

United Nations Conference on Trade and Development

UNCTAD-ICO Workshop on

Fostering sustainable development in coffee-exporting countries

18 February 2020, Palais des Nations, Geneva

Coffee Development Report
By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



INTERNATIONAL
COFFEE
ORGANIZATION

A Flagship Report of the
International Coffee Organization

Coffee Development Report 2019

Growing for prosperity

Economic viability as the catalyst
for a sustainable coffee sector

Dr Christoph Sanger
UNCTAD-ICO Workshop
Palais des Nations
Geneva, 18 February 2020



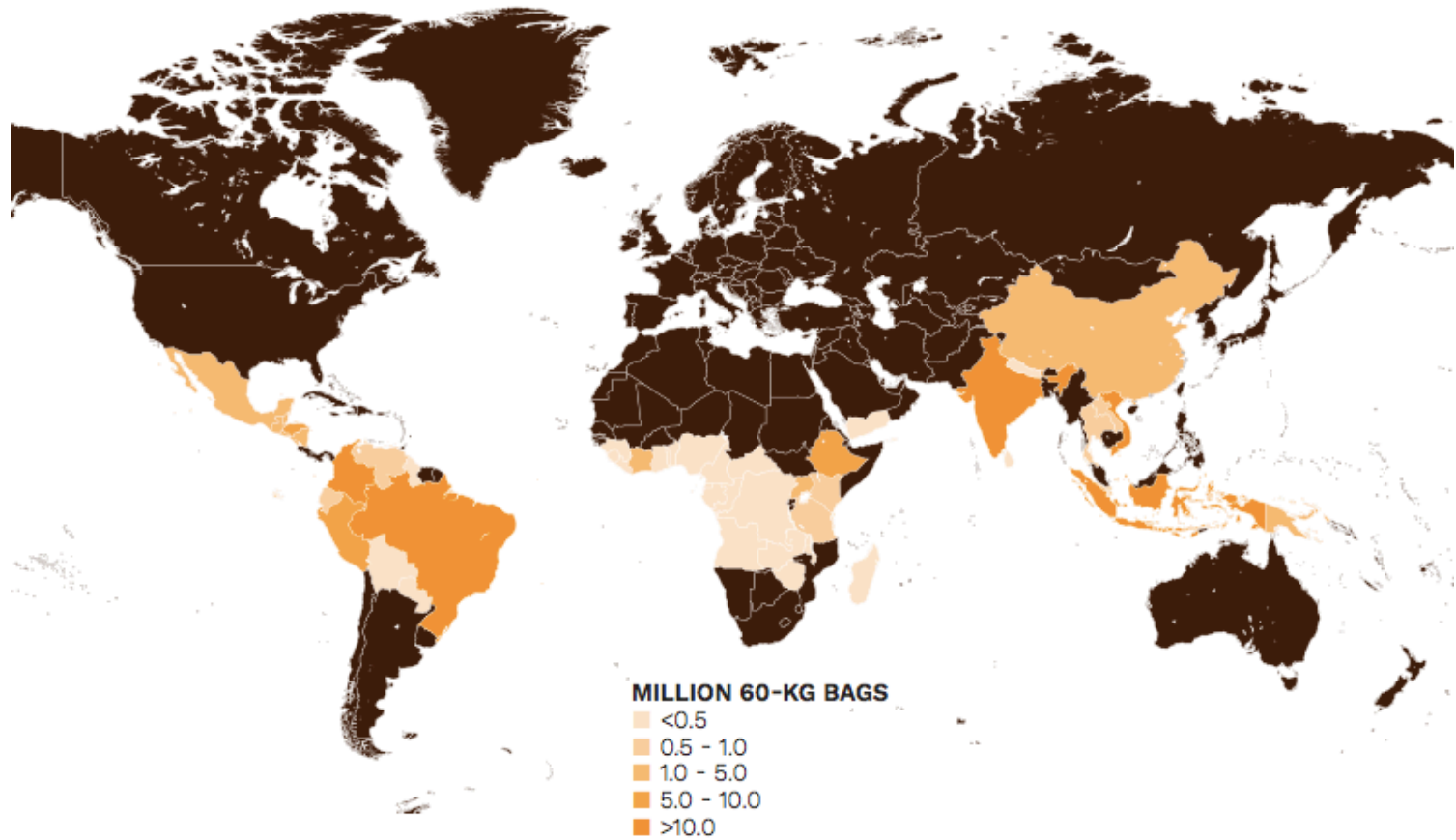
Download at:
<http://www.internationalcoffeecouncil.org/>



