

Impact of covid-19 on the global coffee sector: Survey of ICO exporting Members

I. Background

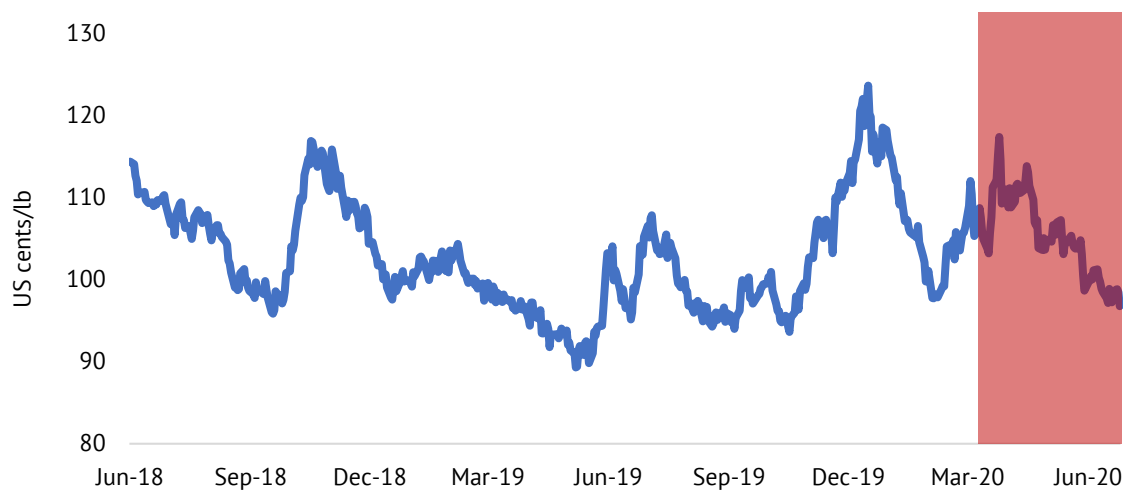
The novel corona virus represents an unprecedented joint supply and demand shock to the global coffee sector. Since March 2020, when covid-19 was declared a global pandemic by the World Health Organization (WHO), coffee prices have been highly volatile mainly as a result of supply chain disruptions (Figure 1). An initial spike was followed by a persistent decrease in price that may foreshadow the likely cooling of coffee demand as a result of the recession that is now affecting many coffee-importing countries. At the end of June, the ICO composite indicator fell below the 100 US-cents/lb mark. Hence, the covid-19 pandemic constitutes an enormous additional challenge to the global coffee sector that has experienced a prolonged period of low prices.

“Covid-19 pandemic represents a further challenge to the coffee sector, which was already suffering a prolonged period of low prices. [...] For the coffee sector, the consequent delay or postponement of orders by consumer countries could cause the definitive closure of many farms with the consequent destruction of entire local coffee-based economies.”

Against this background, the International Coffee Organization (ICO) launched a survey on the impacts of covid-19 on exporting Member countries. The objective was to (i) assess the short- and long-term impact of covid-19 on their coffee sectors from farm to export gate and (ii) to identify mitigation measures and additional resources required. The survey provides a snapshot of current perceptions of trends in coffee-exporting countries. The results and insights of the survey support ICO advocacy for and access to resources and funding to help mitigate the negative impact of covid-19 on the health, social and economic life of all those working in the coffee sector with special focus on exporting countries.

- Indonesia

Figure 1: ICO composite indicator daily prices



The survey was launched online on 20 May. By 1 June, 16 ICO exporting Member countries from Africa, Asia, Central America, Mexico & Caribbean, and South America had completed the survey (Table 1). Together, these countries represent 85% of the world coffee production. The questionnaire was completed by the official representatives to the ICO or organizations in Member countries reflecting the sentiment of exporting countries towards the impact of covid-19 at the time of the survey.

