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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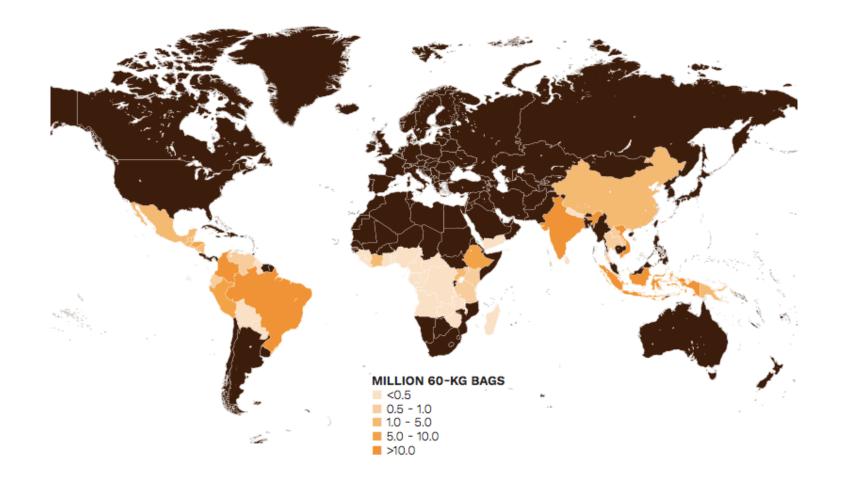
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COFFEE AND ECONOMIC DEVELOPMENT

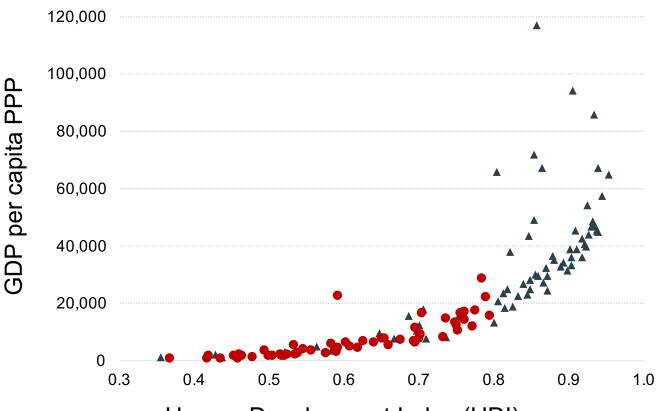
COFFEE IS LIVELIHOOD SOURCE FOR 25 MILLION FARMERS





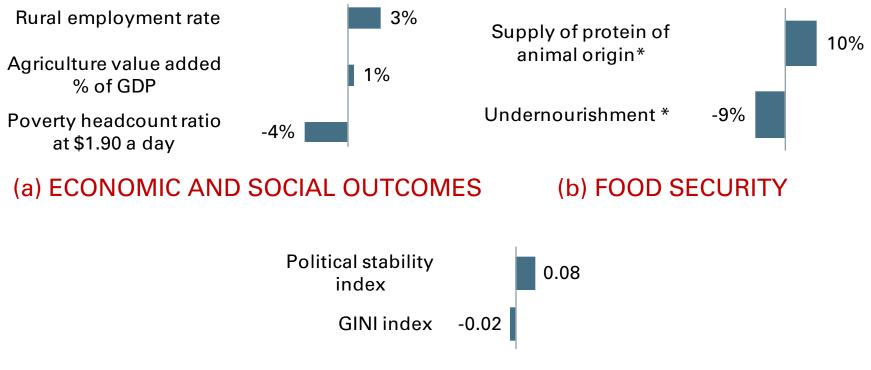
COFFEE IS PRODUCED IN COUNTRIES THAT RANK LOW IN GDP AND HDI

Non-Coffee • Coffee



Human Development Index (HDI)