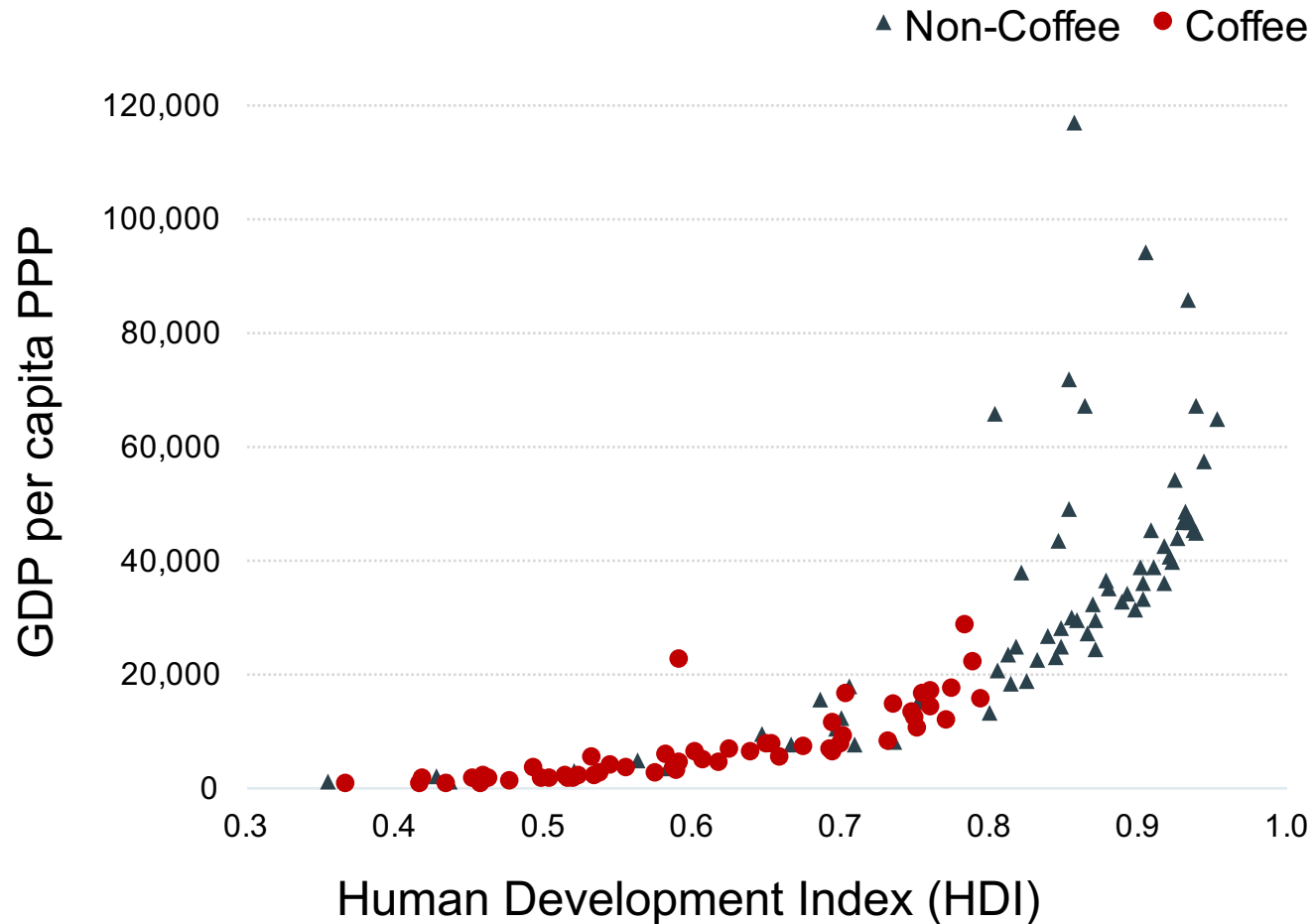


**COFFEE AND
ECONOMIC
DEVELOPMENT**

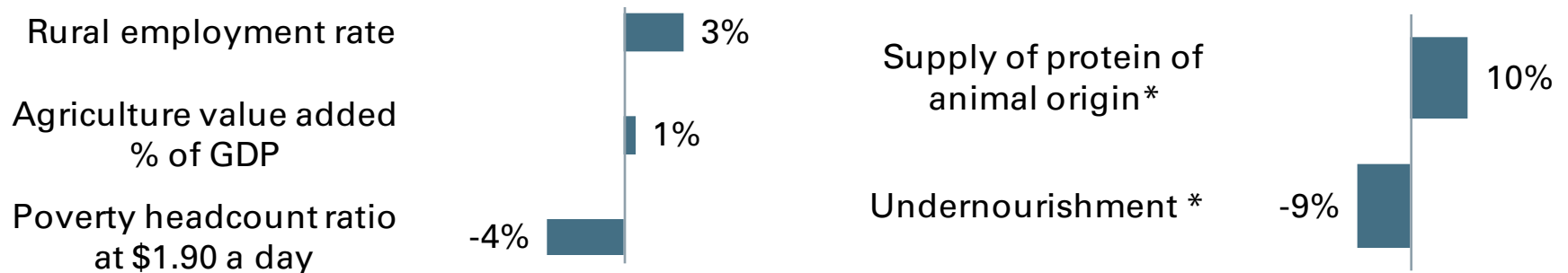
COFFEE IS LIVELIHOOD SOURCE FOR 25 MILLION FARMERS



COFFEE IS PRODUCED IN COUNTRIES THAT RANK LOW IN GDP AND HDI

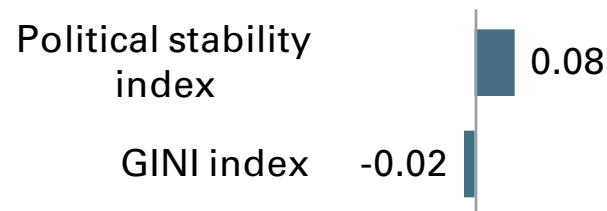


RELATIONSHIP OF 1% CHANGE IN COFFEE PRICE AND...