Table 1: Participating Countries

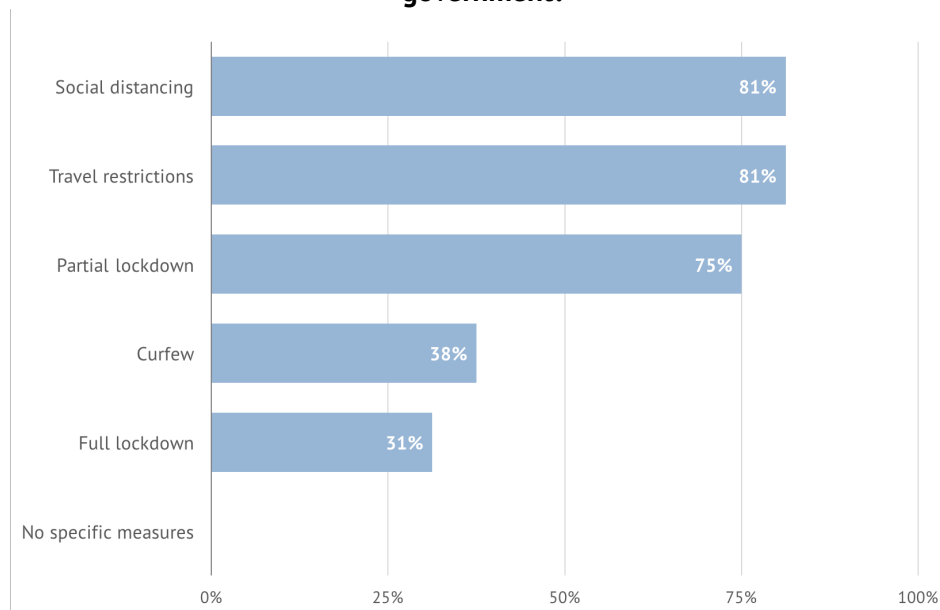
Brazil	Gabon	Peru
Cameroon	India	Rwanda
Colombia	Indonesia	Sierra Leone
Costa Rica	Mexico	Viet Nam
El Salvador	Nicaragua	
Ethiopia	Papua New Guinea	

The remainder of this report is divided into four sections. Section II presents the survey results relating to the impact of the covid-19 pandemic, including information on the overall impact on the national coffee sectors, coffee producing households, coffee production, domestic supply chains and domestic consumption. Section III focuses on the impact of covid-19 on the sustainability of the coffee sector. Section IV identifies measures implemented by the exporting governments to mitigate the impact of the covid-19 pandemic and highlights areas in which external support may be required. Section V draws key conclusions and provides the way forward.

II. Impact of the covid-19 pandemic on the coffee sector

As an immediate response to covid-19, many governments have introduced country-wide risk management measures. The survey shows that at the end of May 81% of the countries that participated in the survey had introduced country-wide social distancing and travel restrictions. However, partial lockdowns have been introduced equally frequently. Full lockdowns and curfews were less common, but had been adopted in close to one-third of the countries. None of the 16 responding countries reported that no country-wide measures had been introduced.

Figure 2: What country-wide risk management measures have been introduced by your government?



These measures are likely to have a severe impact on countries' economies and their coffee sectors. Two major transmission channels for the impact of covid-19 on the coffee sector have been identified by the ICO.¹ Firstly, the covid-19 pandemic has affected labour supply, either directly due to illness or indirectly as the movement of farm labourers and migrant workers is limited by social distancing measures, lockdowns and travel restrictions. Second, internal logistics networks and the functioning of the export infrastructure have been disrupted, resulting in delays of shipment as well as increased trade and transaction costs.

In principle, the impact of covid-19 on the coffee sectors of individual countries at the time of the survey depends on three factors: the epidemic curve, the coffee crop cycle and prevailing production systems. The extent to which a country is currently impacted by the covid-19 pandemic is determined by the number of infections, the capacity of the health system, and the containment measures that have been put into place. Therefore, countries in which the coffee harvest coincides with the peak of the pandemic will be more severely affected, since labour supply is largely restricted. The severity of the covid-19 impact on the harvest also depends on the farming system. Coffee growers employing large numbers of (international) migrant workers are more likely to be affected by labour shortages than smallholders primarily relying on family. Mechanization is likely to have a mitigating effect, but is not widespread.

¹ For a detailed account please refer to [ICO Coffee Break No. 2](#) 'Volatile Coffee Prices: Covid-19 and market fundamentals' (together with the International Food Policy Institute).

Overall impact on national coffee sectors

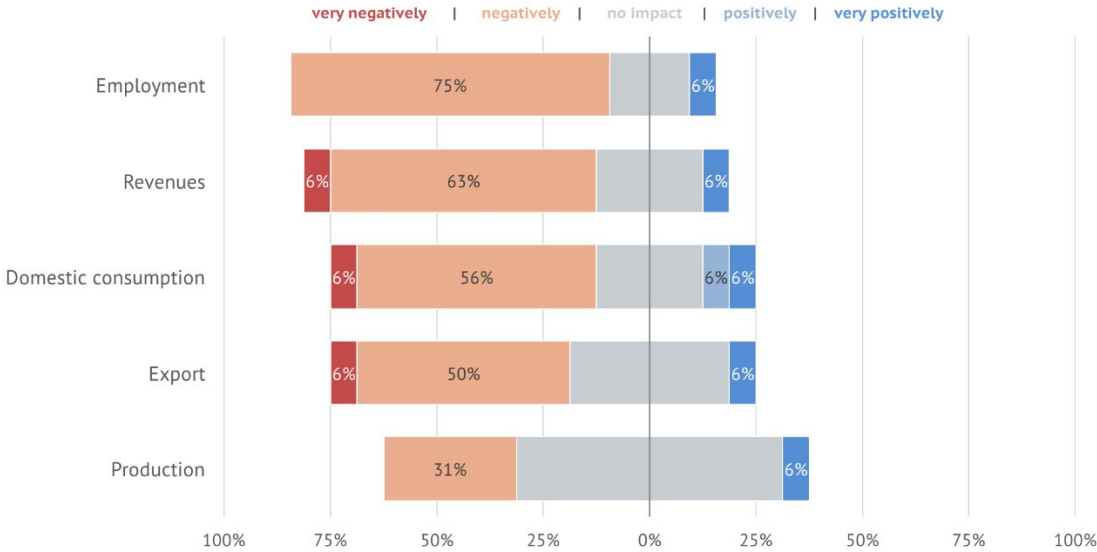
The survey results suggest a largely negative impact of covid-19 on the national coffee sectors of exporting countries. The majority of respondents expect that employment, revenues², domestic consumption and export will be negatively affected by the covid-19 pandemic (Figure 3).

