

RQ June 2007



ALTER ECO INTERNAL AUDIT REPORT

ANAPQUI, JUNE 2007

Quinoa, Bolivia





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Auditor:

- Nicolas Mounard, Producer Support Manager
- Cécile Wils, Audit assistant

Date: From May, 31st to June, 7th 2007

Period Audited: 2006-2007

Fiscal year considered: 2006

Exchange Rate: 1 Euro = 10.673 Bolivian Bolivianos (Bs)

Audit Level 1:

- **ANAPQUI** – Asociacion Nacional de Productores de Quinoa
Loayaza n°233 Edif.Mcal. de Ayacucho
Piso 13 of.1311
La Paz – Bolivia
Email: anapquic@entelnet.bo
Web: www.anapqui.org
Tel: +591 2 220 14 34
Fax: +591 2 220 1400

Contact :

- Miguel CHOQUE Llanos, Commercial manager
- Epifanio Murana Calcina, President
- Ivan Jesus Chire Condori, Vice-president

Basic information:

- o Number of producers: 1200
- o First or Second degree organization: Second grade organization
- o FLO Certification: OK, FLO ID: 3658
- o Organic certification: OK, Bolicert
- o Date of creation: 1983
- o Change rate: 1€ = 10.673 Bs

Context

Alter Eco has been working with Anapqui since 2003. At the beginning, most of the imports were done in bulk & all the volumes were packaged in France, through the service provider Camargues Production. Alter Eco has progressively transferred the packaging in the Challapate plant of Anapqui using a Bolivian printer, Sagitario.

During the audit, the following specific issues have been discussed:

- FLO FOB minimum price
- Relations between first degree organizations (“Regionales”) & the national association ANAPQUI
- Security of the supply chain, especially on red & black quinoa, regarding the competition of private quinoa buyers
- Development of black quinoa in the Alter Eco range of product
- Product development: quinoa pops or flakes (mixed with the El Ceibo chocolate), and organic flour of quinoa to make biscuits or quinoa’s pasta.
- Problems of competition between the different actors in the market.

Entities visited:

- ANAPQUI headquarters
- Challapate: production centre
- COPROQUINAC (*Regionale*) headquarters
- COPROQUIR (*Regionale*) headquarters
- APROQUIGAN (*Regionale*) headquarters
- SOPROQUI (*Regionale*) headquarters

People interviewed:

- Epifanio CALCINA, president of ANAPQUI
- Yvan CHIRE CONDORI, Vice president of ANAPQUI
- Miguel CHOQUE, commercial manager of ANAPQUI
- Mr Garcia Mollo Remigio, Anapqui accountant
- Production manager of Anapqui plant in Challapate
- Atilio PEREZ CHIRE, president of Coproquinac
- Roger PEREZ YAPARI, producer from Coproquinac
- Luciano AYABILI HUAIGANI, president of Aproquican
- Marino Ayaviri Solis, producer from Aproquican
- Francisco Huanca, producer of Coproquir

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I. General Information

1. General information on the country and the macro-economic climate



Bolivia has 8.8 millions of inhabitants. Sixty percent of them identified themselves as indigenous. The country is composed of highlands and dry valleys (1/3 of the territory) and tropical valleys and lowlands (2/3 of the territory). These environmental and topographic differences allow a wide range of productions, such as crops adapted to cold and dry climates (quinoa, potatoes, etc.) or others requiring moisture and warm weather (coffee, cocoa, banana, Brazilian nut, etc.).

Bolivia has macroeconomic stability since the implementation of neo-liberal policies in 1986 with an average growth of 2-3% corresponding to a real increase of 1% considering population increase. The Bolivian economical growth lies on exportation of raw products (mainly gas, minerals and timber) and agricultural (particularly soy, Brazilian nut, coffee) products. The inflation remains low (5.4%), the Bolivian currency value is currently controlled regarding US dollar with an unchanged change rate since June 2005 of 1 US\$ = 8 Bs. Since the end of 2003, the public deficit has been reduced from 8% to 3%.

The recent election of an indigenous left wing president, Evo Morales, does worry neither the Bolivian entrepreneurs nor foreign companies. It is true that capitals flow to foreign countries reduced before and after the elections from December 18th, 2005. However, confidence has returned and foreign companies and Bolivian entrepreneurs preserve their intention to invest during this new political term.

2. Economic, social and environmental context at the national and local levels

Despite good macro-economical results, poverty and insecurity have considerably increased as World Bank and international organizations report. Poverty has also important impact in rural areas, particularly those producing for national markets which are now facing increasing competition with products and food imported from neighboring countries. This process is increased by growing land scarcity particularly in Highlands regions and closer to urban centre. Regions where peasants produce quality agricultural products with higher added value for export (with organic and fair trade labels) resist to this dynamic.

Economic situation: (est. 2005, source: Wikipedia)

- **GDP:** purchasing power parity - 25.82 billion
- **GDP - real growth rate:** 4.1%
- **GDP - per capita:** purchasing power parity - \$2,900
- **GDP - composition by sector:**
 - o agriculture: 12.8%
 - o industry: 35.2%
 - o services: 52%
- **Population below poverty line:** 69% (2006 est.)
- **Inflation rate (consumer prices):** 5.4%
- **Labor force:** 4.22 million
- **National monthly average of wages:** 500 Bs (~47€)
- **Unemployment rate:** 8% in urban areas, with widespread underemployment
- **Monthly average of wages :** 500 Bs (~47€/month)
- **Industries:** mining, smelting, petroleum, food and beverages, tobacco, handicrafts, clothing
- **Agriculture - products:** soybeans, coffee, coca, cotton, corn, sugar cane, rice, potatoes, timber
- **Exports:** \$2.371 billion (f.o.b.)
- **Exports - commodities:** natural gas, soybeans and soy products, crude petroleum, zinc ore, tin
- **Exports - partners:** Brazil 21.9%, Argentina 16.7%, US 13.8%, Chile 6.9%, Peru 6.5%, Japan 6.1%, China 5.8%
- **Imports:** \$1.845 billion (f.o.b.)
- **Imports - commodities:** petroleum products, plastics, paper, aircraft and aircraft parts, prepared foods, automobiles, insecticides, soybeans
- **Imports - partners:** Brazil 21.9%, Argentina 16.7%, US 13.8%, Chile 6.9%, Peru 6.5%, Japan 6.1%, China 5.8%
- **Change rate:** 1€ = 10.673 Bs
- **IDH:** 0.653, n°114

3. Weight of the product relative to the local economy

Since at least 3000 B.C., if not longer, the seed of the plant *Chenopodium quinoa* has been a vital part of the Andean diet, used as a grain in baking, as well as being served in numerous dishes prepared by Aymara, Quechua and other indigenous peoples found throughout the Andean region. Yet, in spite of its nutritious value and hearty growth, in modern society quinoa has never enjoyed the mass appeal of grains such as rice or wheat.

In the last ten years there has been an increasing interest in quinoa as a healthy alternative to protein-rich foods such as beef or cheese. A growing export industry has developed as industrial countries begin to recognize the importance quinoa could play in providing a healthy and sustainable food source for centuries to come.

As word spreads of this "supergrain," an industry has begun to bloom, offering the promise of sustainable economic development for those regions in the Andean highlands in which quinoa may be found. The current value of the quinoa export market from Bolivia is approximately \$1 million per year. Quinoa exports may expand even further with increased demand on the world market, particularly due to unsuccessful attempts to grow a desirable crop outside of the Andean highlands.

Perhaps more important than its economic potential is the incorporation or reincorporation of quinoa into the native diet of Andean peoples in Peru, Bolivia, Ecuador and other areas in which the plant can be grown for subsistence. This once-revered highland plant -- which, along with potatoes and corn formed a triumvirate of crops vital to the Inca Empire -- is slowly working its way back onto the dinner tables of native Andean populations after a long period of waning popularity

The South of the Altiplano, where members of ANAPQUI are located, is characterized by extreme temperatures, which can reach -22°F (-30°C) in the winter, and low precipitations (less than 8 in. / 200 mm per year). Production of quinoa represents 20 to 70% of the producers' revenues, the remaining coming from breeding (lama and sheep).

Countries producing Quinoa include Peru (38,000 tons), Bolivia (22,000 tons, including 12,000 in the *Altiplano sur*), and Ecuador (1,000 tons).

4. Why Fair Trade in this particular region or country?

Finding outlets for the production of the area's inhabitants is crucial, because this is their principal source of revenue and mean of subsistence. The migration of populations from the Altiplano to urban areas in Bolivia and the neighboring Chile is a phenomenon that already started (we noted numerous ruins and a few empty villages) but that can be in large part worsened by lack of incomes.

Fair Trade is particularly important in that region to help small farmer organizations certified by FLO or in transition to become more independent and to obtain more important wages. Nowadays, volumes are becoming more important and make it possible for a cooperative such as ANAPQUI to invest in its own new processing unit in Challapate, and in the different *Regionales* in the future.

