

Joint UNCTAD-ICO Workshop on
“Fostering Sustainable Development in Coffee-Exporting Countries”

**Opening remarks by Isabelle Durant
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Excellencies,
Distinguished delegates,
Ladies and gentlemen,

Only 0.4% of the money we pay for a cup of coffee goes to the coffee farmers. By all standards, this is no longer acceptable. This is why we are here today. We want to discuss the role of coffee for development, the challenges faced by the international coffee market, and how the sector can be a means to contribute to the Sustainable Development Goals.

Coffee continues to play an essential role in international trade and for development for a large number of developing countries. This includes a broad range of countries, from middle-income producers like Brazil, Vietnam or Colombia, to least developed countries (LDCs).

To give you an idea of the **magnitude**, in 2017, in six developing countries (Ethiopia, Burundi, Timor-Leste, Uganda, Honduras and Nicaragua), coffee exports amounted to more than 10% of their total exports. In three of these countries (Ethiopia, Uganda and Honduras), coffee topped their list of exported products. What is also important to note is that the importance of coffee persists despite advances in diversification.

Yet, the international coffee market faces **several challenges**.

Here, I want to **point out two**:

1) International coffee prices continue to be very volatile

If we look at the monthly real prices of coffee from 1990 to 2019, they are amongst the most volatile of (34) agricultural or agricultural-based products. This high volatility generates different challenges for producing countries:

- It has a negative effect on investment: how under such circumstances farmers can plan the replanting of coffee trees, or how national authorities can control their expenditures.
- And of course, it affects the predictability of incomes, especially in coffee-producing areas: This is an enormous challenge for the livelihoods of coffee farmers (predominantly smallholders) as well as communities that depend on coffee indirectly.

Addressing the challenges of volatility requires both policies to mitigate the negative impacts of price shocks on public finances, incomes and investment, as well as policies for economic and export diversification to foster structural change.

2) Benefit sharing in coffee value chains biased in favour of firms in rich countries

The redistribution of value added along the international coffee value chain continues to be heavily biased in favour of firms based in rich coffee-consuming countries. As mentioned earlier, it is only a very small fraction of the sales price of a cup of coffee or of a kg of coffee in a supermarket that reaches the farmers who produce it.

The **structure and dynamics of the international value chain** play an important role in this distribution. While progress has been made in different coffee-producing countries to improve the incomes of farmers through cooperatives and promoting the export of “roasted in origin” coffees, much remains to be done.

Just a month ago, we organized a **debate on benefit sharing in value chains**, jointly with the Fair Trade Advocacy Office. Participants also debated about benefit sharing in the coffee value chain and were inspired by the presentation of a report on “New business models to put people and planet first”. The debate showed that business models that enable better benefit sharing are not limited to niche products.

These features of the international coffee market pose challenges for development. Another key challenge is the **impact of climate change on coffee production**. For instance, in Central America warmer temperatures at altitudes where coffee is grown contributed to the outbreak of the coffee leaf rust, affecting farms and coffee workers across Central America. The rust and the low coffee prices resulted in many farmers leaving the coffee lands to find work elsewhere.

Addressing these challenges requires efforts by all stakeholders in the international coffee value chain. I am pleased that today's workshop, which we **jointly organized with the International Coffee Organization** provides a platform to discuss them.

I also want to briefly mention the **range of support that UNCTAD** provides to coffee producing countries as it shows the importance we give to this sector: The support includes research, projects, policy dialogues and technical workshops, such as today's.

One specific **example** is our work to “Foster green exports through voluntary sustainability standards” in the Lao People's Democratic Republic. In partnership with two Ministries, UNCTAD works with coffee producers' cooperatives to build their capacity to receive tangible benefits from producing “sustainable” or “organic” coffee. This is coffee certified for sustainability standards such as UTZ, 4C or FairTrade, or coffee with organic certification, and it enjoys high sales growth in the global market. Our Lao country study found that organic coffee receives a price that is on average 38 per cent higher than conventional (non-organic) coffee of the same quality. However, the cost of certification can be so high that it wipes out the price margin.

To **redress the challenges of smallholder coffee producers**, multi-stakeholder cooperation at the national as well as the international levels is essential. It requires addressing:

- Lack of knowledge on organic certification mechanism;
- Limited extension services to help sustainable/organic coffee production;
- Access to finance or subsidies to help sustainable/organic coffee production;
- Lack of technical and financial support from the downstream actors of the global coffee value chain - the retailers, brand owners - to smallholder producers who are interested in transforming their coffee into more sustainable or organic production.

Naturally, the **International Coffee Organization** is a key player in this arena and is thus an **important partner** for our work. I hope that this joint workshop will be the first of increased cooperation, and a joint effort to support coffee producing countries in transforming their resource into a means for achieving their Sustainable Development Goals.

I thank you for your attention.