“We believe that globally consumption will fall.”

- Papua New Guinea

This is likely to be due to travel restrictions and social distancing measures that lead to higher cost of production, while impacting employment and revenues generated in the coffee sector. Domestic consumption is affected through reduced consumer income and social distancing measures. Exports are likely to be affected by disruptions in international trade and reduced global demand. The impact on coffee production at the time of the survey remains somewhat ambiguous, with almost two-thirds of the responding countries not being affected. The impacts on coffee production might become more visible in the second half of the year, when more countries enter the harvesting season or liquidity constraints at farm level may lead to reduced input use.

Figure 3: To what degree is your country’s coffee sector being currently impacted by covid-19?



Economic impact on coffee producing households

While assessing the impact of covid-19 on the living income gap among coffee producers in Member countries lies beyond the scope of this survey, the living income concept³ informed the formulation of questions. Accordingly, in this questionnaire module the questions were grouped around household revenues (from coffee and other sources) and expenditures (food, non-food items and services).

² No significant difference was recorded between expected impact on revenues of Arabica and Robusta production.

³ Living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. The living income gap represents the difference between an individual’s current income and the living income ([The Living Income Community of Practice](#)).

Figure 4 shows that on the household income side, up to 70% of responding Member countries expect that income derived from coffee production as well as opportunities for other income-generating activities will decrease as a result of covid-19. Almost 50% of responding countries expect a negative impact on access to finance while the outlook with regard to widespread logistical constraints is more ambiguous.

“In terms of income, farm workers and planters are the most affected by this crisis.”

- Gabon

Lastly, almost half of the respondents expect input costs to rise, thereby outweighing the 20% that expect them to decrease. An increase in costs could be explained by two different impact channels. On the one hand, the supply of inputs could be reduced as a response to market frictions, such as supply disruptions, therefore increasing prices of these goods. In addition, farmers in coffee exporting countries that import inputs could face higher cost for fertilizers, pesticides and machinery as some local currencies have devalued against the US dollar.

Figure 4: Expected effect of covid-19 on living income gap in the next 6 months – Impact on earnings and cost