As far as competition is concerned ANAPQUI is facing 2 major issues:

- **Competition of private buyers**

Since the quinoa market is growing significantly, different private initiatives have showed up. During the 80' & 90', the market was mainly divided between 3 actors:

- ANAPQUI
- CECAOT
- SAITE

The 2 first structures (ANAPQUI & CECAOT) have a cooperative model with producers being members & owners of the processing & commercial structure. Then, various structures have chosen a model of contract farming with private investors owning the company & working directly with producers but without any collective organization or empowerment program. This was especially the case with the French buyer Priméal who used to work with Anapqui & then created in 1998 a private company, JATARY, with local investors. In the following years Anapqui suffered the growing competition of the following actors:

- QUINOA BOL in 1999, encouraged by the French buyer Marcal
- ANDEAN VALLEY, encouraged by the US buyer Quinoa Corp
- IRUPANA
- QUINOA FOODS

Most of these organizations introduce themselves as fair-trade initiatives but the model itself denies the basis of a fair-trade commitment which is to say empowerment of producers & collective & democratic structure.

Last year, ANAPQUI had great difficulty to secure its supply chains, especially for red & black quinoa. Since farmgate prices paid to producers were fixed in June just after the harvest, most of the private buyers offered a price to producers slightly higher than the one proposed by ANAPQUI. Thus, most the red quinoa harvested by ANAPQUI producers was sold out of the association supply chain. Alter Eco highly suffered this situation & had to reduce its commercial offer on this product.

This year, a global prefinancing of 50K€ have been paid to ANAPQUI to secure our volumes of red & black quinoa. This prefinancing was made to help the different first-grade organizations to buy the product to their members. Alter Eco will then prefinance every order of container up to 50% of the invoices amount.

- **Competition within Fair-trade**

ANAPQUI is also facing a problem of competition within Fair-trade. FLO standard on quinoa are based on the farmgate price (861US\$/MT of organic & FT quinoa) & do not define the FOB price. In Bolivia, only 2 structures are FLO certified, ANAPQUI & CECAOT but CECAOT is a first-degree organization with a limited number of producers. As a consequence, their fixed costs are less important than ANAPQUI & they are able to sell to a more competitive price to fair-trade importers (between 1,400US\$ & 1,500US\$ FOB compared to 1,555US\$ for ANAPQUI).

FLO have been informed about this situation & an answer was supposed to be given last year with a FOB price added to the standard. The minimum FOB price was supposed to account for 1,640US\$ & Alter Eco agreed on this price & began paying this amount for the first container in 2007. Unfortunately, the other fair-trade customers of ANAPQUI (Guepa, Solidarmonde & Naturenvie) refused to raise their price & remained at a minimum price of 1,555US\$ FOB.

Today, ANAPQUI is still waiting for the new standard to be launched & is worried about its commercial situation: some customers might leave them for a more competitive price with CECAOT & within the scope of ANAPQUI, some fair-trade buyers might get a different price.

As a consequence, ANAPQUI has decided to maintain Alter Eco at the former price level & to keep lobbying on FLO for a high new FOB standard.

II. The Product

1. Product cultivation: farming methods, harvest period, yield, return on investment, surface cultivated...

Product cultivation

Although not a full-time activity, the production of quinoa is a yearlong process: 8 to 9 months between sowing, in late August, and harvest, in early May. The process, mostly manual, is as follows:

- **August to October:** Field preparation and sowing: Cleaning, clearing up, plowing, sowing one plant every 100 cm in the same line, and 60 cm between each line.
- **October-November:** Follow-up, the producers cover the shoot to avoid dehydration and set-up butterfly traps (kerosene lamps at night) before the reproductive cycle of butterflies. (two public awareness campaigns per year, in November & February).
- **December:** The producers manually weed the fields and implement phytosanitary control.
- **February:** Producers may use organic insecticide to get rid of “qakos,” one of the most devastating bugs. A clearing-up may also be performed at this time.
- **Mars-May:** Harvest (to 80% of moisture of the grains) The use of sickles is increasing as it is a mean to let organic matter in the soil and to avoid mixing the grains with the soil and various impurities.
- **April to May:** Manual separation of grains and selection of the grains for the future sowing (to 20% of moisture of the grains).

The seeds are selected by the producers who are supported by the *Regionales* according to the criteria of colour, grains quality, yields, maturity time...in order to standardize the production for all the producers. The technicians of Proquinat (see part II.3) also help for the selection. Finally, 10% of the harvest is kept by the producer for his personal consumption and to be used for the next sowing.

Production and yields

Note: 1Qt = 46 kg

The major part of quinoa produced for ANAPQUI comes from the plains (70%) and the other part of the production comes from the mountains (30%).

The **quinoa's average yields** is 20/25 Qt/ha (920kg to 1150kg/hect) in mountains and 10/15 Qt/ha in plains (460kg to 690kg/hect).

In plains, the yields are also different for white quinoa (13-15 QT/hect) & for red quinoa (10-12 QT/hect)

The **average cultivated area** varied between the *Regionales* and between the type of ground cultivated (plains & mountains) but we can take the average of 20 hectares per producer. This number might be very less important in the mountains where producers usually cultivate between 2 to 3 hectares.

Environmental issues:

As far as environmental practices are concerned, it seems that lot of improvements have occurred since our last visit in November. Most of the concerns are linked with the cultivation of quinoa in plains which is way more demanding regarding soil erosion. This phenomenon is mainly linked to the 2 following problems:

- More important exposition to wind erosion in the plains
- Use of tractors in the plains

Some solutions have been put in place to better fight against the impoverishment of the ground:

- Natural fences to better protect the fields from wind
- Rotation cycle of production: 1 year of quinoa production & 1 year of fixing nitrogen plants in the plains. Producers can also choose to let their fields for breeding every 2 years to use the natural fertilizer. In mountains, the rotation cycle can even be longer with a 2 year resting period between 2 quinoa harvests.
- Promotion of natural fertilizers either through the use of saponin or through breeding. System of compost made of lamas dejections fermented during 3 years.

To fight against bugs attacks, ANAPQUI keep using the "butterfly traps", set up in most of the fields twice a year, in November & February.

We can also underline the difficulty of the climatic risks like El Nino phenomenon, which has generated a succession of changes with periods of drought & then frost, sometimes fatal for the cultures.

Production's estimation for the year 2007 for organic & Fair trade quinoa

- White quinoa: 4140 MT
- Red quinoa: 250 MT
- Black quinoa: 50MT

These are the first estimations for 2007 but the final figures will be given after the end of the certification of Bolicert (planning at the end of June). The inspection of Bolicert is the basis of all the forecast of ANAPQUI. Following the inspection, the association is able to tell which members are included in the organic program & to consolidate their quantities.

Quinoa's market

ANAPQUI is trading the three different types of quinoa on Fair Trade & conventional market: the white, red & black' quinoas. As far as black quinoa is concerned, Alter Eco is the only customer. For red quinoa, the 2 only customers for the moment are Alter Eco & Quinoa Corp (Booking of 50MT for the 2007 harvest).

In 2007, the sales in both organic & Fair Trade certified accounts for 35% of ANAPQUI sales, and conventional organic for 65%.

In 2006-2007 (2006 harvest), the cooperative realized the following sales on the Fair trade market:

- SOLIDAR MONDE (French): 200 T
- GUEPA (German): 150 T
- ALTER ECO (French): 60 T (but 250MT in 2005-2006. Last year, Alter Eco experienced an overstock both on the French & the US market)
- COMERCIO ALTERNATIVO (Italian): 10 T
- INFINITY FOODS (GB): 10 T

For organic quinoa, Anapqui realizes the following sales:

- QUINOA CORPS (USA): 550 T
- RAPUNZEL (German): 120 T
- MITSUBISHI (Japan): 120 T
- Brazil: 60 T
- Colombia: 30 T
- Chile: 15 T
- Peru: 100 T

For conventional export market:

- TIPIAK(French): 50 T
- Peru: 50 T

For conventional local market:

- A national law was put in place by the health ministry for the Bolivian companies. They have to give a quantity of quinoa to all pregnant women from their 6th month of pregnancy until the 1 year of the baby. In 2006, ANAPQUI sold 500 T of quinoa to the PIL ANDINA enterprise (a milk company) for the programme, for a quantity of 1.6 kg/person/year of quinoa.

The participation to this national program is a way for ANAPQUI to promote quinoa in the Bolivian population. Indeed, this product still has a very poor reputation on the local market & is associated to the lowest social classes of the Bolivian society.

2. Transformation process and yields between the different stages of the process

The quinoa is shipped by truck from each *Regional* to the Challapata plant where it is processed. ANAPQUI has its own truck which can ship 500QT (2300kg). When the first-degree organizations have bought enough quinoa from their members, ANAPQUI is asked to ship the product.

