community relations’ activities. The company’s association with the League of Corporate Foundations and other third parties with more experience in community relations has helped. The company’s participation in the National Coffee Development Board has allowed Figaro to further expand its experience in multi-stakeholder dealings as well as erase some pre-conceived notions of government. Yet as the Coffee Board is a new endeavour, there must be careful monitoring of the progress of the Barako under its wings.

While the task of rehabilitating the local coffee industry and saving the Barako remain a formidable undertaking, Figaro and its various partners now have the right channels and networks to solidify and integrate their efforts as a collective unit giving them a greater fighting chance for survival.

Figaro remains committed to championing the cause of Barako and leading in rebuilding the Philippine coffee industry. With its clear vision to give back to the industry it serves, Figaro’s undaunted spirit should enable the company to see this project through to its completion with the support of both Filipino coffee consumers and producers.

### **Endnotes**

<sup>1</sup> The views expressed in this case study are those of the author and do not necessarily reflect those of the New Academy of Business, UNV or PBSP.

<sup>2</sup> The bulk of Filipino coffee is grown by small, independent producers, a consistent production pattern globally according to the Fair Trade Foundation. See: [http://www.fairtrade.org.uk/about\\_standards.htm](http://www.fairtrade.org.uk/about_standards.htm)

<sup>3</sup> Also known as ‘Coffea Canephora’.

<sup>4</sup> Barako takes its name from the Tagalog word for ‘wild boar’. These creatures are fond of dining on the plant’s leaves and berries. The Barako tree is bigger than other varieties; therefore, it takes up more space on the farm.

<sup>5</sup> ‘Figaro Foundation Project: Save the Barako’, <http://www.figarocoffee.com/barako.htm>

<sup>6</sup> The purpose of the Coffee Board is to develop and promote the Philippine Coffee Industry through research, technical assistance and credit programs for development, expansion, rehabilitation and rejuvenation of coffee farms, millers and roasters, and through marketing and promotions of coffee for domestic and export markets. The Board is composed of coffee farmers, traders, millers, manufacturers, retailers, exporters, roasters, researchers and experts from the academe and agricultural sector.