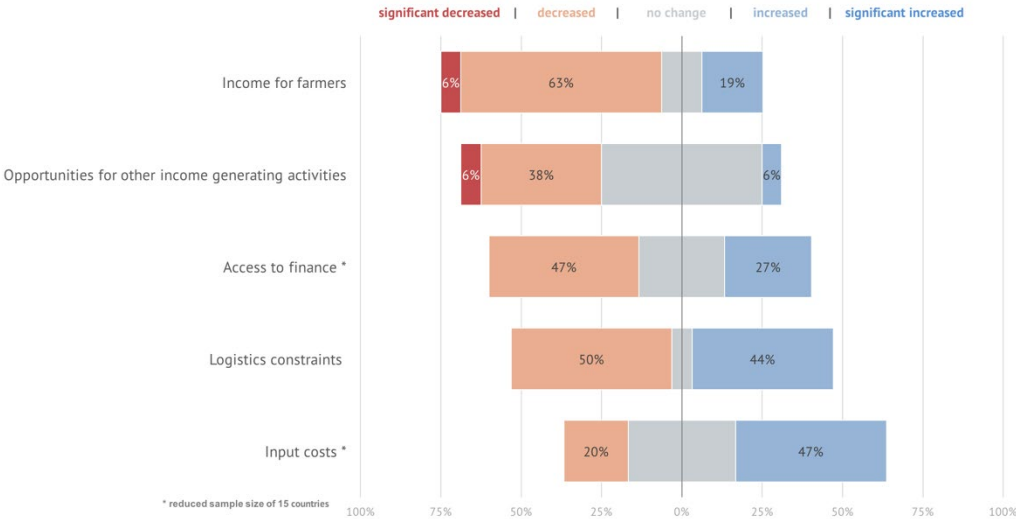
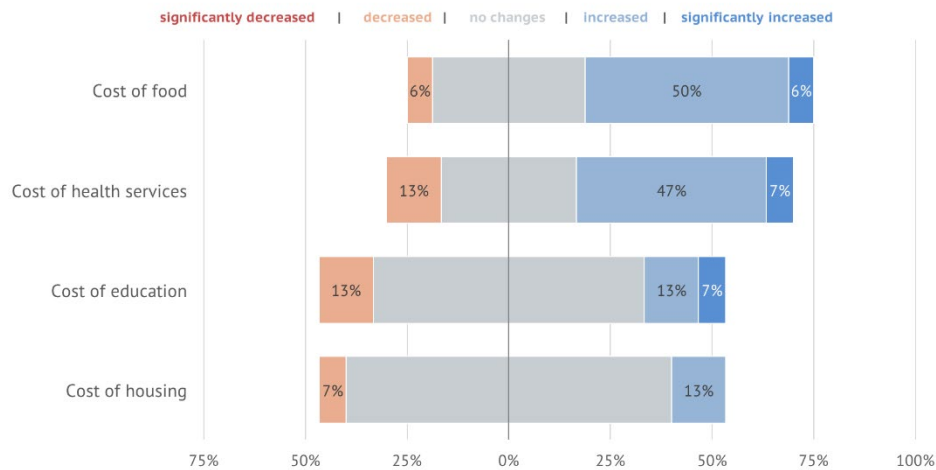


Figure 5 summarizes the results on the household expenditure side. More than half of the exporting countries indicated that the cost of food and health services are likely to increase. No significant changes are expected in the vast majority of countries with regard to the cost of housing and education.

On balance, the combined effect of reduced household incomes on the one hand and higher cost of living on the other hand is likely to widen the living income gap for coffee producers in responding countries over the next six months.

Figure 5: What is the expected impact of covid-19 on the living income gap in the next 6 months?



Impact on coffee production and the domestic supply chain

The responding countries' expectations on the covid-19 impact on coffee farm operations are mostly balanced between negative and positive impacts (Figure 6). A larger share of the respondents expects the impact on logistics and harvest to be negative (38%) rather than positive (25%). Both processes are more likely to be affected by social distancing measures and travel restrictions. However, a quarter of the countries expects the situation to improve in the next six months. The results for cultivation and post-harvest processing show that the majority of countries do not expect changes. These findings could demonstrate a moderate optimism on a quick post-covid-19 recovery in the coming month, or could also be an artefact of the differences between countries in terms of the stage of the epidemic and their position within the crop cycle. Hence, continuous monitoring over the coming months will be required in order to identify the actual impact of covid-19 on farm operations in individual countries.

“Because of global and national risk management measures and lockdowns coffee cultivation and harvesting would be difficult because in Ethiopia coffee cultivation (weeding, stumping, manuring, and other activities) as well as harvesting are done by hand.”

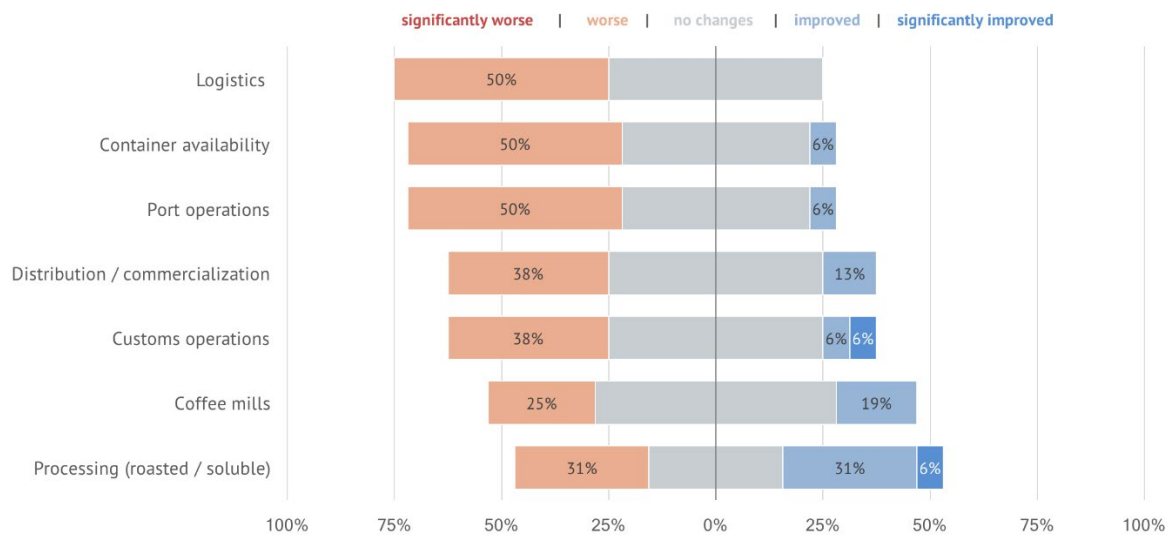
- Ethiopia

Figure 6: What is the expected impact of covid-19 on coffee farm operations in your country in the next 6 months?