Quinoa processing consists in the following successive stages:

- **Selection (1):** the first stalks & impurities are removed passing in a mill.
- **Scarification:** a machine removes through friction/abrasion and blower bark fragments, which also removes part of the Saponin (detergent effect on the digestive tract, haemolytic effect, protein complexation, bitterness). The Saponin can be used as manure.
- **Classification (2):** grains are sorted depending of size and shape.
- **Cleaning:** quinoa grains are washed and rinsed in water in order to get rid of all the Saponin that remains and from all the stones which can remain in the grains. Then, quinoa goes through 3 consecutive steps in centrifugal machines with clean water in each.
- **Drying:** grains are first passed in another centrifugal machine to get rid of water in excess and then grains are dried through gas and/or solar-panels powered driers during 20 minutes at 80°C to reach a humidity rate of 8%.
Wasted water is evacuated in a pond in the town but is not treated
- **Bagging:** quinoa is filled in 50kg bags
- **Classification (3):** grains are again sorted in three sizes
- **Density sorting:** little stones and pebbles are removed with a densimeter. Simultaneously, two workers manually identify and remove stones and particles.
- **Sortex sorting:** an optic reader carries out the last selection stage and removes all remaining impurities (broken grains, straws, etc.). Quinoa goes through 2 sortex.

- **Packing, weighing and storing.** Grains are packed in bags of 50 kg and then transported to a warehouse

The classification leads to three sizes of quinoa's grains which correspond to different qualities and thus to different markets:

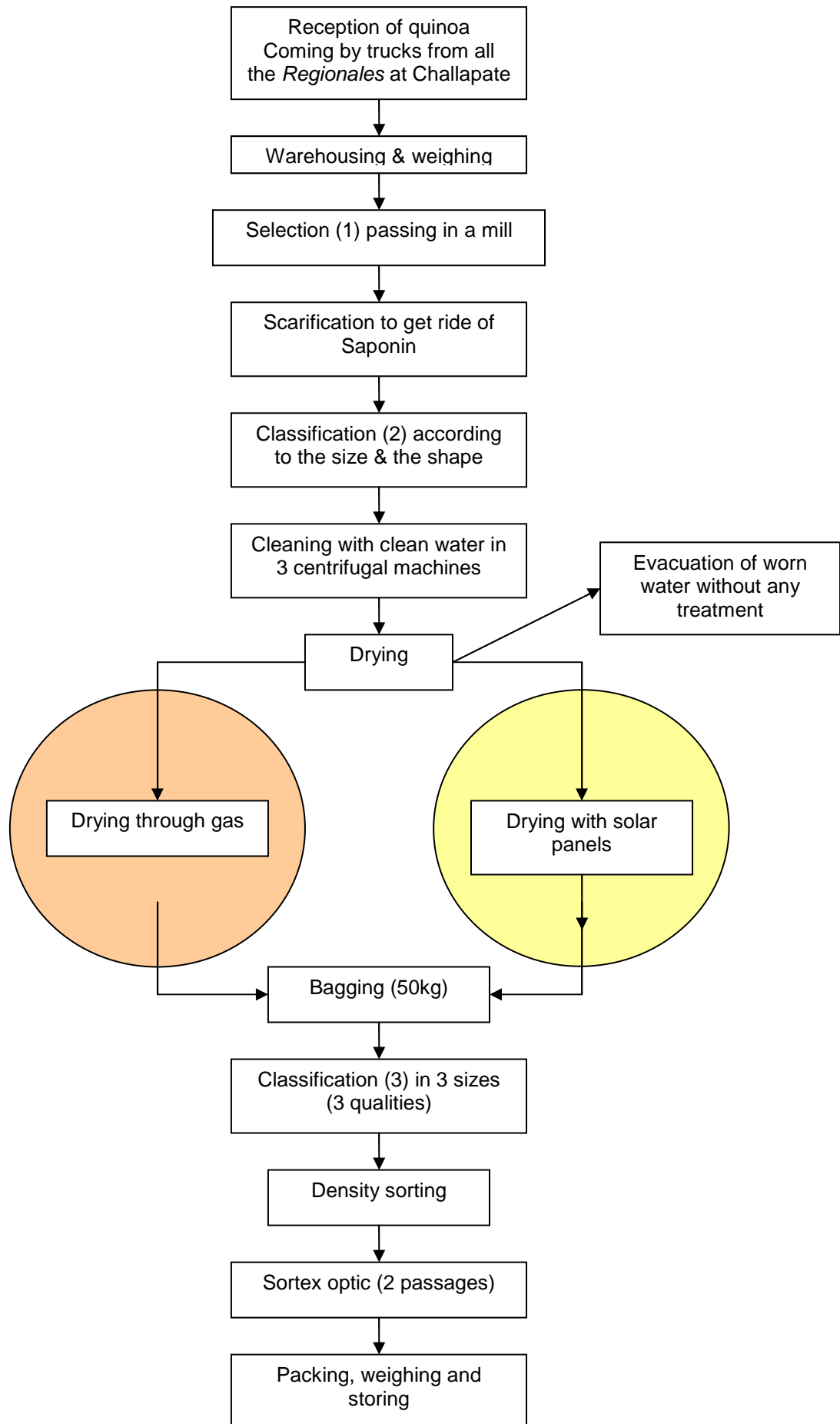
- Small grains for the local market (second quality)
- Medium grains for the export (first quality)
- Big grains to make the pops (third quality)

Outputs and losses between the various stages:

- Loss of 12 to 18% between the beginning of the process and the drying
- Loss of 2 to 5% for classification

ANAPQUI is investing in a new processing unit next to the current plant in Challapate. This unit have been 100% financed by the association & should allow an increasing yield, from 5kg/min currently to 15kg/min. This processing unit should begin working end of 2007 and will be exclusively dedicated to the organic production.

We can summarize the production process as follow:



3. Quality control: HACCP and manuals

Inspection system

The ANAPQUI'S internal inspection system is composed of 2 independent services:

- **PROQUINAT** (*Programa de Production de Quinoa Natural*) sets up & updates the internal control system (ICS) & is in charge of all the producer support regarding agricultural best practices. This program is an independent department within the ANAPQUI structure 12 technicians work for this department based in Challapate and if the *Regionales* have more than 100 members, a help of 2 more technicians is given.
In more details, the Proquinat technicians are responsible for the following tasks:
 - Update of the information of the ICS, both for organic certified producers & for producers in transition
 - Forecasts of production volumes
 - Training on organic methods
 - Training on agricultural best practices
- The **Internal inspection team (10 staff)**: this department is in charge of checking all the information of the internal control system & to make internal inspection on all the aspects included in the organic certification.

All the internal inspection are then discussed within the Internal Certification Committee composed of 4 members:

- 1 member of the Board of Directors of ANAPQUI
- The director of PROQUINAT
- 1 producer from a "Regional"
- 1 member of the Board of Directors of a "Regional"

ANAPQUI producers are organic certified by BOLICERT

Traceability system

All the quinoa that is to be sold to international clients is processed in the Challapate plant. All of the bags that arrive on the site are tagged with batch numbers and separated depending on the *Regional* of origin. Each batch is then processed separately, whether it is certified or in transition. Grains that are in transition are introduced from a different silo in order to avoid "contamination" of organic-certified grains. A software-based tracking system keeps record of each batch's processing stage (date and time).

Every bag received from the first-degree organization has the following information:

- ANAPQUI
- N° of the first-degree organization
- Weight
- FLO
- Organic product

Then, inside every bag, a note is available with the following information:

- N° of the purchase form. This document mentions the name of the producer, date of purchase, quantity purchased & price paid to producer
- Weight
- N° of the field
- Signature of the first-degree organization technician

This information is the base of all the traceability system in place in the Challapate plant. During every step of the processing, the quality manager of the plant is in charge of following-up the product from milling to sortex & of controlling the loss all along the process.

As far as lot numbers are concerned, the following system is in place:

- One processing lot number for every truck delivered to Challapate
- One customer lot number per container & per type of quinoa.

Every customer lot number is composed of different production lot numbers. This information is available in Challapate.

During our audit, we have made different random tests on traceability & we noticed some missing information. This non-conformity has been underlined during the closing meeting to get ANAPQUI more involved on these traceability issues. Nevertheless, the results of our tests on loss, lot numbers, weight & traceability were satisfying.

Quality Control

ANAPQUI has put a great deal of energy and resources in improving the quality of its production in recent years. The purchase of an optical reader, the first in the country, is part of this effort. It has paid off: The production of ANPAQUI is now free of impurities and damaged/irregular grains when leaving the plant.

