INTRODUCTION TO THE ICO AND ACTIONS TO ADDRESS COFFEE PRICE LEVELS

José Sette
Executive Director

British Coffee Association Sustainability Committee
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INTERNATIONAL COFFEE ORGANIZATION (ICO)

ICO is the main intergovernmental organization for coffee, bringing together exporting and importing governments to tackle the challenges facing the world coffee sector through international cooperation.

ICO’s mission is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the coffee sector.

ICO contributes to the development of a sustainable world coffee sector and to reducing poverty in developing countries to achieve the 2030 Development Agenda and the Sustainable Development Goals.
The ICO was set up in London in 1963 under the auspices of the United Nations because of the great economic importance of coffee.

It administers the International Coffee Agreement (ICA), an important instrument for development and cooperation.

The latest Agreement, the ICA 2007, entered into force on 2 February 2011.
THE SUSTAINABLE DEVELOPMENT AGENDA AS GUIDING FRAMEWORK OF THE ICO
## CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGS

1. **No Poverty**

Coffee production can significantly contribute to **rural incomes** and thus help lifting rural households out of poverty. It provides **jobs and employment** to farming families and to farm workers in the community.

**Resilience** against price shocks or extreme climatic events.

2. **Zero Hunger**

Coffee can help reducing hunger and malnutrition, as a cash crop **generating income for food purchases**.

Coffee also competes for land with food crops. Hence, modernized production systems are and **higher yields will alleviate** pressure for land.

3. **Gender Equality**

Acknowledgement of the important role **women** play in the agricultural sector and of the whole coffee value chain

**With equal access** to production factors, skills and financial resources, women can reach the same productivity levels and income as men.
Coffee sector could improve water efficiency of production both at farm and processing levels and minimize the risks of contamination through improved production methods.

The coffee sector can increase energy efficiency at the various levels in value chain, e.g. cultivation, transport, and processing.

Increase the share of renewable energy used in the value chain as well as use of coffee waste as biomass.

More policies which help to retain young people in rural areas and/or encourage them to pursue a coffee sector career.

Identify and address the issue of child labour and where applicable any forms of forced labour.
CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGS

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<tr>
<th>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</th>
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<tbody>
<tr>
<td>The <strong>sustainable industrialization</strong> of coffee can increase income, employment and value addition and <strong>reduce environmental impact</strong></td>
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<tr>
<td>Adopting new technologies as <strong>Climate Smart practices</strong> and <strong>Blockchain</strong>, the coffee sector can adapt to and mitigate the impact of climate change and offer opportunities of higher income.</td>
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<th>10 REDUCED INEQUALITIES</th>
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<td>Coffee sector improves <strong>inclusion</strong> and reduces inequality within countries by providing <strong>economic opportunities in rural areas</strong>, where poverty rates have been historically higher than in urban areas.</td>
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<th>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</th>
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<td><strong>Engaging consumers</strong> through awareness-raising and education on sustainable consumption and lifestyles.</td>
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<td>Promote <strong>waste management</strong> and <strong>circular economy policies</strong>, for example in the handling of coffee pods.</td>
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<th>13 CLIMATE ACTION</th>
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<td>Strong link to the coffee sector, more frequent extreme climatic events – frost, drought or prolonged rainfall – could have severe negative effects on <strong>farm productivity</strong>. <strong>Yields and quality</strong> could go down, ultimately affecting the global coffee market.</td>
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CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGS

17 PARTNERSHIPS FOR THE GOALS

Growers
Traders
International cooperation
Retailers
Roasters

Consumers
## SUSTAINABILITY OF THE COFFEE SECTOR

A sustainable coffee economy meets the SDGs: Well-being of all actors in the chain and ability to meet economic, social and environmental goals and standards.

### Fight Poverty

- The production, processing, consumption and disposal of coffee creates wealth and employment.
- Farmers, traders, industry, retailers and other stakeholders: **ALL should profit and prosper** from a sustainable coffee sector.
- Shared value (sustainability) requires a **shared responsibility** among all stakeholders and must be reflected in a **fair, green and efficient** supply chain.
- We need to analyse and address the economic, environmental and social impact of the coffee value chain, and **find solutions from production to consumption and disposal**.
### THE COFFEE VALUE CHAIN

- Coffee is produced in **20-25 million** farms, mostly smallholdings, all over the world (tropical belt)

- More than **100 million** people **depend on coffee** for their livelihoods

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<th>Retail distribution of coffee value:</th>
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<td>Grocery/retail/discounters $75-80bn</td>
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<tr>
<td>Coffee shops internet $65bn</td>
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<tr>
<td>Foodservice channels $58bn</td>
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- Average **value of green coffee exports** is around **$20bn**, i.e. ≤10% of the more than **$200 billion** revenues generated at retail level

- $350 million is invested annually in sustainability activities in the coffee sector
If we want to understand where the coffee sector is going, we must understand the **megatrends**

