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.



Coffee Development Report 2019

Growing for prosperity

Economic viability as the catalyst for a sustainable coffee sector

A Flagship Report of the International Coffee Organization

Dr Christoph Sänger

UNCTAD-ICO Workshop Palais des Nations Geneva, 18 February 2020



Download at:

http://www.internationalcoffeecouncil.org/



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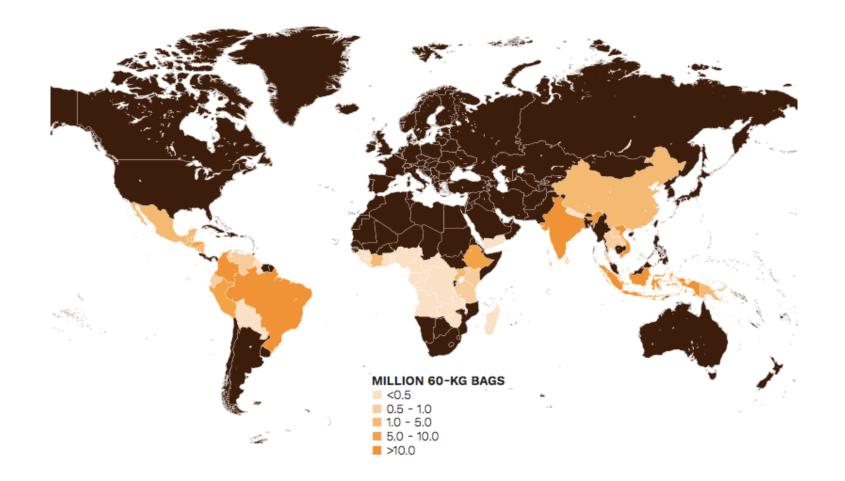
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COFFEE AND ECONOMIC DEVELOPMENT

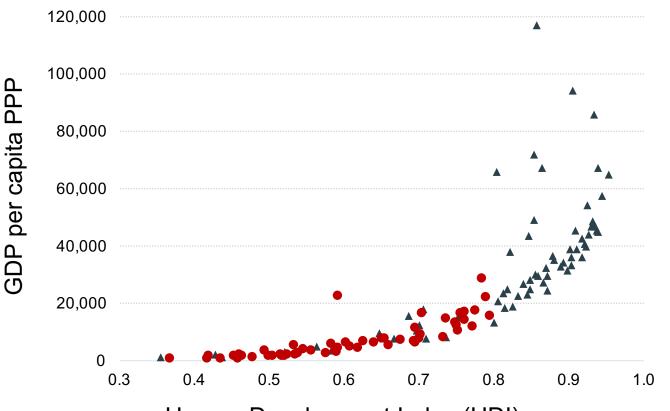
COFFEE IS LIVELIHOOD SOURCE FOR 25 MILLION FARMERS





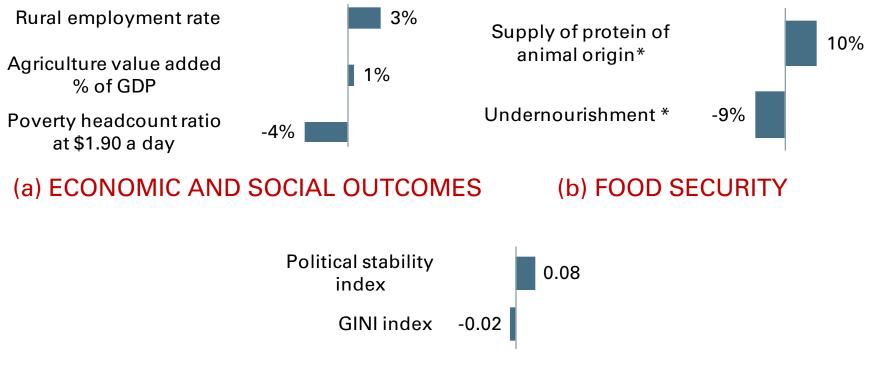
COFFEE IS PRODUCED IN COUNTRIES THAT RANK LOW IN GDP AND HDI

Non-Coffee • Coffee



Human Development Index (HDI)