For downstream value chain operations responding countries expect a largely negative impact (Figure 7). Exporting countries are most concerned about the impact on internal logistics as well as on export infrastructure and processes, such as port operations, container availability, distribution and commercialization and customs operations. Coffee milling and processing on the other hand appear to be less affected or vulnerable with 19% and 37% of the respondents expecting an improvement over the next six months, respectively.

Figure 7: What is the expected impact of covid-19 on downstream coffee value chain operations in your country in the next 6 months?



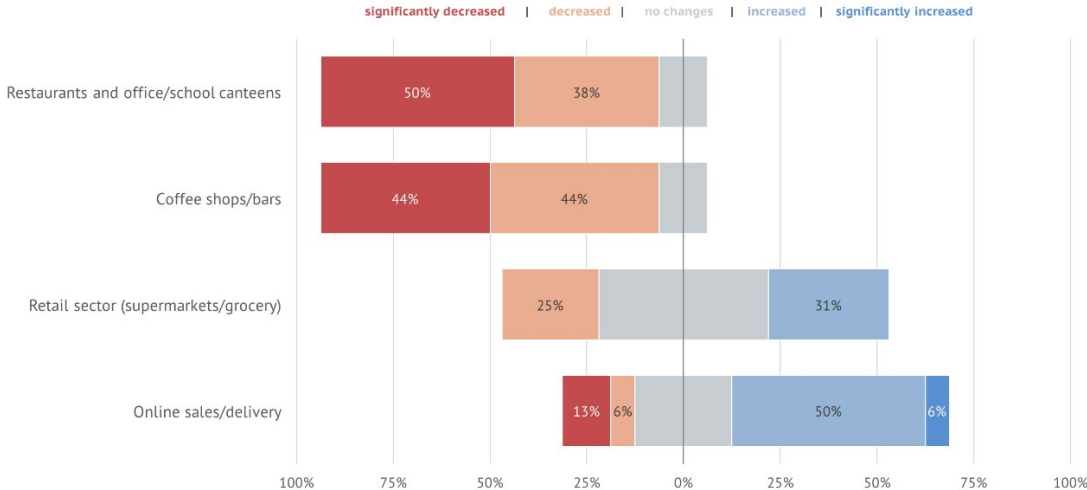
Impact on domestic consumption

Domestic consumption of coffee has increased significantly over the past decades. Today around 15% of coffee produced is consumed in exporting countries, up from only 7% in 1990/91.⁴ The survey reveals trends for covid-19 impact on consumption in exporting countries that follow a similar pattern to that observed in importing countries (Figure 8). Due to social distancing measures and lockdowns, there has been a shift away from on-premises consumption (e.g. in restaurants, canteens, coffee shops and bars) to online sales and delivery. This clearly highlights the importance for e-commerce and other retail innovations in coffee exporting countries⁵. The effect of covid-19 on sales in the retail sector was ambiguous. This data is qualitative indicating the expected direction of impact (positive or negative). Hence, further research is required to quantify the impact on coffee demand and sales in the different categories.

“The decrease in domestic consumption is due to the closure of the shops that sell the drink (cafes, restaurants, hotels, offices, etc.), even when an increase in consumption is expected at home.”

- El Salvador

Figure 8: Impact of covid-19 on coffee consumption – To what extent have these areas been affected in your country?



⁴ [ICO Coffee Development Report 2019](#) ‘Growing for Prosperity: Economic viability as the catalyst for a sustainable coffee sector’, p.34