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

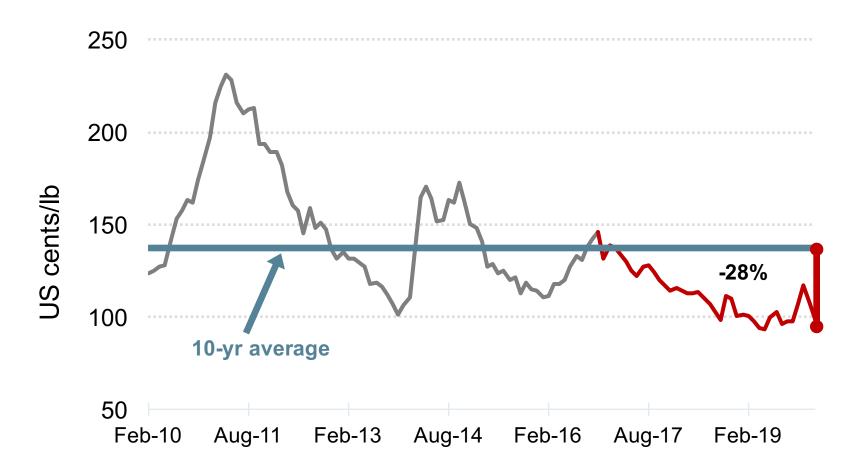


(c) POLITICAL STABILITY AND SOCIAL COHERENCE

* 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%

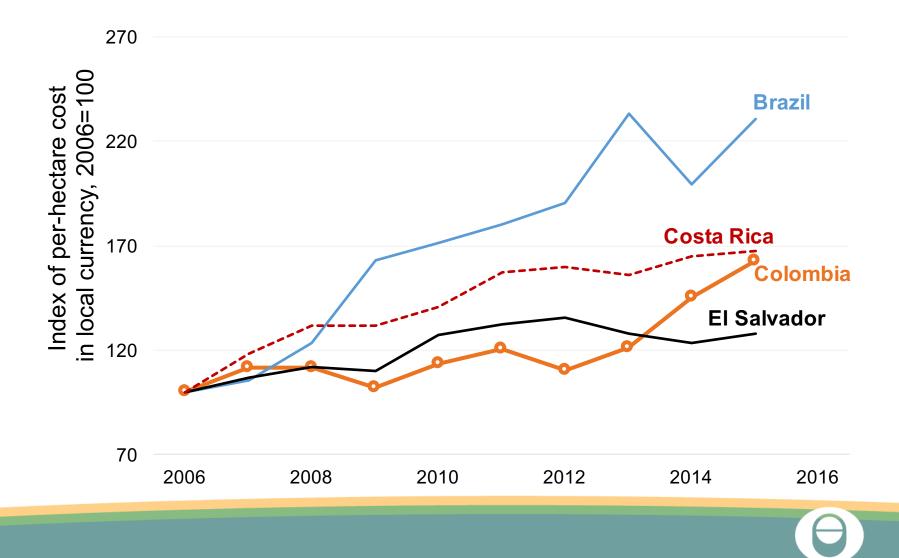


* ICO Composite Indicator

Root causes of the decline in coffee prices

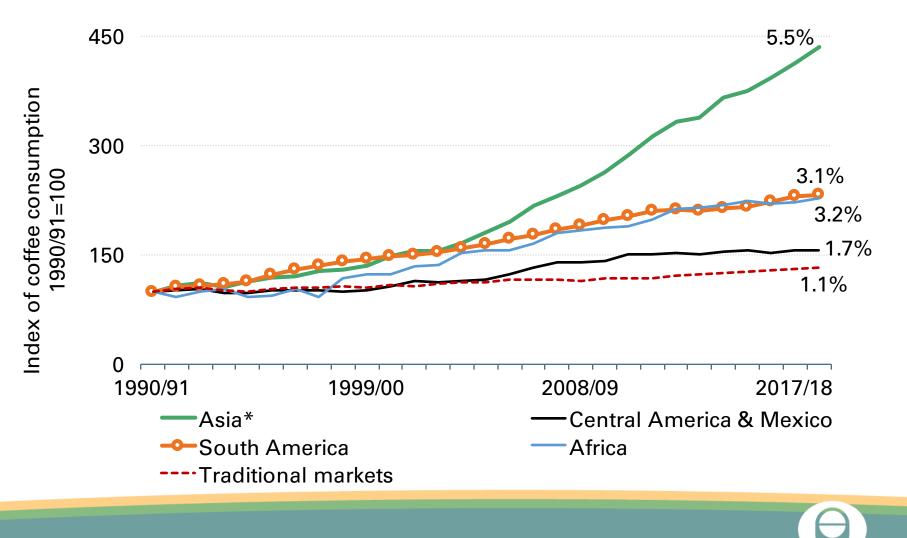
- Fundamental factors of demand and supply: overproduction
- Non-fundamental factors:
 - Financialisation of futures markets
 - Exchange rate volatility
 - Mergers and acquisitions in the coffee industry → potential shift in market power

PRODUCTION COSTS ARE ON THE RISE

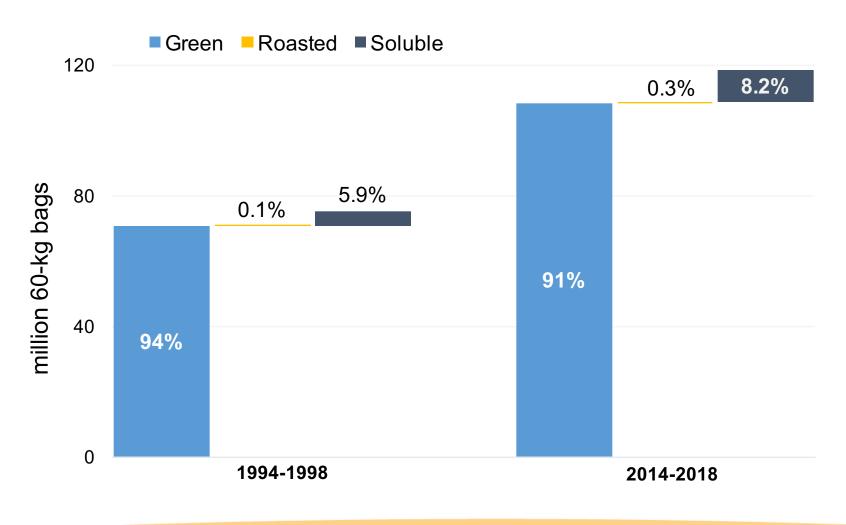


ACHIEVING EQUITABLE GROWTH

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