The following controls are in place:

- Traceability system at the different steps of production to follow-up the loss during the production (18% on scarification, cleaning, centrifugation & drying, 2% on sorting)
- Humidity rate of 8% after drying
- Sorting between 3 qualities (1 for export, 2 for local market, 3 for pops)
- 2 Sortex

Hygiene and Safety

Safety:

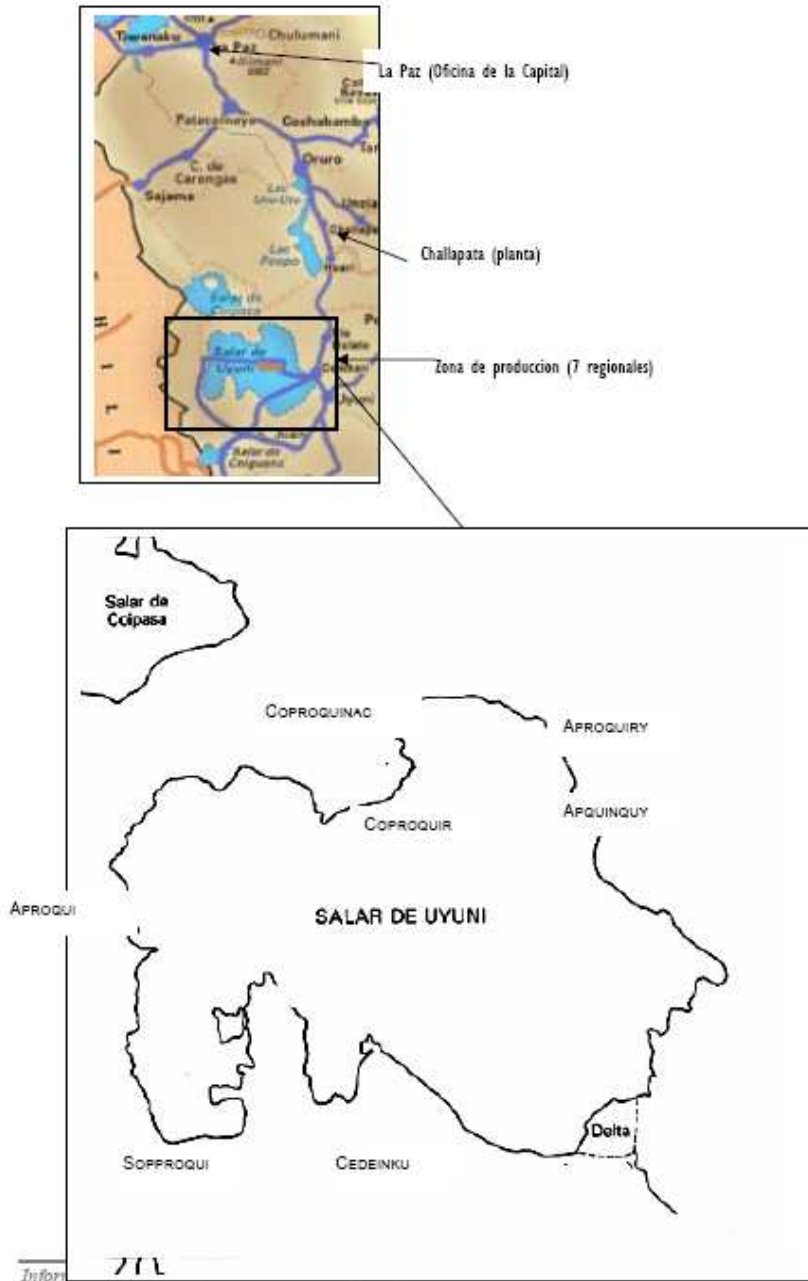
- Numerous safety postings (exit signs, safety instructions for each machine, emergency procedures) as well as safety equipment (first aid kit in each room of the plant, machines emergency stop device, fire-prevention sprinklers, fire extinguishers in each room) are missing.
- Full gas bottles were stocked on the sun
- Broken windows
- Doors opened
- No indication of safety concerning the building of the new plant
- No treatment for the wasted water which is poured in the field.

All these non-conformities were discussed during the closing meeting with ANAPQUI management.

III. The Producers and the Producer Organizations. (Pos)

a. Presentation

1. Socio-economic and land loan situation



General description

ANAPQUI (*Asociación Nacional de Productores de Quinua*) was created in 1983 and is the main organization of small producers in Bolivia.

This national organization has been created in order to face the private purchasers and to fight for better prices.

It is a second-grade organization, gathering 8 first-grade organizations or “Regionales”:

- | | | | | |
|---------------|---|----------------------|---|----------------------------|
| - COPROQUIR | } | in Potosi department | } | at the origin of ANAPQUI |
| - APROQUIRY | | | | |
| - SOPPROQUI | } | in Oruro department | | |
| - APROQUI | | | | |
| - APQUINQUI | } | in Oruro department | | integrated between 92 & 97 |
| - CEDEINKU | | | | |
| - COPROQUINAC | } | in Potosi department | | |
| - APREQC | | | | |

APREQC has entered the organization as an in transition member & should get into ANAPQUI as a permanent member in 2008

All the *Regionales* are situated around the Uyuni salt lake or “Salar” (Cf map) and gathers about 1200 producers (*socios*) 940 of which are organic certified or in transition.

The ANAPQUI role can be summarized as follow:

- The commercialization and sales of the production as well as the canvassing of new business
- The logistics: transportation from the fields to the plant, from the plant to the port. Export procedures and paperwork.
- The transformation of the quinoa grain (sorting, washing, drying)
- The improvement of the production's quality, which include the implementation of organic certification processes.
- The promotion of organic agriculture

Functioning and Representation

Each of the 8 *Regionales* has its own managing team, composed of 3 persons –a Secretary, a Salesman/Vice-president, and a President– each democratically elected by the *Regionales*' members. Each *Regionale* can send delegates to the ANAPQUI's annual General Assembly on a basis of 1 delegate for 10 members (*socios*). During the Assembly, the *Regionales*' delegates vote to renew one member of the Board of Directors or “Directorio”(itself composed of a Secretary, a Vice-President, and a President) and approve or disapprove the *Directorio* in view of its strategy and results (progress, annual reports etc.). A financial controller (*fiscalizador*) also elected, watches over the Board of Directors.

The management team is composed of the following employees:

- 1 commercial manager (Miguel Choque)
- 2 accountants
- 1 secretary
- The Proquinat team
- The employees of the Challapate plant over the responsibility of the plant manager. Depending on the activity, the plant can hire between 40 to 60 workers for processing & packaging.

It has to be noticed that, in ANAPQUI, the Board of Directors is very much involved in the management & the everyday activity. The responsibilities of the 3 members go beyond the traditional role of a Board member & cover some areas usually ensured by the management:

- The president is involved in the administration & the commercial issues
- The vice-president is more in charge of Proquinat & the development program

- The general secretary is more focused on the relation between ANAPQUI, the first-grade organizations & the plant

This type of organization presents a higher risk & depends a lot on the skills of the Board members. This is also one of the reasons of the improved situation compared to 2004 when the former Board of Directors had a very difficult relationship both with the management & the first-degree organizations. With a new election & a new Board, the whole project is more efficient & more consistent.

The current ANAPQUI Board of Directors is composed of the following members:

- Epifanio CALCINA, president
- Yvan CHIRE CONDORI, Vice president
- Rafael APALA, general secretary

Proquinat system

PROQUINAT (*Programa de Production de Quinoa Natural*) is a program devoted to the promotion and implementation of organic quinoa production in Bolivia. It oversees the internal control system & is in charge of support & advice to the producers.

ANAPQUI's plants

ANAPQUI owns different process units including 2 in Challapate. One was created in the 80's and financed by a UN program. It currently works for all the processing but becomes a bit old. That is why a new plant was set up in 2006, also in Challapate, with new machines to improve the process and the yields (5 kg/min for the old one to 15 kg/min for the new one). The whole project has been financed by ANAPQUI. Some other investments for 8 silos are planned for this year.

The new plant will be exclusively dedicated to organic quinoa whereas the old one will be for all the conventional production.

Another plant was built in *El Alto* (suburb of La Paz) in 1997 and financed by the NGO SOS FAIM (Belgium) but does not work currently. Once the new factory finished, investments will be made to restart the plant of *El Alto* in order to make some other products such as quinoa pastas.

Working conditions

The plant's Direction is composed of:

- 1 administrator
- 1 responsible of the warehouse
- 1 treasurer
- 2 technicians, in charge of the follow up & the technical maintenance

The plant employs 40 to 60 people according to the different seasons.

The workers are employed with daily contracts and the wages varies with the seniority according to three levels:

- 28 Bs (2.62€) from 0 to 3 months
- 30 Bs (2.81€) from 3 months to 1 year
- 33 Bs (3.091€) from 1 year and more

For the technicians, the wages is 60 Bs/day (5.62€)

In comparison with the average minimum wage in Bolivia which is 25 Bs/day (2.34€), the wages granted by the factory are correct.

Relations between the Regionales & the national Direction

During the last visit of Alter Eco in 2004 the relations between the National *Directorio* and the *Regionales* seemed quite bad. The producers felt neither represented, nor listened. The decisions which were made did not seem to be made commonly & ANAPQUI did not purchase all the volumes of quinoa produced. The problem of over production was important for the producers & surely contributed to the bad relationships.

In 2007, according to all the meetings with the producers, we can note that the relationship between the *Directorio* of ANAPQUI & the *Regionales* have really improved significantly. The producers seem completely satisfied by the new Board of Directors & by the communication between all the members. Moreover all the volumes of organic quinoa produced have been purchased by ANAPQUI for 3 years, which has improved a lot the relationship. The producers feel well represented & the *Directorio* could be reelected this year (general assembly in July 2007).