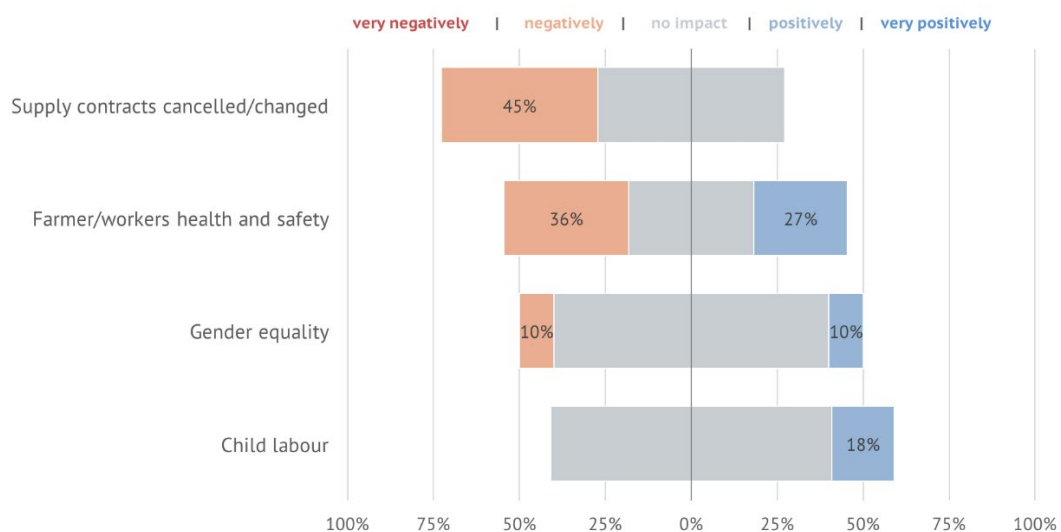
⁵ It should be noted that among the respondent countries all but two are middle-income countries where ICT infrastructure should be sufficiently developed to facilitate online transactions.

III. Covid-19 impact on the long-term sustainability of the coffee sector

Beyond supply chain disruptions and reduced demand, the covid-19 pandemic could have profound long-term impacts on the sustainability of the global coffee value chain. As observed in Section 2, coffee-producing households are negatively impacted by covid-19. As income falls, the prevalence of poverty among coffee farmers most likely increases. Households struggling with uncertainty and diminishing income may reduce investments in sustainable production and climate resilience. Some may - out of necessity - revert to harmful coping measures, such as child labour, a phenomenon being detected in other agricultural sectors with higher prevalence of unethical labour practices.

The questionnaire module focusing on long-term effects did not reveal a clear trend across various socio-economic dimensions, except supply chain relationships (fulfilment of contracts) for which 45% of countries observed negative impacts (Figure 9). Notably, at the time of the survey 80% of countries did not register an impact of covid-19 on child labour and gender equality. However, continuous monitoring is required as research and evidence from other sectors suggests that child labour is on the rise as a result of increasing poverty and school closures due to the pandemic.⁶ Furthermore, rural women are likely to be more affected than men and gender inequalities seem to amplify as a consequence of covid-19.⁷

Figure 9: Socioeconomic impact of covid-19 – To what extent have these areas been affected?



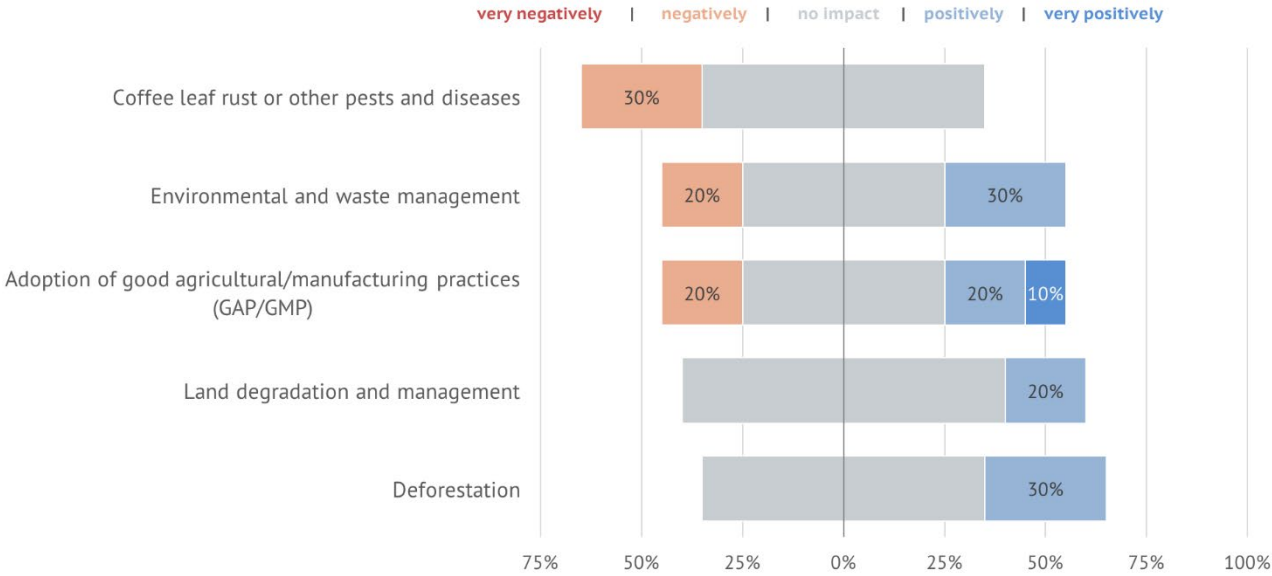
Along the environmental sustainability dimension, the responses on the impacts of covid-19 at the time of the survey also do not show a clear trend. At least half of the countries reported that the pandemic had no effect on good agricultural practices, environmental and land management or deforestation. Notably, close to one-third of countries reported that the prevalence of coffee leaf rust and other pest/diseases is likely going to increase. This could be attributed to a potential rise in the cost of inputs such as pesticides and fertilizers and a lack of technical assistance from extension services due to social distancing and lockdowns. Furthermore, farmers experiencing