(a) ECONOMIC AND SOCIAL OUTCOMES

(b) FOOD SECURITY



(c) POLITICAL STABILITY AND SOCIAL COHERENCE

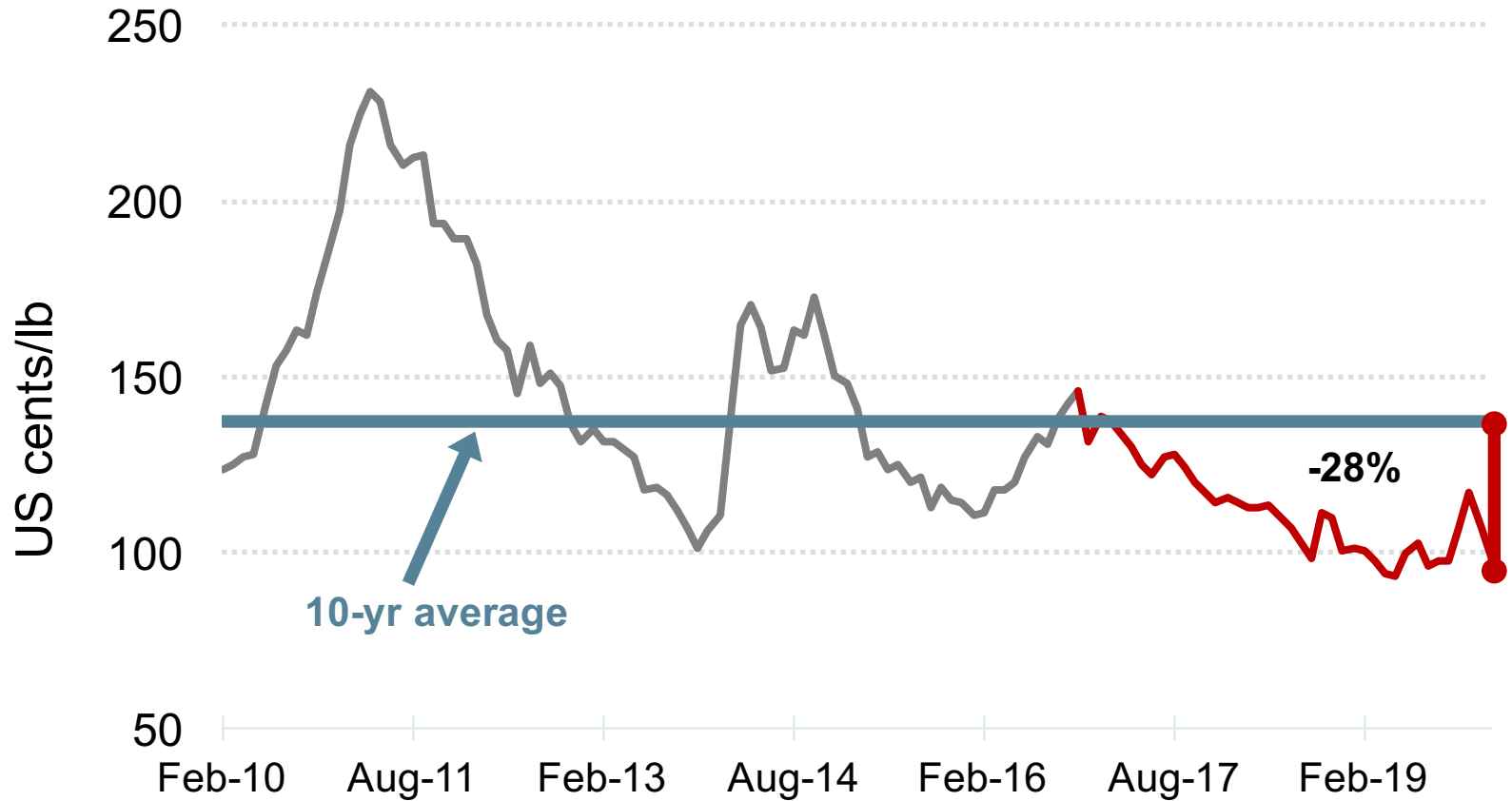
* Results are significant for countries which are highly dependent on coffee (share of coffee in total export value)
Results are statistically significant at least at the 10% level.