Follow up & support of the producers by ANAPQUI

We have noticed a lot of efforts from ANAPQUI to empower the producers through leadership & qualification trainings, held in Challapate 3 days per months. This program is mainly financed by the NGO ICO (Holland) which has granted 73 000US\$ over 3 years for both CECAOT & ANAPQUI to set up training programs.

Double accounting standards/reports

The existence of a double accounting system was underlined in our 2004 report. No improvement made on this issue.

Policy for distribution of positive net income:

In case of positive net income at the end of the fiscal year, the following policy is applied:

- 25% for social security & pension fund
- 10% as reserves for empowerment training
- 10% as "Fondos de acopio", cash flow for quinoa purchases
- The 55% remaining are split equally between ANAPQUI & the first-grade organizations

2. Product focus: average cultivated surface dedicated to the product, yield, return on investment, techniques, problems encountered...

Purchases information

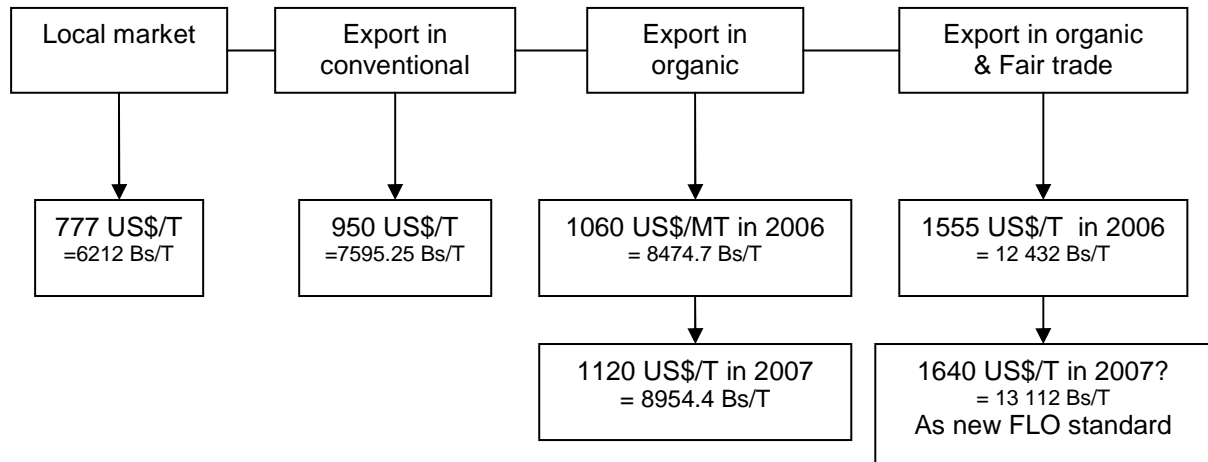
During the 2006 harvest, 2280 MT were organic certified & had to be sold during the year 2006/2007. In March 2007, ANAPQUI had sold 1,700MT out of the 2,280MT bought to the Regionales. All the volumes are planned to be sold before June 2007.

On the 2280 MT, there was 98% of white quinoa and 2% of red & black quinoa.

On the 1700 MT of quinoa sold in 2006:

- 35% were organic & fair trade
- 65% were organic & conventional

In 2007, for the 3rd consecutive year, ANAPQUI purchased all the organic certified production. As a consequence, we can see that the problem of overproduction is finished which is a great improvement in the relationship between ANAPQUI & the first-grade organizations.

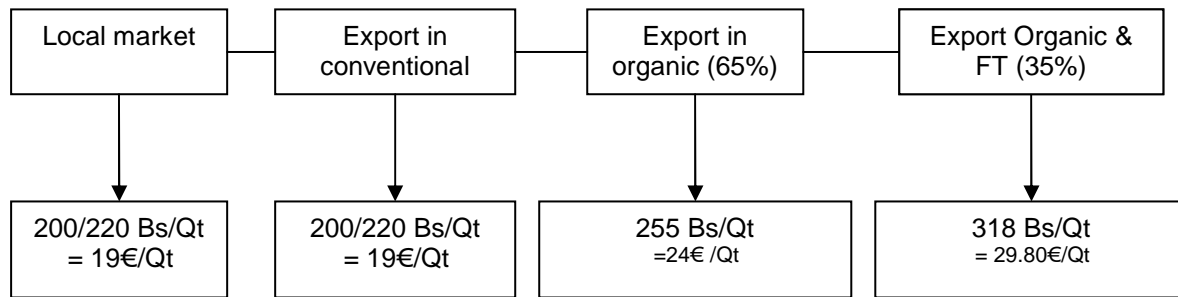
Quinoa's markets & prices (FOB)Competition & Fair Trade Standard

As mentioned before, the last container purchased by Alter Eco to ANAPQUI was paid at the price of 1640 US\$/T FOB which is higher than the FOB price paid last year by all the fair-trade customers of ANAPQUI (1,555US\$/MT). Currently, ANAPQUI is still waiting for the new standard to be published by FLO & to include a FOB Price. During the last discussions with FLO, a minimum price of 1,640US\$ seemed to be agreed but is not officially launched. For the moment, GUEPA & SOLIDARMONDE, the 2 other main fair-trade customers of ANAPQUI refuse to raise their price to 1,640US\$. These 2 actors already showed some reluctances concerning price since they were both paying an FOB price of 1,300US\$ before 2005.

With their main competitor (CECAOT) selling at a FOB price between 1,400 US\$ & 1,500US\$/MT, ANAPQUI is very much worried about losing customers. As a consequence, the association has asked Alter Eco to come back to the former price of 1,555US\$/MT until the official launching of the new FOB FLO standard.

CECAOT currently produces 500 MT of quinoa, which is quite a small quantity. With a smaller structure, CECAOT is able to sell all its production on the Fair-trade market. As a consequence, CECAOT's producers sell all their production at a Fair-trade farmgate price where ANAPQUI's producers are only able to sell 35% of their production at a Fair-trade farmgate price. This is another reason of concern for ANAPQUI which is willing to keep all its producers in the association.

Moreover, it has to be noted that the current price of 1,555US\$ including the fair-trade premium of 85US\$ is not high enough to allow a clear separation of the premium to finance some social projects at the Regionales level. For the moment, all the premium is used at the national level to finance the different production project, especially the new plant in Challapate. This is why the proposal for a new FOB standard at 1,640US\$ showed an increasing of 85US\$ compared to the former price. This increasing was the opportunity to dedicate the whole fair-trade premium to projects in the first-grade organizations. Currently, the Regionales are not involved in the premium plan.

Quinoa's Farm gate prices

For organic purchases, ANAPQUI pays the following price to the first-grade organizations:

- 255 Bs/Qt (= 23.89€/Qt): price paid to the producers
 - 15 Bs/Qt (=1.4€/Qt): fees paid to the *Regionale*
 - 8 Bs/Qt (=0.75€/Qt): price paid for the transport to the *Regionale*
 - **TOTAL: 278 Bs/Qt (=26€/Qt): farm gate price**
- } Tot: 270 Bs/Qt

The problem of increasing prices has been noted by all the different actors during our visit, especially concerning the red & black quinoas.

Indeed the conventional white quinoa price was 200 Bs/Qt (25 US\$/Qt) in 2006 and has increased until 250 Bs/Qt (31.25 US\$/Qt) in 2007. But the main increase is for the red & the black organic quinoas whose prices reached 380 Bs/Qt (47.5\$/Qt) in 2007.

ANAPQUI's Board of Directors was supposed to meet just after our visit to define the pricing policy regarding price paid to producers

Cost of Production

According to ANAPQUI, the costs of production for quinoa account for the following amounts:

- For the organic quinoa, COP: 1200 US\$/T
- For the conventional, COP: 900 US\$/T

3. Other products, diversification, opportunities

ANAPQUI is developing some others products like

- the flour of quinoa in order to make quinoa's pasta or biscuits
- the popped quinoa (like pop-corn), which could be mixed with the El Ceibo chocolate.
- the flakes of quinoa

In addition, we can note that the breeding is quite important in the Andine region. A lot of producers own lamas or sheep's herds like an auxiliary activity to increase their incomes. Indeed, lamas & sheep are bred for the meat, (self-consumption), the skins (to make clothes & covers...) and for natural manures (for quinoa cultures).

4. Gender issues

No gender problems have been noted during the visit. Women might be under represented in the Board of Directors of ANAPQUI.

5. Ethnic and Religious considerations

No case of discrimination noted.

In Bolivia, there are a lot of different ethnics, more than 36, but the two major are the Quechua and Aymara ethnics. The distinction between them is not marked especially in La Paz where there is a big melting pot. But the traditions & practices are still quite present in the Andes.

Cultural identity (often defined by a small area or a couple of communities) is high, sometimes leading to tensions between neighboring communities, municipalities, or regions (e.g. Potosi vs. Oruro). As a result, it is obvious that, from the socios point of view, the notion of belonging is much higher with *Regionales* than with ANAPQUI.