⁶ [ILO & UNICEF Report 2020](#) 'Covid-19 and child labour: a time of crisis, a time to act'

⁷ [FAO Report 2020](#) 'Gendered impacts of covid-19 and equitable policy responses in agriculture, food security and nutrition'

income insecurity and lack of liquidity will invest less in additional inputs and maintenance of plantations. The impacts along these sustainability dimensions (social, environmental) may take longer to materialise and are context-specific. Hence, the results should be seen as a first snapshot of the current situation in these areas and similarly to the socio-economic dimension, continuous monitoring is required.

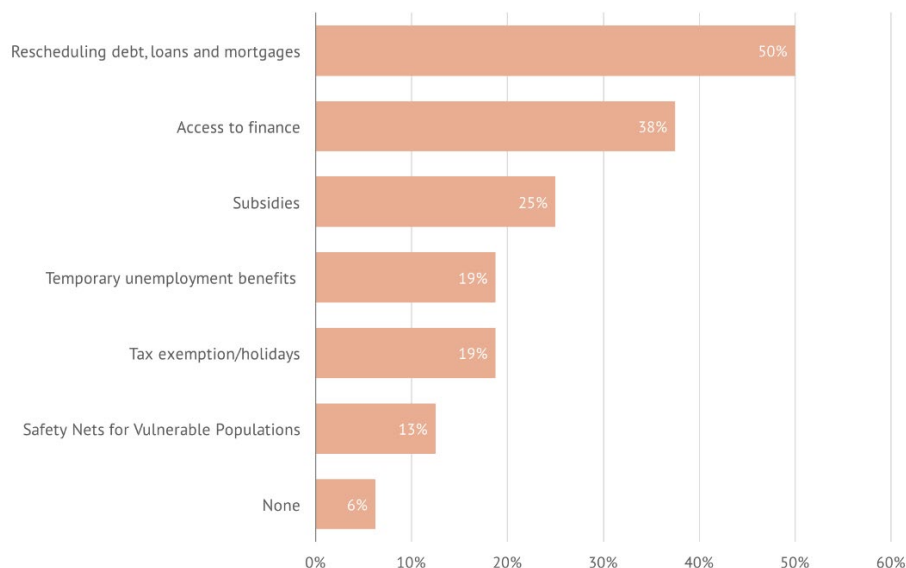
Figure 10: Environmental impact of covid-19 – To what extent have these areas been affected?



IV. Policies and support measures to mitigate the impact of covid-19 on the coffee sector

The final section of the questionnaire assessed measures implemented by governments to mitigate the impact of the covid-19 pandemic and highlights areas in which external support may be required. At the time of the survey, only one out of the 16 respondent countries had no financial or fiscal measures in place to support their economies (Figure 11). The remaining 15 exporting country governments were providing support of some kind that directly or indirectly benefits the coffee sector to mitigate the covid-19 impact. Most common among responding countries (50%) is the rescheduling of debt and increased access to financial instruments/services. Notably, safety nets for vulnerable populations, such as farmers and workers, are not widely accessible (13%).

Figure 11: What financial/fiscal measures have been put into place by the government to mitigate the impact of covid-19 that could benefit the coffee sector?



“It is important that financial support is provided with the accompaniment of technical assistance, to ensure the proper use of resources and repayment.”

- Peru

Finally, responding exporting countries indicated priority areas in which external technical and financial assistance may be required over the next 12 months in order to mitigate the damage caused by covid-19. Figure 12 shows that access to finance is a key concern (ranked by six countries as priority or second most important area for assistance). Liquidity support for businesses along the value chain is key to overcome the reduced sales and increased production and transport cost. This finding is consistent with the outcome of the ICO high-level event on covid-19.⁸