**CURRENT
STATE OF THE
COFFEE
MARKET**

INTERNATIONAL COFFEE PRICE* DROPPED BY 28%



* ICO Composite Indicator

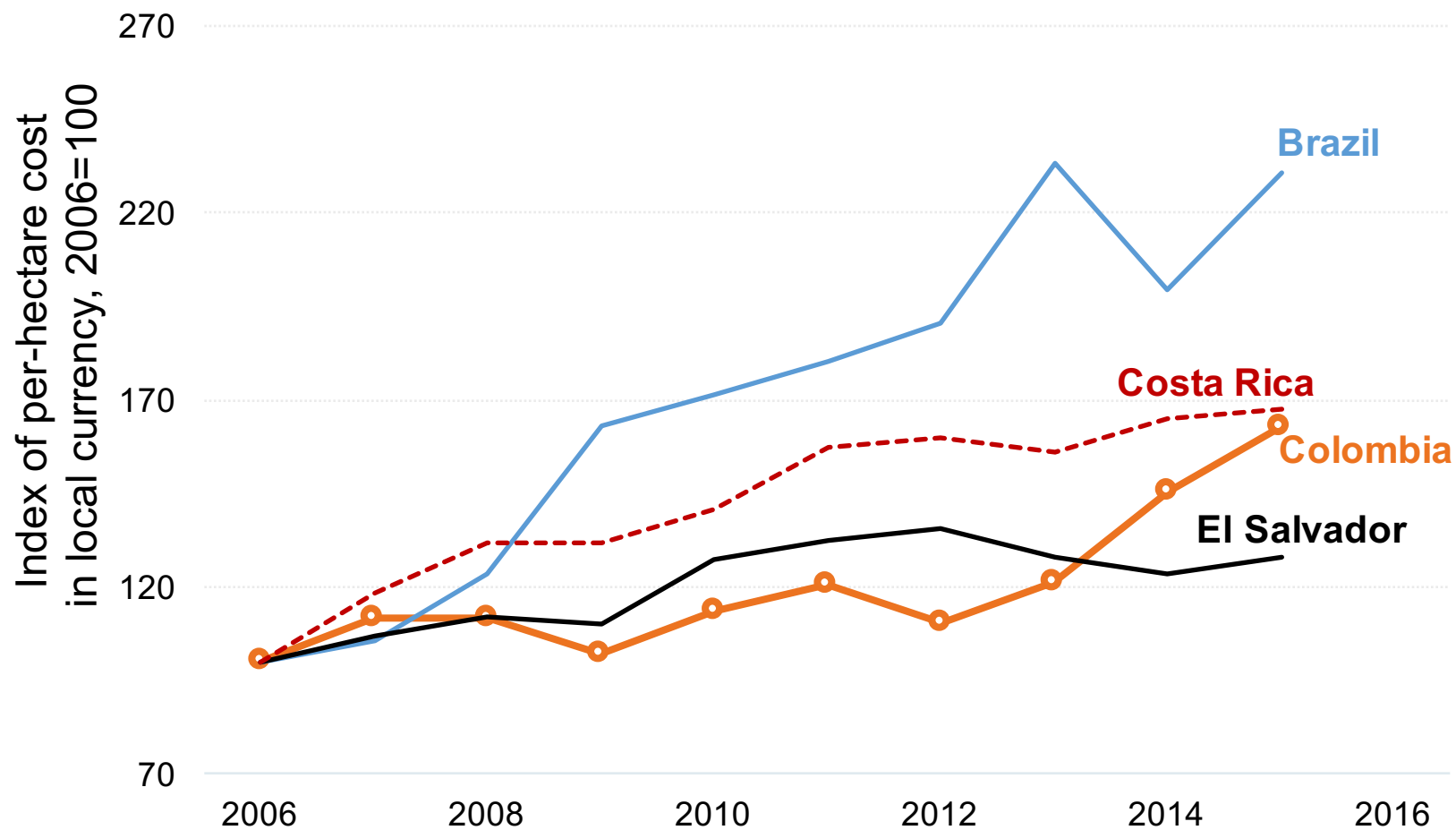


Root causes of the decline in coffee prices

- Fundamental factors of demand and supply: overproduction
- Non-fundamental factors:
 - Financialisation of futures markets
 - Exchange rate volatility
 - Mergers and acquisitions in the coffee industry → potential shift in market power