6. Geographic location, remoteness, accessibility


Ways between the Regionales and the Challapate plant are not always in a very good state. Most members are reachable by car. The ANAQPUI Board of Directors & management have full access to internet, fax or phone.

b. Participation & Transparency

1. Entry requirements (membership) & fees

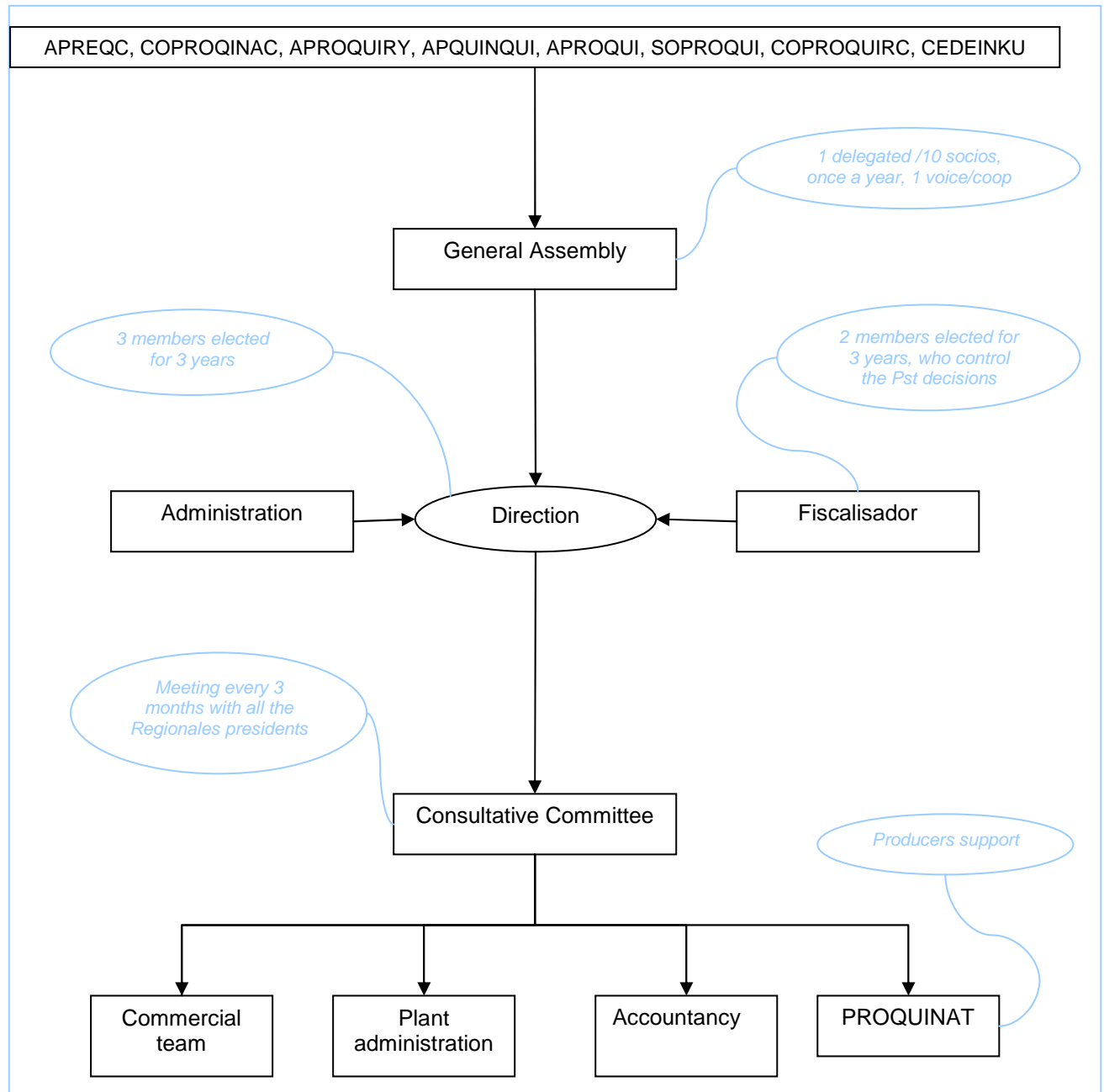
The following conditions have to be respected:

- If a *Regional* wants to enter in ANAPQUI, she must be judged as reliable for a 2 year period, which is the case for the last Regional entered in ANAPQUI in 2006. APRECCQ will normally be validated in 2008.
- If the producer wants to integrate a Regional, he has to respect the internal rules & has to pay the fees as following:

Admission fees of 40 US\$ (to be paid just once)  20US\$ for ANAPQUI
20US\$ for the *Regional*

2. Minutes of committee and assembly meetings, status, questions raised

The association is organised according to the following organization chart:



The *Directorio* is composed of:

- Epifanio CALCINA, president
- Yvan CHIRE CONDORI, Vice president
- Rafael APALA, general secretary

It has to be noted that all Board members receive a monthly income of 300US\$ which is higher than the usual compensation fees. It can be underlined as a non-conformity regarding Fair-trade criteria where the role of Board member is on a volunteer basis & should not be the opportunity to receive a significant revenue.

As mentioned before, the relationship between the Board of directors & the management is sometimes not very clear with Board members more involved in the everyday activity than usually.

3. Rotation of committee members


The Board of Directors is elected every 3 years by the general assembly.

c. Relations between the groups or the cooperatives and the entity responsible for the transformation or commercialisation

No applicable

d. Fair Trade Value Reporting (FTVR)

FTVR Quinoa Blond Bio 500gr
 Product: Quinoa
 Origin: Bolivia
 Quantity: 500gr
 Cooperative: ANAPQUI
 Date of the audit: June 2007
 Auditor : N.Mounard

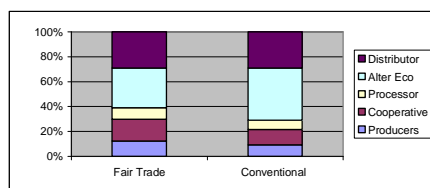


	Fair Trade Channel	% of final price	Conventional Channel	% of final price
	€		€	
Price paid to producers	0,32	11,24%	0,27	9,24%
255 Bolivianos per Quintal (46kg)				
Loss of 20% during the processing				
Exchange rate of 10,673Bs for 1€				
Fee paid by Anapqui to the Regionales (15BS per Qt)	0,02	0,53%	0,00	0,00%
Transport from the Regionales to Challapate (8Bs per Qt)	0,01	0,28%	0,01	0,28%
FLO Premium	0,03	1,13%	0,00	0,00%
85US\$ per MT				
Exchange rate of 1,3US\$ for 1€				
Processing costs	0,03	1,14%	0,03	1,14%
All the following costs are calculated on the basis of the P&L 2005-2006 compared with the 1700MT sold				
Commercialization costs	0,06	2,04%	0,04	1,35%
Administration & accounting	0,01	0,52%	0,01	0,52%
Maintenance & organization	0,01	0,40%	0,01	0,40%
ANAPQUI margin	0,10	3,42%	0,00	0,00%
FOB price for raw material	0,60	20,70%	0,37	12,64%
1555US\$/MT on the Fairtrade & organic market				
950US\$/MT on the conventional market				
Costs for pack (printing & carton)	0,080	2,77%	0,080	2,77%
Packaging process	0,183	6,35%	0,183	6,34%
FOB price for packaged quinoa	0,86	29,82%	0,629	21,75%
2240US\$/MT				
Freight costs	0,135	4,67%	0,135	4,67%
Frais d'approche	0,043	1,49%	0,043	1,49%
Warehousing	0,012	0,42%	0,012	0,41%
Max Havelaar Fee	0,054	1,87%	0	0,00%
Others	0,024	0,83%	0,024	0,83%
Sub-total	1,13	39,10%	0,84	29,15%
Distributor selling price	2,05	71,09%	2,06	71,09%
End Consumer selling price before VAT	2,74	94,79%	2,74	94,79%
VAT	0,15	5,21%	0,15	5,21%
End-consumer selling price	2,89	100,00%	2,89	100,00%

Key FTVR Figures :	
% Given to producer (income+dividend) / final price :	12,37%
% of total revenue for the Coop / final price	29,82%
% of Fair Trade premium/conventional price paid to producer	12,23%
% of added value on the price paid to producers (without premium)	21,43%
% of added value on the price paid to producers (including premium)	33,66%
% of added value on the price paid to coop	63,68%
% for the producing country	29,82%
Number of producers in the coop	1200

FOB Price paid for the Raw material by FAE for 1MT in US\$	1555,00
FOB Price paid for the Raw material on conventional market	950,00
Added value on the FOB Price	63,68%

	Fair Trade	Conventional
Producers	12,37%	9,24%
Cooperative	17,45%	12,50%
Processor	9,28%	7,40%
Alter Eco	31,99%	41,94%
Distributor	28,91%	28,91%



