Structured sector-wide dialogue to address the coffee price crisis

The International Coffee Organization is calling for partners to join and support a structured consultation process involving high-level decision-makers of the coffee industry, sector stakeholders and development partners, to identify and implement innovative proposals that seek to address the negative impact of low coffee prices on smallholder farmers and to foster the long-term sustainability of the sector.
I. The challenge

Since 2016 the coffee market has experienced a continued downward trend and today coffee prices are 30% below the 10-year average. Many of the over 20 million coffee family farmers worldwide are facing losses as they struggle to cover their operating costs while prices decrease, but inputs, compliance and transaction costs rise. As a result, farm incomes dwindle and the livelihoods of coffee-producing households, the majority of which are smallholders in low- and middle income countries, are increasingly at risk.

The economic and social consequences for producing countries can be severe and include social unrest, national and international migration, the abandonment of coffee growing or even switching to the production of illicit crops. Furthermore, the lack of investment in the maintenance and modernization of coffee farms poses a serious threat to future supply, exacerbated by growing demand for coffee worldwide.

Furthermore, current coffee price levels foster concentration of production in a small number of origins. Today, just five countries produce over 70% of the world’s coffee. Losing diversity of origins increases the global coffee sectors’ vulnerability to severe market shocks such as extreme weather events affecting any of the top producers with a potentially dramatic impact on industry, workers and consumers.

The Members of the International Coffee Organization (ICO) recognize that urgent action is required to alleviate the damaging effect of current low coffee prices on coffee-producing households and to increase farm productivity as well as growers’ resilience against market and weather shocks.

At its 122nd Session in September 2018 in London, the International Coffee Council adopted Resolution 465 to address the impact of low prices on the livelihoods of coffee farmers. This Resolution provides the Organization with a strong mandate to respond to current coffee price levels, including opening a sector-wide dialogue to engage all value chain actors as well as the international community in collective action.

Given its status as multilateral organization with equal representation of coffee exporting and importing Member countries and a wide network of partner organizations, the ICO is widely recognised as an honest broker for the coffee sector. For more than 50 years, the ICO has been the key international forum for discussion of coffee related matters and is the natural place to convene a sector wide dialogue. The Organization’s impartiality, outreach and ability to catalyze support from governments, partnering organisations and the development community are success factors in an effective response of the global coffee community to the price crisis.
II. Objectives

- Establish a structured sector-wide dialogue of high-level industry decision-makers to foster exchange on the current coffee price levels and ways of ensuring long-term coffee sector sustainability
- Identify innovative, feasible and market-based solutions to tackle coffee price volatility and to reduce impact of low coffee prices on smallholder coffee farmers, with a focus on long-term sustainability
- Build consensus among sector stakeholders on commitments to drive transformational change and increased market transparency toward a sustainable coffee sector, and unlock support and funding by the international community and development institutions.

III. Scope and outputs

The sector-wide dialogue comprises:

(i) a worldwide series of consultation events that will take place over the first half of 2019 and will culminate in
(ii) the CEO Forum for the coffee industry and the 125th Session of International Coffee Council to be held in September 2019.

Informed by analytical work conducted as part of the first ICO economic flagship report, the consultation events will be held to seek in a structured process supported by a specialised consultant the input from growers, industry representatives, development partners, governments and civil society with the aim of preparing a set of recommendations (commitments and actions) to be considered by the CEO Forum and the International Coffee Council.
i) Consultation events

1) Coffee: How Sustainable is our Future?
Seminar organised jointly with the Global Coffee Platform during the 124th Session of the International Coffee Council: 25 March, 2019, Kenyatta International Conference Centre, Nairobi, Kenya

2) Financing investment in inclusive and resilient value chains: the case of the coffee sector
Side Event of the SDG investment Fair/Forum on Financing for Development organised jointly with IFAD, in partnership with the National Coffee Association of the USA: 16 April 2019, United Nations Headquarters, New York City, USA.

3) Price volatility and sustainability: development challenges and solutions for smallholder farmers in the coffee value chain
Interactive Workshop, jointly with the Italian Development Cooperation, Ministry of Foreign Affairs and International Cooperation, IFAD, FAO and UNIDO as side event of International Cooperation Expo (Exco 2019): 16 May 2019, Rome, Italy

4) Coffee Price Levels and Volatility Symposium: Towards a Sustainable Path for the Future of Coffee
Event in partnership with the European Coffee Federation (ECF), hosted by the European Commission: 6 June 2019, Albert Borschette Congress Centre, Brussels, Belgium

(ii) CEO Forum and International Coffee Council:

1) CEO Forum of the coffee industry: 24 September, 2019, International Maritime Organization, London, UK

Overview

Duration: 9 months (January - September 2019)

Implementation: ICO Secretariat with support of external experts (consultants)

Intended partners:
- European Coffee Federation (ECF)
- National Coffee Association of the USA (NCA)
- Specialty Coffee Association (SCA)
- International Fund for Agricultural Development (IFAD)
- Food and Agriculture Organization of the United Nations (FAO)
- United Nations Department of Economic and Social Affairs (UNDESA)
- United Nations Industrial Development Organization (UNIDO)
- Governments
- Private sector
- Other national and international organizations and financial institutions

Cost:
- 45,000 EUR (consultative events)
- 30,000 EUR (consultant/s to support structured dialogue)
- TOTAL: 75,000 EUR

About the International Coffee Organization

The International Coffee Organization (ICO) is a multilateral organization, which works through international cooperation to strengthen the global coffee sector and promote its sustainable development in economic, social and environmental terms. Our Member Governments represent 98% of the world’s coffee production and over two-thirds of world consumption, providing a unique forum for the global coffee community. Our Members regularly discuss and decide the ICO’s guiding principles, strategy and work programme in line with the 2030 Agenda for Sustainable Development. Our strategic focus is on:

- Delivering world-class data, analysis and information to policy-makers and the industry
- Providing a global forum for dialogue between and within the public and private sectors
- Facilitating development projects and promotion programmes through public-private partnerships.

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