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

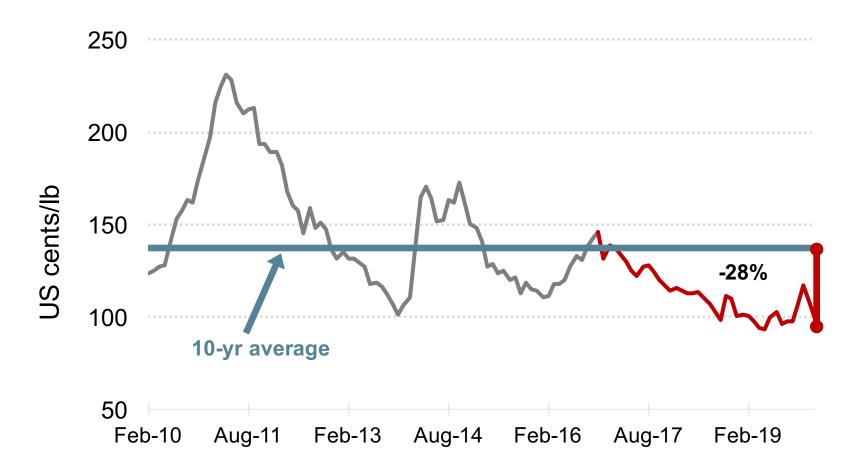


(c) POLITICAL STABILITY AND SOCIAL COHERENCE

* 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%

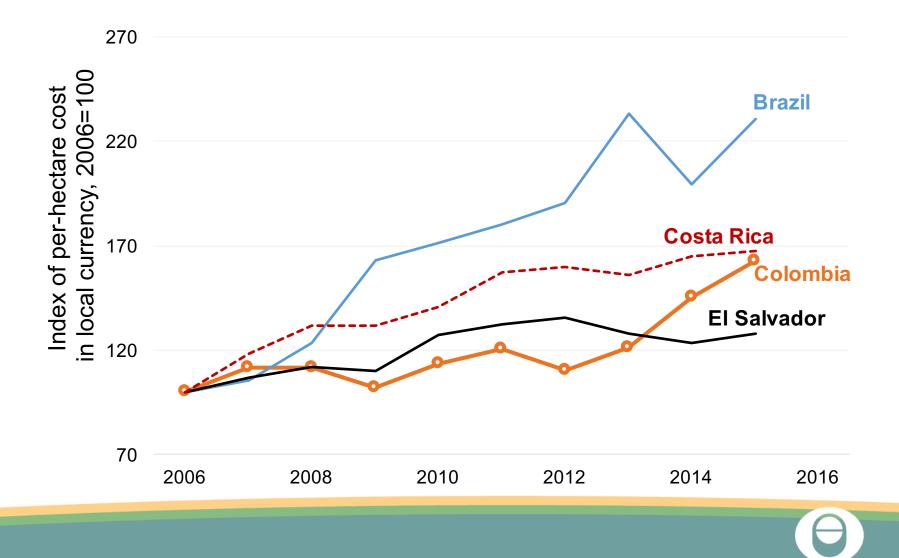


* ICO Composite Indicator

Root causes of the decline in coffee prices

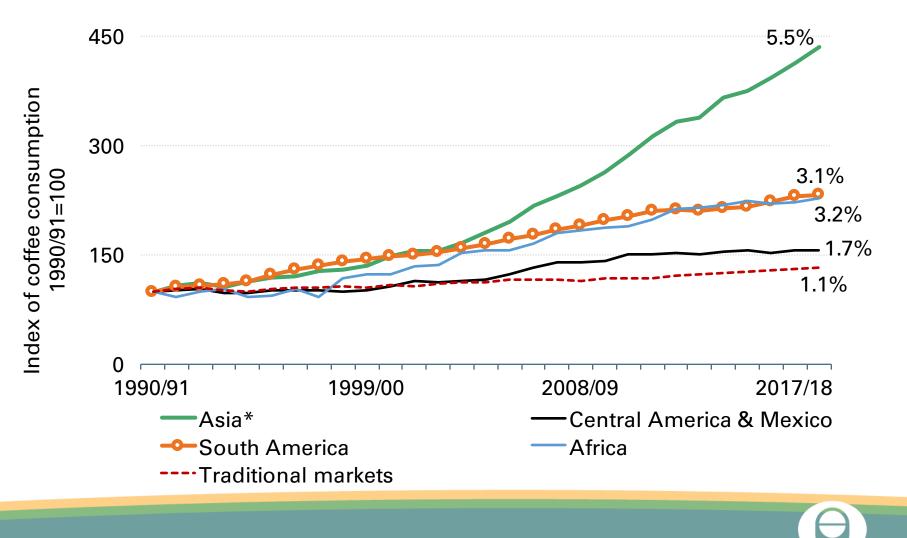
- Fundamental factors of demand and supply: overproduction
- Non-fundamental factors:
 - Financialisation of futures markets
 - Exchange rate volatility
 - Mergers and acquisitions in the coffee industry → potential shift in market power