IV. The organization responsible for sales & exports

1. History, Mission Statement and General Presentation:

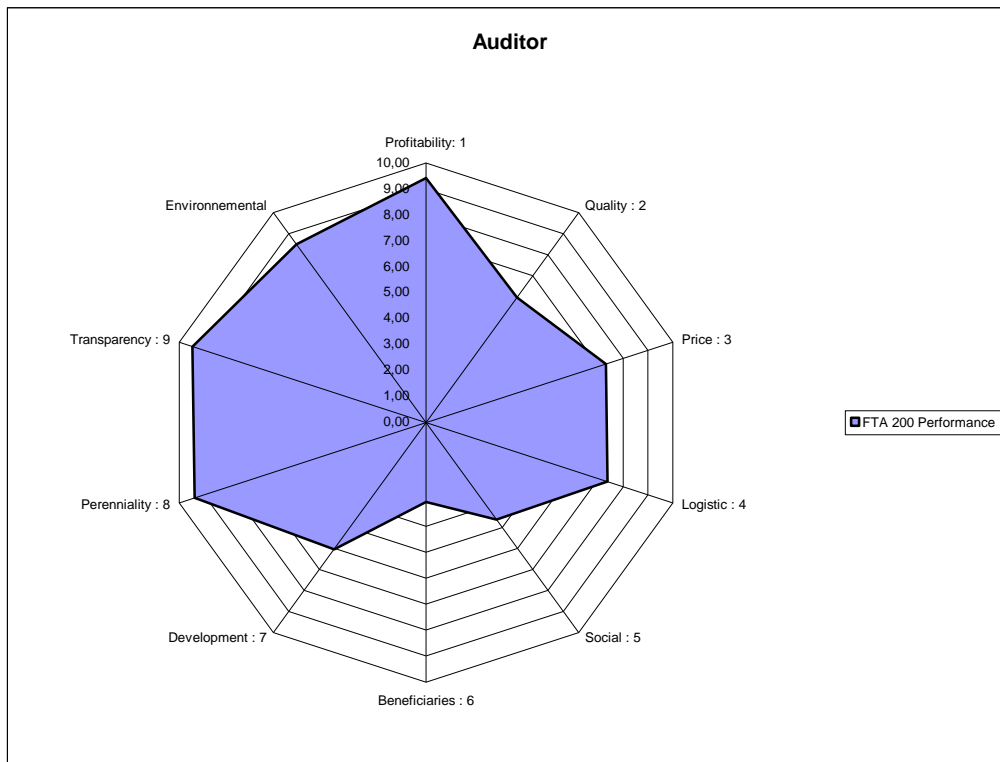
Not applicable. ANAPQUI is in charge of the whole process

2. Financing of the collective and Fair Trade projects:

Please, see III a. 2. Product Focus: competition & Fair Trade Standard

V. FTA 200

Criteria :	Auditor :
Profitability: 1	N.Mounard
Quality : 2	9,42
Price : 3	5,96
Logistic : 4	7,29
Social : 5	7,34
Beneficiaries : 6	4,62
Development : 7	3,06
Perenniality : 8	6,03
Transparency : 9	9,38
Environnemental	8,50
Total FTA 200	142,15



Analysis of the FTA200 results:Economic considerations

- Profitability = 9,42
- Quality = 5,96
- Price = 7,29
- Logistic = 7,34

The performance, in terms of economic criteria, is very high, especially on profitability where ANAPQUI has an important treasury & only 25% of debts comparing to its shareholder's equity. In terms of logistic, the organization derives full benefit from its experience and the high level of exports in spite of the problems of delay & irregular communications with Alter Eco.

Social considerations and beneficiaries

- Social = 4,62
- Beneficiaries = 3,06
- Development = 6,03
- Perennity = 9,38
- Transparency = 9,47

In terms of social aspects, the performance is mainly damaged by the low level of the FOB price which does not make it possible for ANAPQUI to transfer the Fair-trade premium to the first-grade organizations. As a consequence, no social projects are financed for the moment in the different Regionales. Moreover the social situation & the price paid to the producers are a weakness for ANAPQUI compared to his major competitor CECAOT who makes cheaper FOB price for his customers & more important volumes in FT (in proportion, CECAOT sells 100% on the Fair-trade market). The aim would be to increase the volumes sold in organic & FT for ANAPQUI to improve the price impact fro the producers.

Nevertheless, the regular & important activity of ANAPQUI generates regular & important resources & gives a good guaranty of sustainability. The transparency is clear for us, even if they continue to practise a double accountancy for the local taxes.

Environmental considerations

- Environment = 8,50

The performance in terms of environmental criteria is mainly due to all the work of ANAPUI to spread the organic agriculture with, today, a majority of the members certified by Bolicert & an important part of them in transition. There is a real will to promote organic agriculture in the cooperative & to involve more members in the certification process. A lot of progress have also been noted regarding the soil erosion with different solutions put in place (natural barriers, compost & manure system...). Moreover, producers are constantly & regularly followed by the PROQUINAT program.

SWOT

Strengths:

- Important level of sales
- Purchase of all the volumes in organic
- Skilled management, appreciated Board of directors
- Better relationship between ANAPQUI & the first-grade organizations
- Organic certification (Bolicert)
- Protection of the environment (soil rotation, compost, erosion fighting...)
- Training course of leadership, empowerment
- Good cash resources

Weaknesses:

- Non conformity in HACCP
- Non-conformities in the traceability system
- Members' list to be updated
- Non distribution of the Premium in the *Regionales*
- Problems of regular communication with Alter Eco
- Non-conformity with the FLO Standard concerning the wages of the Board members
- Need to increase sales volumes in FT

Threats:

- Problems of price between the different actors of FT (& standard)

Opportunities:

- Dynamics of investment (new plant construction)
- Diversification of customers
- Diversification in products & development potential
- New members into organic certification

VI. Non-compliance reports

Non-conformity Report		
SUMMARY :	Major	Minor
Economic	4	4
Social	7	21
Environmental		1

A) Major Non conformities : corrective actions :
Economic

Criteria	Grading	ade Au	Points	Comment
28. Technical competencies of the technical manager (cultivation, production, conditioning, export)	Progres criteria for level, required criteria for level 2 (score = 0 if the person in charge of level 2 lacks managerial competencies). Qualitative appreciation of the capacity of the person in charge to manage the technical stakes of the production and the commercialisation of products, and more generally, the development of the activity. Same as the previous question if its the same person. .	0	0	idem 27
29. Commercial competencies of the manager	Progres criteria for level 1, required criteria for level 2 (score = 0 if the person in charge of level 2 lacks managerial competencies). Qualitative appreciation of the marketing and commercial skills of the person in charge. Same as questions 27 and 28 if its the same person	0	0	idem 27
55. Quality - price ratio with regard to other local Fair Traders	More than 20%, for equal quality and availability, compared to other fair trade products on the local market: 0 / >10%: 0,25 / equivalent: 0,5 / <10%: 0,75 / <20%: 1. N/A (only fair trader for a given product on the local market): 1 / High price because level 2 is not optimised: 0	0	0	higher price than CECAOT in FT (weakness for them)
37. Reactivity between finalisation of orders and the end of the production cycle, respect of delays	Only applies to level 1, unless level 2 interferes (score = 0 in this case). Respect of delivery delays: average delay over the last 10 delayed deliveries. < 2 days : 1; from 3 to 5 days: 0,75; from 5 to 8 days: 0,5; from 6 to 10 days: 0,25, more than 10 days: 0. N/A=1 (if no deliveries realized for Alter Eco.)	0	0	Problem of delivery during the first 6 months of 2007, problem of communication

Social Criteria	Explanation / Grading	Grade Au	Points	Comment
83. Unhindered union participation for level 1 and 2 employees	Yes : 1, No : 0	0	0	doesn't exist
71. Is there a prevention plan against fire? And fire exits installations and materials	Are BIT standards or local regulations (if more stringent) applied?	0	0	
66. What production-related safety regulations are in place? Posting, formalized?	Knowledge and implementation of regulations, including posting of rules in public areas, availability of equipment and training. (employees, level 1&2)	0	0	no applied to the factory
68. Are there hygiene regulations at the production facility? Posting, formalized? Training of the members and the employees.	Knowledge and implementation of regulations, including posting of rules in public areas, availability of equipment and training.	0	0	no applied to the factory
74. Level 1. Use of children for work during general time	important = 1; frequent = 0,75; less frequent = 0,5; rarely = 0,25; never or just during no studying time.	0	0	
77. What difference is there in pay between men and women? (plantation workers, for communal cooperative projects)	Important discrimination = 1; medium = 0,5; no = 0.	0	0	no discrimination apparent
80. Medium size of the farming for the concerned product and for the target producers of the region.	< to 0,25 hectare : 1 / < to 0,5 hectare : 0,75 / < 0,75 hectare : 0,5 / < to 1 ha : 0,25 / > to 1 hectare : 0 / Plantations : 0	0	0	>1ha