- Youth aspirations
- Cost of inputs
  - Cost of production
- Technological change
- Behaviour of consumers
- Climate change, environment, circular economy
- Consumer purchasing power
- Demand & supply
- Financial systems & market structure

**PRICE**
MONTHLY COMPOSITE INDICATOR PRICE

Figure 1: ICO composite indicator daily prices

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IMPACT OF LOW COFFEE PRICES

- Low price
  - Abandon coffee production
- Increased poverty
  - Climate change
    - Reduced supply
      - Future gap between supply & demand
        - Pests & diseases
        - Deforestation
  - Less investment and improvements
    - Reduced supply
      - Poor quality & safety
        - Migration
          - Social unrest
Resolution 465 on Coffee Price Levels
That current market price levels do not allow coffee growers in most producing countries to cover their production costs, compromising their economic sustainability;

And further that current prices do not reflect the physical market fundamentals;

That consumption is a key instrument to guarantee the economic viability of the coffee value chain;
1. To launch a **global communication plan** targeted at consumers, together with producers, the coffee industry, opinion makers, and other stakeholders, using social media and other means of communications in order to show the economic reality of the coffee sector – from the producer to the final consumer – as of the International Coffee Day, October 1st 2018.

2. To instruct the ICO to **promote dialogue among all stakeholders in the coffee value chain** to ensure the economic sustainability of the coffee producers.

3. To instruct the ICO to ensure that there is an **effective exchange between Member countries of national public policy initiatives** promoting economic sustainability.

4. To change the priorities of the ICO Strategic Plan to **address ‘Profitability: Consumption and Productivity’** in the coffee year 2018/19.
4) To include the **promotion of consumption** as a guideline in all action plans of the ICO aiming to implement the 2030 Agenda for Sustainable Development;

5) To encourage **exporting Members** to adopt programmes to further **raise their internal consumption** level and encourage the ICO to support initiatives to **explore alternative uses for low-grade coffee**, in line with Item 9 of Resolution 420.

6) To urge the Executive Director to further **strengthen ties with the international roasting industry** as a matter of urgency, in order to gain support for the implementation of this resolution
 ICO IMPLEMENTATION PLAN

- Programme of Activities coffee year 2018/19
- ICO actions in previous coffee price crises
- Funds and resources available
Advocacy and communication

Research, knowledge-building and transparency

Mobilisation of coffee stakeholders

Promotion of coffee consumption

ICO IMPLEMENTATION PLAN

ICC Resolution 465 – Coffee Price Levels
Structured dialogue

Survey on impact of low prices

Profitability of coffee growers in Latin America

Benchmarking coffee farmers’ costs and revenues

Analysis of futures markets

Communications plan
IMPLEMENTING ICC RESOLUTION 465

…..the ICO to **promote dialogue among all stakeholders in the coffee value chain** to ensure the economic sustainability of the coffee producers.

…..the Executive Director to further **strengthen ties with the international roasting industry as a matter of urgency**, in order to gain support for the implementation of this resolution

The Executive Director is engaging many key actors
IMPLEMENTING ICC RESOLUTION 465

…..the ICO to **promote dialogue among all stakeholders** in the coffee value chain to ensure the economic sustainability of the coffee producers.

…..the Executive Director to further **strengthen ties with the international roasting industry as a matter of urgency**, in order to gain support for the implementation of this resolution

**The Executive Director is engaging many key actors**

- All parties share the concern on economic sustainability (short/long term)

- All parties welcome the ICO as a neutral forum for identifying solutions based on shared values among exporting/importing countries

- Overall agreement on a consultative process leading to the CEOs Forum 09/19

- Parties ready to contribute to identify and implement viable market-based solutions
Consultative events

1) Seminar: Coffee - How Sustainable is our Future? ICO/GLOBAL Coffee Platform, during the 124th Session of the ICC, 25 March, 2019, Nairobi, Kenya

2) Financing investment in inclusive and resilient value chains: the case of the coffee sector ICO/IFAD, 16 April 2019, UN Headquarters, NYC
Side event at SDG Investment Fair, Finance for Dev. Forum

3) Interactive Workshop on Price volatility and sustainability: Development challenges and solutions for smallholder farmers in the coffee value chain ICO, Italian Dev. Coop., Ministry of Foreign Affairs & International Cooperation, IFAD, FAO, UNIDO, 16 May 2019, Rome, Italy
Side event of International Cooperation Expo (Exco 2019):

4) Symposium on Coffee price levels and volatility: Towards a sustainable path for the future of coffee ICO /European Coffee Federation (ECF), hosted by the European Commission, 6 June 2019, Brussels, Belgium

5) Forum of Coffee Industry CEOs

UN, EU, ECF, NCA, Italy, Germany, IFAD, FAO, UNIDO
1. Futures markets: The role of non-commercial traders (Mar)
2. Survey on the impact of low coffee prices on exporting countries (Mar)
3. Profitability of coffee farming in selected Latin American countries (Mar/Sep)
4. Flagship report on economic sustainability of the coffee value chain (Sep)
5. Benchmarking of production costs (fundraising)
Thank you!