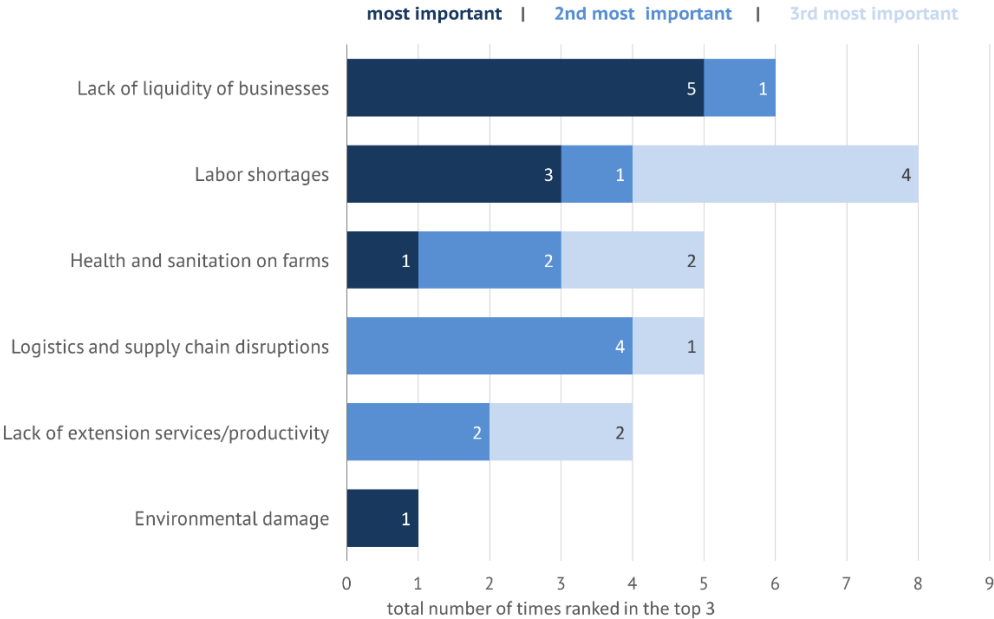
⁸ A virtual seminar was held as part of the 126th Session of the International Coffee Council on 3 June. Details on the event, the recording and technical presentations are available [here](#).

Half of the respondent countries ranked labour shortages due to social distancing and lockdowns within the top-3 areas that need to be urgently addressed within the next year. Other measures required in the medium-term concern health and sanitation on farm, logistics and lack of extension services and productivity. Environmental damage has only been ranked in the top three areas once, suggesting that it has not been identified as a priority for most countries that participated in the survey. This is consistent with the notion that at the time of the survey social and environmental sustainability impact of covid-19 was unclear or deemed to be low (see Section III).

“The policy response will need more innovative actions beyond monetary and fiscal measures addressing immediate effects such as liquidity constraints but seed for resilience of long-term effects of the pandemic as well as the recovery of the entire economy.”

- Rwanda

Figure 12: What are the most important areas in which technical or financial assistance is required over the next year to mitigate the damage caused by covid-19?



V. Conclusion

Country-wide risk management measures have been implemented across the globe in order to contain the spread of the novel corona virus and to save lives. However, these measures have significant negative implications for the world economy and the global coffee sector. The survey of ICO exporting Members reveals that countries experience a largely negative impact of the covid-19 pandemic on the coffee sector and that the outlook for the next six to twelve months remains uncertain. National coffee sectors have been negatively impacted in terms of employment, revenues, exports and domestic consumption. The livelihoods of farmers are increasingly under pressure as farm revenues decrease while costs for inputs and expenditures for food and non-food items are on the rise. Furthermore, downstream coffee value chain operations are disrupted as a result of social distancing and lockdowns. Internal logistics as well as export infrastructures are negatively affected. The long-term impacts of the covid-19 crisis on the economic, social and environmental sustainability of the coffee sector need to be closely monitored and national, regional and international support and resources mobilised quickly.

The results of this survey present a snapshot of the current sentiment in exporting countries that represent more than 80% of global production and also highlight the need for additional support. Whereas many countries have put direct or indirect mitigation measures into place in order to support their domestic coffee sectors, exporting countries also report the need for financial assistance to ensure business liquidity and to mitigate impacts arising from labour shortages in the coming months as the covid-19 pandemic continues. Moreover, the concern expressed by almost half of the respondents that sales contracts were cancelled or changed requires attention. In this regard, positive examples of buyers supporting coffee producers to minimize the negative socio-economic impact on farmers and their families should be highlighted. In addition, more long-term contracts could increase resilience and sustainability of the coffee sector in the future.

The ICO emphasizes the importance to protect lives from direct impacts of the virus during the harvest season, to protect livelihoods and incomes of vulnerable groups and to protect previous investments undertaken towards enhancing the sustainability of the coffee sector. The partnership of national governments, the coffee industry, the international development community and civil society is required in order to provide emergency relief and ensure a sustainable recovery of the coffee sector from this global crisis.

“Post covid-19 pandemic, this is an opportunity to promote the application of good agricultural practice in coffee and promote the use of e-commerce in coffee product trading.”

- Viet Nam