B) **Minor Non conformities :**

Criteria	Grading	ade Au	Points	Comment
7. Certified audits of annual financial statements	Certified audits (by a commissioner, the local administration bureau for cooperatives... or any legal body) of annual financial statements are additional guarantees that a company's financial records are true and accurate. This criteria should only be considered if required by local law. Uncertified financial statements, for either both or only the level 2 (regardless of the status of level 1): 0 / certified financial records for both levels: 1 / non applicable: 1	0	0	double accountancy: the real one is not audited in order to show the false one & pay less taxes (current practise in the country)
8. Registered Trade Marks, respect of Product Provenance and Geographical Indications. Presence on the pack of Trade Marks such as INPI of the name, or rights of use for technical information related	If models are registered, the risk of them being copied is greatly reduced and this ensures better legal protection to the production facility. For agricultural products with Provenance or Geographical Indication certifications, conformity must be verified	0	0	doesn't exist
52. Innovation and originality of products developed	Only applies to level 1. Development, at the local level, of exclusive and original products. Yes: 1 / no: 0	0	0	basis food in the Andine region
34. Capacity to increase rate and capacity of production	Only applies to level 1, unless level 2 interferes (score = 0 in this case). In the event of large scale orders, reactivity and management of the production (delays, costs, quality) (track record and evaluation). Capacity to double deliveries: 1 / +75%: 0,75 / +50%: 0,5 / +25%: 0,25 / not possible: 0	0,25	0	

Social

Criteria	Grading	ade Au	Points	Comment
67. Are all work areas clearly designated and verified for safety? (level 1&2)	Inspection procedures, at regular intervals and in conformity to local regulations	0	0	no
69. Are all work areas clearly designated and inspected for hygiene standards? (level 1&2)	Inspection procedures, at regular intervals and in conformity to local regulations	0	0	no specific person
84. Access to social security for level 1&2 producers/employees (public / via contributions)	Yes : 1, No :0	0	0	doesn't exist in Bolivia
85. Pension contributions for level 1&2 producers / employees	Yes : 1, No :0	0	0	id
70. Are regulations adhered to by employees? Are these trained to the social, hygiene, security and fire prevention.	Qualitative assessment of members' or employees' practices.	0	0	
100. Are sub-contractor social, hygiene and safety conditions verified?	Awareness and regular inspection of sub-contractor conditions. 1/ for more than 75% of the purchasing: 0,75/ for more than 50%: 0,5/ for more than 25%: 0,25/ less than 25%: 0	0	0	nothing
102. Do level 1 members have an easy water access before the FT intervention?	Water access (quality and quantity); less than 15mn walk access. No for all = 1; no for 75% of the population : 0,75; yes for 50% = 0,5; yes for 75% of the population = 0,25; yes for all = 0.	0,25	0	

103. Are level 1 members made aware of the urgency of getting children into schools?	Primary & secondary school access free or accessible for all. (less than 30 mn walk or transport payed by the school) No for all = 0; no for 75% of the children = 0,75; no for 50 % = 0,5; yes for 75% = 0,25; yes for all = 0.	0	0	yes, almost all the children of the producers where at school in the neighboured villages. generally access to primary school in the villages but colleges & highshool, children have to moove in bigger towns.
86. Complementary health package for level 1 producers / employees	Yes : 0, No :1	0	0	doesn't exist
87. Health and insurance packages for level 1 producers / employees	Yes : 0, No :1	0	0	doesn't exist
79. Total monthly pay for a level 1 member (pay for organizational activities and any second income)	less than the local minimum wage (or 2 usd / day). For all = 1; for 75% = 0,75; for 50% = 0,5; for 0,25% = 0,25; all under the minimum wage = 0. (without inactive, formation people...)	0	0	all under the minimum wage
78. Total monthly pay for a level 1 member (pay for organizational activities and any second income)	For the level one beneficiaries. At least 100% more than the social local minimum (or minimum salary making in the concerned sector) = 1; 50% more = 0,75; 25% more = 0,5, 10% more = 0,25, egal = 0.	0,25	0	depends on the activity station
94. Do the level 1 and 2 organizations have stated social objectives?	Yes : 1, No : 0	0	0	no social project: all the investments are actually made for the new plant of Challapte but social project is envisaged in the future.
119. Was this project implemented at the same time as the production activity and is it an integral part of the level 1 organization's activities?	Yes : 1, No : 0	0	0	
120. Did this (level 1) project come into being as a result of a local initiative?	Yes : 1, No : 0 (both : 0.5)	0	0	
106. Does level 1 assistance meet the needs of the most underprivileged?	Qualitative appreciation for the level and the type gived to the trait unfairly people.	0	0	

107. Fair Trade price/Conventional price for the producer (Source FTVR)	more than 100% up to the conventional price = 1; + than 0,75 = 0,75; + than 50% = 0,5; + than 25% = 0,25; - than 25% = 0	0,25	0	33,66% (see FTVR)
88. Services provided for level 1 producers / employees ie; nursery, cafeteria, first aid, loans, etc.	Yes : 1, No : 0	0	0	no
91. Have the level 1 and 2 organizations implemented a continuous corporate improvement process, or are there any specific projects of this nature being planned?	Yes : 1, No : 0	0	0	no
93. Are input materials suppliers linked to fair trade sectors or otherwise involved with ethical considerations?	Yes : 1, No : 0	0	0	no?
99. Are the suppliers encouraged to be engaged in a ethical or fair way.	Yes for 100% of the buying furnitures =1; + than 75% = 0,75; + than 50% = 0,5; + than 25% = 0,25; - than 25% = 0.	0	0	no

Environmental

Criteria	Grading	ade Au	Points	Comment
140. Awareness training of environmental issues or environmental protection projects such as reforestation, training for organic farming	The organization has conducted environmental protection awareness programs externally, targeting schools, women or other groups. (1) The organization has environmental awareness programs for its members (0.75) The organization provides human resources to other organizations environmental awareness programs (0.5) The organization provides financial support to other organizations' environmental awareness programs (0.25) The organization has no environmental awareness effort for its members or members of the community (0)	0	0	

VII. Conclusions regarding the respect of the Fair Trade Criteria

Economic considerations

Use of the Premium:

NON-COMPLIANT: The premium is clearly not managed through a separated bank account of ANAPQUI. The benefits are not redistributed to the Regionales & the investments stay at the national level to finance the new plant of Challapate. Moreover there is no direct social project.

Export Capacities:

COMPLIANT: Thanks to its many years experience and its position on the fair trade market with important volumes on quinoa, ANAPQUI is benefiting now from a real experience in trading. The products diversification is an improvement as well as the wider customer structure. Skilled management in place

Building up the organisation:

COMPLIANT: Thanks to an improved collaboration between the *National Direction* & the *Regionales*, the cooperative is better structured. The election of a new Board of Directors was also one of the main reasons of an improved communication both with the management & with the first-grade organizations. ANAPQUI is also working hard on empowering the producers through different leadership or qualification training programs

Social considerations

Potential for development:

COMPLIANT: There is a potential of product development with new products as flour, flakes & pops. ANAPQUI will also largely improve its potential of development through the new processing unit in Challapate with better yield & a separated structure fully dedicated to organic products. On the long-term, the association can also be able to make the necessary investment to remodel the old plant of El Alto & get an industrial tool for more complex products.

Beneficiaries (underprivileged producers):

COMPLIANT: The capacity of ANAPQUI to identify small farmers among the most underprivileged is proved. Nevertheless, it is very important for the association to be able to increase the proportion of sales made on the Fair-trade market to transfer more added value for the producers. For the moment, Fair-trade only accounts for 35% of each producer sales which is still too low a proportion.

Labour conditions:

COMPLIANT: Not any case of forced labour. Respect of the internal rules.

Child labour

COMPLIANT: no case of child labour noticed.

Freedom of association

COMPLIANT: no non-compliance noted.

Working conditions

COMPLIANT: ILO criteria are respected.

Health and Safety measures

NON COMPLIANT: The HACCP manual of the processing industry is very detailed but the application in the factory is not fully respected. During the visit we noticed some cases of non-conformity, and some improvements have to be done in terms of cleaning or respect of basic hygiene criteria (no writing security measures in the plant, gas bottles outside, doors opened, broken windows....) It was already noticed in 2004.

VIII. Conclusion

Recommendations made to the cooperative:

The visit was very positive and very useful to understand the evolution since the last visit in 2004. The relationships have really improved between the *National* & the *Regionales* and the organisation is good. The performance of the cooperative is impressive in terms of customer diversification, of product development & of organic agriculture.

The cooperative has to work on the following issues to improve its performance on the FTA 200:

- HACCP & traceability has to be improved in terms of quality, hygiene & security criteria in the processing unit.
- Prices problems have to be regulated by fixing a FLO standard price (FOB). It would stop an unfair competition between the producers of ANAPQUI & CECAOT for the organic FT quinoa and also would stop the unfair competition between the actors for the purchase price.

Feedback from the cooperative regarding the audit, expectations of the latter:

IX. ANNEX

- FTA 200
- By laws
- Flow Chart of ANAPQUI
- List of producers per *Regionales*
- List of producers in organic transition
- FLO Certificate
- FLO Cert Inspection Report
- Organic certificate
- Financial accounts 2006
- Financial accounts 2005
- Financial accounts 2004
- General Assembly report 2006
- Organic Assembly report 2006
- Extraordinary General assembly report 2006
- Traceability documents for the batch n°78
- Traceability documents for the batch n°86
- Traceability document (correspondence between batch of production & batch number)
- Process traceability flow-chart