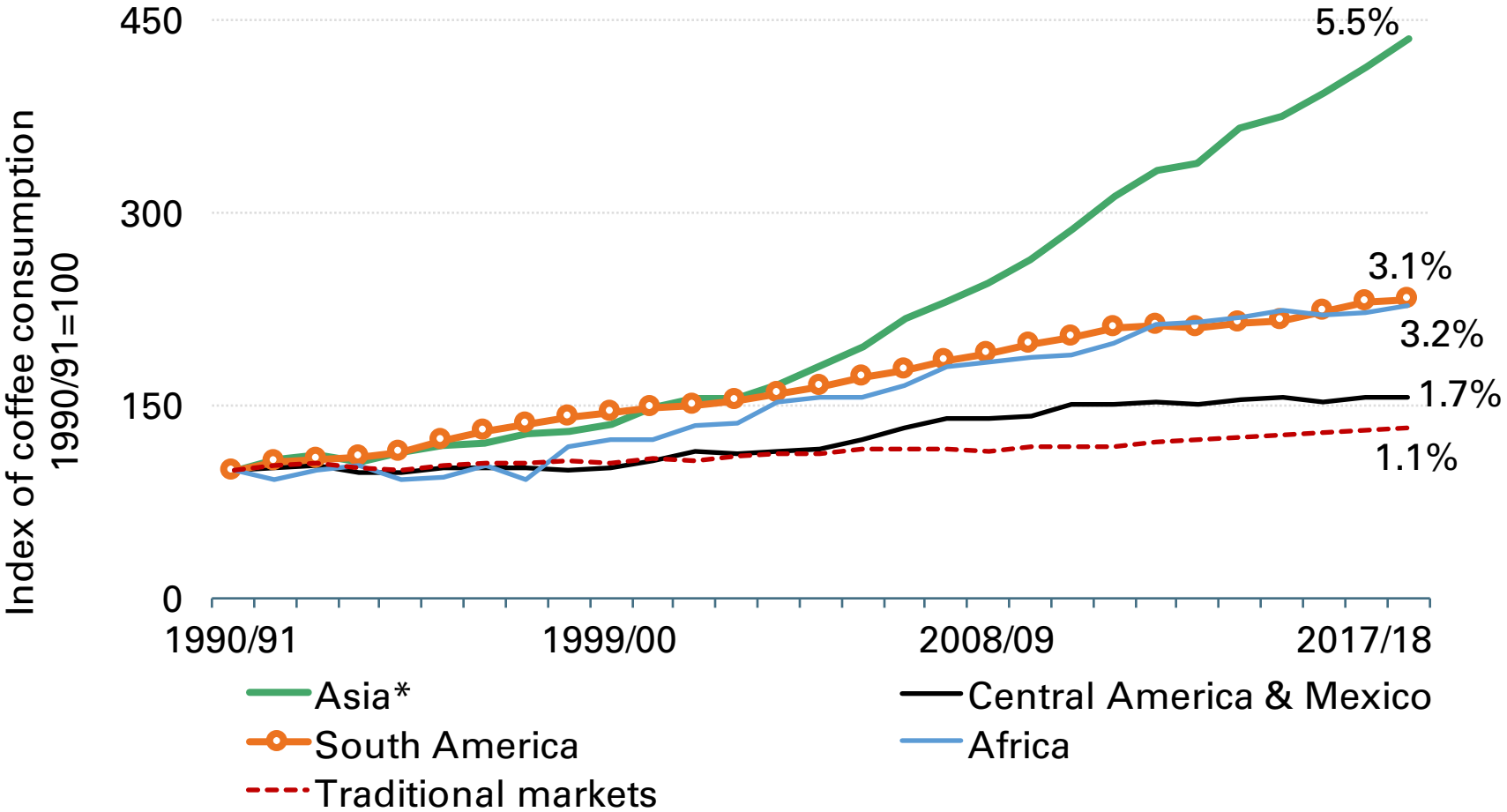
PRODUCTION COSTS ARE ON THE RISE



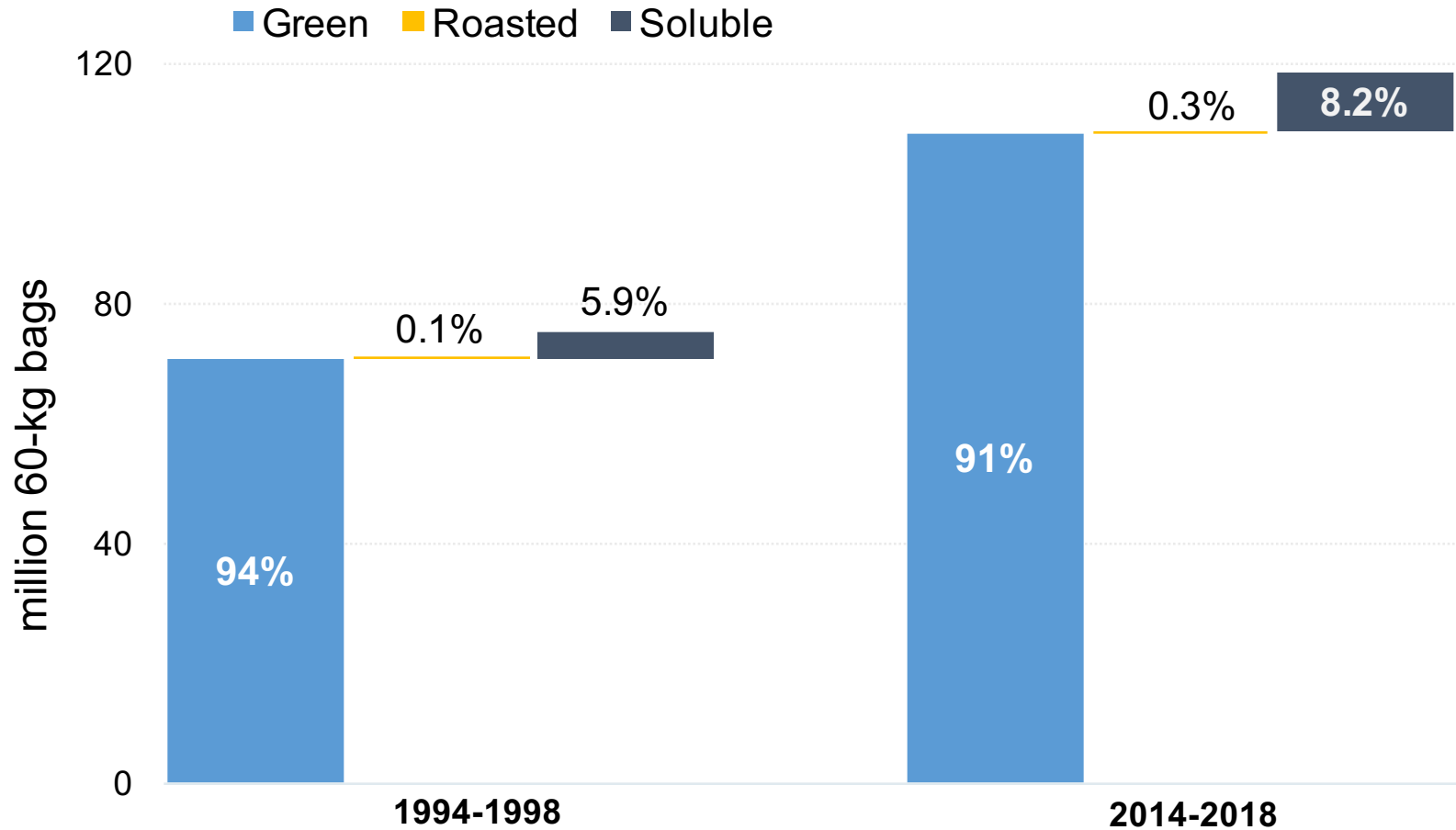


ACHIEVING
EQUITABLE
GROWTH

COMPARISON OF GROWTH IN COFFEE CONSUMPTION BY REGION (INDEX OF VOLUME)