PRODUCTION COSTS ARE ON THE RISE

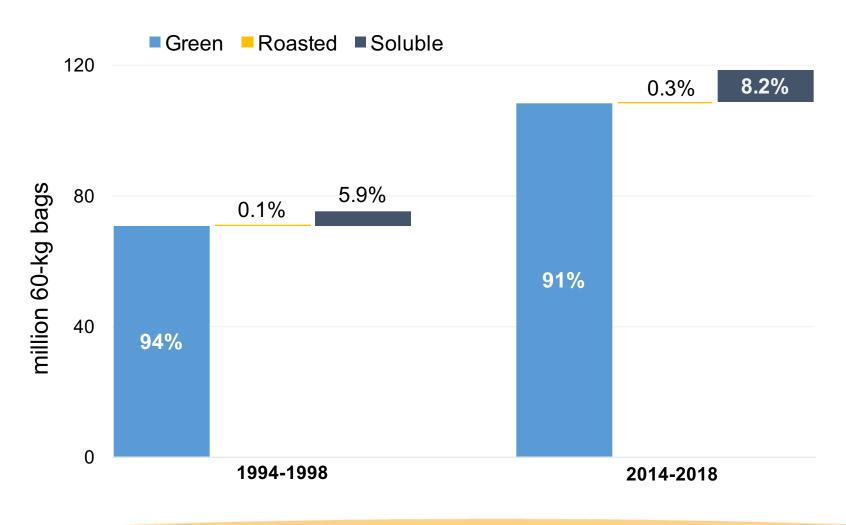


ACHIEVING EQUITABLE GROWTH

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



OVER 90% OF COFFEE EXPORTED IN GREEN FORM



 (Θ)

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
 - o Industry
 - Governments and international organizations
 - Public-private partnerships

Lead actors	Solutions (according to barriers to implementation and potential impact)			
	Low barrier /	Medium	High barrier /	
	Narrow-scaled impact		Wide-scaled impact	
A. Solutions to	address price levels and demand	d-supply imbalances		
Producers	 Investment in farm profitability and sustainability 	Income diversification	Alternative livelihoods	
Market	 Market promotion 	 Full traceability, supply 		
actors	 Producer support services 	 chain partnerships Price and premium management Community development, landscape management 		
Public sector and international organizations	 Sustainable public procurement Market promotion Regulation on quality assurance and social & environmental practices 	 Supply management by reduction of hectares under coffee production Landscape management Basic services e.g. healthcare and education 	 Direct income transfers Differentiated taxes and tariffs Rural infrastructure development Land tenure reform Promotion of alternative uses 	
	Investments in R&D		of coffee Supply management by international production and export quota 	

Θ

	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 v	olatility	
Producers	 Physical strategies 	 Hedging strategies 	
Market actors	Contract farming	 Floor prices, access to hedging services 	
Public sector and international organizations	 Farmgate price-setting in relation to export price 	 Purchase guarantees National strategic buffer stock management 	 Modifications to futures exchange Price stabilisation funds International coordination of buffer stocks
C. Solutions to	address risk and value distributi	on in the value chain	
Producers	 Product differentiation, aggregation and marketing 	 Roasting at origin / value addition 	Branding
Producers Market actors			 Branding Decoupling sourcing strategy from futures markets

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, precompetitive 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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Thank you