



International Coffee Council
126th Session (Special)
Virtual Session
4 and 5 June 2020
London, United Kingdom

Concept Note

**Promoting Coffee Consumption in the Asia
Pacific Region**

Background

1. This document has been submitted by the Asia Pacific coffee-producing region and contains a concept note on a project proposal to unlock the potential of coffee consumption in the region to contribute to maintaining a fair balance between world supply and demand.
2. The project will be funded by the Asia Pacific portion of the Special Fund in accordance with [Resolution 459](#) on the use of the Special Fund approved by the International Coffee Council on 22 September 2016. The Secretariat will monitor and evaluate the implementation of the project.

Action

Exporting Members are requested to consider the attached Concept Note and, if appropriate, to approve it.

CONCEPT NOTE

PROMOTING COFFEE CONSUMPTION IN THE ASIA PACIFIC REGION

Introduction

Producing members of the ICO decided to use the remaining balance in the Special Fund to promote domestic consumption in producing countries and decided to split the fund into 3 equal shares and allocate this to the three coffee producing regions; namely: Africa, Central America, and Asia/Pacific.

Rationale

Coffee producers in developing countries have been facing a serious crisis caused from the considerable drop of coffee beans price. In 2019, coffee beans price in the international market has halved from the peak of 2011, the lowest global market price in a decade and lower than production cost. While the coffee beans price has been in crisis, retail price of roasted and ground coffee has been going up over the last 10 years. Oversupply benefits only coffee roasters and retailers in consuming countries but poses a serious loss to the livelihoods of coffee farmers in coffee producing countries. At the same time, coffee producing countries are also affected by climate change (e.g. drought, frost, heavy rain in the dry season). That resulted in damage of planted coffee areas. Moreover, the current pandemic Covid 19 has been taking serious impact to the world economic and having profound impact to the whole coffee chain.

Currently, there are two challenges facing coffee producing countries, particularly the Asian/Pacific caucus member countries of ICO comprising: India, Indonesia, Nepal, Papua New Guinea, and Vietnam. The first is that most of coffee produced is exported in bulk as green, unroasted beans, with most of the processes that add the greatest value taking place in coffee consuming countries. International experiences have shown that coffee producing countries can capture more benefit from promoting coffee consumption and developing the domestic market for coffee. The lesson learnt from Brazil shows that a large domestic market can provide huge opportunities for the development of an in-country processing industry. Furthermore, a large, stable domestic market can also help reduce price volatility from international markets. An expanded domestic market therefore, acts as an effective buffer zone for mitigating the risks of price volatility on the international market. In addition, expanding domestic consumption can make the following important contribution to the economy of producing countries:

- Creating jobs in all stages of the coffee value chain comprising production, processing, distribution and coffee retail activities.
- Promoting the development of coffee processing sector in the domestic market to meet domestic demand increases the capacity for any value-addition in the producing country concerned. Processing coffee in producing countries not only retains any value addition in country but the export of processed green coffee has the potential to more than double the unit value of such exports.
- Contributing to tax revenue and GDP growth.

The Asian/Pacific caucus member countries of ICO (comprising India, Indonesia, Nepal, Papua New Guinea, and Vietnam) account for 30% of total global coffee production and 33% of the total global export value. However, domestic consumption of those countries is relatively low as compared to traditional coffee markets

Coffee Consumption of India, Indonesia, Nepal, Papua New Guinea and Vietnam (2017/18)

	Country	Total consumption 2017/18 ('000 bags)	Population (million people,)	Consumption per capita (kg/person)
1	India	2,350	1,296.8	0.11
2	Indonesia	4,700	262.9	1.07
3	Nepal	0	28.1	0.00
4	Papua New Guinea	2	8.6	0.01
5	Vietnam	2,500	97.0	1.55

Background

Two regions, Africa and Central America have already embarked on projects designed to achieve greater consumption of coffee within their region, but the Asia/Pacific region have taken some time to finally agree a common approach. In many ways this is understandable in that each of the 5 countries in the region are at different stages in the development of their domestic industry, so much so that what is relevant in one country is not equally applicable in others. Furthermore, while the other 2 regions are on a common land mass, the Asia/Pacific region is widely dispersed geographically creating additional expense when working together on a common project. It also needs to be recognised that the total amount available is relatively small at \$475,000 which clearly imposes not only a limit on any project's ambition but also its potential impact. Nevertheless, the region have now agreed a common approach.

OUTLINE OF PROPOSED PROJECT

Following extensive consultation, the countries of the region have agreed that the project should have the following common elements: -

To promote domestic demand in the 5 Asian/Pacific caucus member countries of ICO, by:

- Having greater insight into the capacity building needs of stakeholders in the coffee sector (roasters, coffee shops, etc.) of the 5 Asian/Pacific Caucus member countries of ICO: and
- Developing training materials and conducting training courses on entrepreneurship, shop management, good roasting and brewing practices as well as food safety issues for stakeholders in the coffee sector in the 5 Asian/Pacific Caucus members.
- Developing promotional materials for the local market in each of the 5 Asian/Pacific Caucus member countries of ICO in the country's local language.
- Other activities dealing with different issues appropriated with each caucus member countries (proposed by each country).
- Duration 1 year.

Project components

Component 1: Review of government policies and domestic coffee consumption.

Actions

- Review of domestic coffee consumption.
- Review of existing government policies affecting the sector, where appropriate.

Component 2: Building capacity for stakeholders in the coffee sector of 5 Asian/Pacific caucus member countries of ICO

Actions

- Conduct training need assessment surveys of relevant stakeholders in the 5 Asian/Pacific caucus member countries of ICO.
- Develop training materials (based on training need assessments).
- Develop promotional materials for use in local markets.
- Conduct training courses on the following topics either in-country or at a recognised coffee training institution within the region:
 - Entrepreneurship.

- Coffee Shop Management.
- Roasting Techniques.
- Packaging Technology.
- Brewing Technology.
- Barista Skills.
- Food Safety and Hygiene issues.
- Coffee and Health

Component 3: Project Management, Technical Coordination and Financial Management

Actions

- Monitoring and Evaluation: The ICO will manage the finances and evaluate execution of the project as well as providing assistance to individual countries prepare a final report on the project.
- Creation of a Coordinating Committee comprising a representative of each country which will meet virtually every 3 months.

Outputs

- Training materials on all aspects relating to promoting domestic consumption in the Asian/Pacific member countries of ICO.
- Promotional materials in local languages and posted on websites of Coffee associations/ Coffee Board of each countries.
- Training courses either held in-country or as appropriate at a recognised training institution within the region:
- Project Reports

Budget Allocation: \$478,509

- India \$90,000 plus individual country contributions.
- Indonesia \$90,000 plus individual country contributions.
- Nepal \$34,000 plus individual country contributions.
- PNG \$52,000 plus individual country contributions.
- Philippines \$34,000 plus individual country contributions.
- Thailand \$34,000 plus individual country contributions.
- Timor-Leste \$34,000 plus individual country contributions.
- Vietnam \$90,000 plus individual country contributions.
- ICO Evaluation \$20,509