OVER 90% OF COFFEE EXPORTED IN GREEN FORM





**KEY AREAS
FOR ACTION**

CONSULTATIVE PROCESS IDENTIFIED KEY AREAS FOR ACTION

- 50 potential solutions
- Considered:
 - Barriers to implementation
 - Potential impact
 - Trade-offs
- Leading actors:
 - Producers
 - Industry
 - Governments and international organizations
 - Public-private partnerships



Lead actors	Solutions (according to barriers to implementation and potential impact)		
	Low barrier / Narrow-scaled impact	Medium	High barrier / Wide-scaled impact
A. Solutions to address price levels and demand-supply imbalances			
Producers	<ul style="list-style-type: none"> Investment in farm profitability and sustainability 	<ul style="list-style-type: none"> Income diversification 	<ul style="list-style-type: none"> Alternative livelihoods
Market actors	<ul style="list-style-type: none"> Market promotion Producer support services 	<ul style="list-style-type: none"> Full traceability, supply chain partnerships Price and premium management Community development, landscape management 	
Public sector and international organizations	<ul style="list-style-type: none"> Sustainable public procurement Market promotion Regulation on quality assurance and social & environmental practices Investments in R&D 	<ul style="list-style-type: none"> Supply management by reduction of hectares under coffee production Landscape management Basic services e.g. healthcare and education 	<ul style="list-style-type: none"> Direct income transfers Differentiated taxes and tariffs Rural infrastructure development Land tenure reform Promotion of alternative uses of coffee Supply management by international production and export quota



Lead actors	Solutions (according to barriers to implementation and potential impact)		
	Low barrier / Narrow-scaled impact	Medium	High barrier / Wide-scaled impact

B. Solutions to address issues related to price volatility

Producers	<ul style="list-style-type: none"> Physical strategies 	<ul style="list-style-type: none"> Hedging strategies 	
Market actors	<ul style="list-style-type: none"> Contract farming 	<ul style="list-style-type: none"> Floor prices, access to hedging services 	
Public sector and international organizations	<ul style="list-style-type: none"> Farmgate price-setting in relation to export price 	<ul style="list-style-type: none"> Purchase guarantees National strategic buffer stock management 	<ul style="list-style-type: none"> Modifications to futures exchange Price stabilisation funds International coordination of buffer stocks

C. Solutions to address risk and value distribution in the value chain

Producers	<ul style="list-style-type: none"> Product differentiation, aggregation and marketing 	<ul style="list-style-type: none"> Roasting at origin / value addition 	<ul style="list-style-type: none"> Branding
Market actors	<ul style="list-style-type: none"> Purchase of certified coffee, premiums No unfair trading practices 	<ul style="list-style-type: none"> Full traceability and supply chain partnerships Price and premium management Pre-finance 	<ul style="list-style-type: none"> Decoupling sourcing strategy from futures markets
Public sector and international organizations	<ul style="list-style-type: none"> Upgrade existing market information systems Benchmarks of production and living costs 	<ul style="list-style-type: none"> Observatory for costs, prices, margins Export auctions Regulation on due diligence and unfair trading practices 	<ul style="list-style-type: none"> Farmgate price-setting in relation to export price Anti-trust regulation



Priority actions – increasing value addition at origin

- Improving coffee quality and adopting of VSS to enable producers to tap in high-value market segments / reduce costs & increase competitiveness
- Improving quality requires investment at farm level and post-harvest processing (e.g. wet mills)
- Create enabling environment for investments and FDI
- Remove tariff and non-tariff trade barriers (tariff escalation) to boost processing at origin



Priority actions – foster sustainable sourcing practices

- Finding optimal mix between company action, pre-competitive initiatives and government policies
- Company level:
 - Long-term contracts (sharing of value & risk)
 - 'Flow of intangibles' (credit, technical assistance, etc.)
- Industry initiatives
 - Joint sustainability objectives, broad impact
- Government policies and regulation
 - Creating a level playing field
 - Smart regulation





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Coffee Development Report 2019

Supported by the



Federal Ministry
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aidenvironment





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Thank you