Challenges of Sustainable Coffee Certification in Indonesia

London, United Kingdom 25th September 2012

COFFEE AREA AND PRODUCTION BY CATEGORY OF PRODUCER

Coffee area
(1.3 million ha)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov. Own estate</td>
<td>96%</td>
</tr>
<tr>
<td>Private estate</td>
<td>2%</td>
</tr>
<tr>
<td>Small holder</td>
<td>2%</td>
</tr>
</tbody>
</table>

Coffee production
(+ 630,000 ton/year)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov. Own estate</td>
<td>91%</td>
</tr>
<tr>
<td>Private estate</td>
<td>5%</td>
</tr>
<tr>
<td>Small holder</td>
<td>4%</td>
</tr>
</tbody>
</table>
Coffee Processing:

❖ Robusta:
  - Dry process
    (small holders)
  - Wet process
    (big estate)

❖ Arabica:
  - Wet Process
    (big estate and smallholder)
  - Dry process
    (a part of smallholder)

COFFEE SPECIFICITY

• Most are produced by smallholder
• Well known, long story: Mandheleng, Gayo, Prianger, Java, Toraja, Lampung, Bangelan etc.
• New brand: Kintamani, Flores, Bajawa
• Broad spread area and culture leading to specificity
COFFEE CERTIFICATION PROGRAM EXISTS

Certified comp : 45
Production : 45,866
General Requirements

<table>
<thead>
<tr>
<th>Cert Program</th>
<th>Env.</th>
<th>Econ</th>
<th>Social</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organik</td>
<td>**</td>
<td>*</td>
<td>*</td>
<td>***</td>
</tr>
<tr>
<td>Utz Certified</td>
<td>*</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>CAFE Practice</td>
<td>*</td>
<td>*</td>
<td>***</td>
<td>**</td>
</tr>
<tr>
<td>Nespresso</td>
<td>*</td>
<td>**</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Bird friendly</td>
<td>***</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Rainforest Alliance</td>
<td>***</td>
<td>*</td>
<td>**</td>
<td>*</td>
</tr>
<tr>
<td>4C</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Fair Trade</td>
<td>*</td>
<td>***</td>
<td>**</td>
<td>*</td>
</tr>
<tr>
<td>Global GAP</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
</tbody>
</table>
CERTIFICATION BODY AND COFFEE COMPANY

- Control Union
- NASA
- CERES
- BIOCERT
- IMO
- SDS
- RA
- SGS, ...

Arabica and Robusta: Ca. 27 brands

- Org EU, JAS, NOP
- Utz Certified
- CAFE Prac
- 4C
- SAN
- Org SNI

46 companies

NATIONAL CERTIFICATION BODY

- BIOCERT
- SUCOFINDO
- SDS INDONESIA
- CCQC
- INOVIS
- LESOS
- PERSADA

- DISPERTANPANG SUMBAR
- MUTU AGUNG LESTARI
- ..........

ACCREDITED UNDER KOMITI AKREDITASI NASIONAL
CRITICAL POINTS TO CURRENT SITUATION

<table>
<thead>
<tr>
<th>Social</th>
<th>Environment</th>
<th>Product / Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum wage, salary</td>
<td>Protection (forest)</td>
<td>Transparency and equity</td>
</tr>
<tr>
<td>Worker age</td>
<td>Erosion (buffer zone, surface, steep area)</td>
<td>Traceability</td>
</tr>
<tr>
<td>Education conflict, minor worker</td>
<td>Diversity, protection</td>
<td>Quality</td>
</tr>
<tr>
<td>Working environment, facility</td>
<td>Water quality</td>
<td>Safety and GMO</td>
</tr>
<tr>
<td>Discrimination</td>
<td>Pesticide</td>
<td>Processing, consistency</td>
</tr>
<tr>
<td>Forced labour, abuse</td>
<td>Waste management</td>
<td></td>
</tr>
<tr>
<td>Health and safety</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CONSTRAINTs

- Too many certification programs, lead to confusing and high cost.
- Expected benefit by farmer is income, not just in kind nor better farming.
- Consumer appreciation decreases, worse than at initial introduction.
- Tighten program requirements.
- Predominant foreign institution.
Commitment to Sustainability

Indonesia commits to generate sustainable coffee development, involving three aspects as follows:

1. Sustainability on profit and intangible benefits to improve livelihood of local peoples due to exploration of natural resources;

2. Sustainability on global coffee business activities providing benefits to all stakeholders involve on value chain;

3. Sustainability on ecosystem and socio-cultural management by local community.

Efforts to Sustainability

1. Empowering farmers organization,
2. Improving quality and productivity,
3. Strengthening domestic market,
4. Improving added value from coffee export,
5. Financing support and developing downstream industry and coffee industry clusters,
6. Developing mutual business partnership between farmers and exporters or roasters,
7. Applying good practices in coffee business
8. Build national certification scheme.
NATIONAL EXPECTATION
NATIONAL WORKSHOP “DEVELOPMENT OF INDONESIAN SUSTAINABLE COFFEE CERTIFICATION”
JAKARTA, 6 SEPTEMBER 2012

- To simply and reconcile
- Cost effective
- To develop national system, promote and harmonize

Scheme for Preparation and Implementation

End User:
PT. XXXXXXXXXXXXX

Processor, Exporter:
PT. XXXXXXXXXXXXX

Standard National Committee

CR/LS:
PRO CU, CCCOE 4B

Supplier: Farmer group, Cooperative, etc

ICS: input of supplier

Farm (Smallholder, estate), Processing, Warehousing and Administration

Coffee flow
Certification
Standard development (code of conduct)
Enhancement
Development of National System (ISCoffee?)

Acr. Body: KAN

Basic requirement, ISO Guide 65

Technical aspects

CERTIFICATION BODIES

NATIONAL STANDARD COMM.: GOTV., NGO, R & D, BUSS.

- STANDARD DEV.
- HARMONIZATION, PROMOTION
- REGULATION
- ENHANCEMENT

CERTIFICATE HOLDER: COMPANY, EXPORTER, COOP, FAMER GROUP ETC

Accreditation
Certification
Enhancement

Farm (Smallholder, estate), Processing, Warehousing and Administration

ASEAN SPIRIT: CHALLENGES OF RECONCILING

“ASEAN INTERNATIONAL SEMINAR ON COFFEE”
Bali, 12 – 13 Juni 2012

STRENGTH:
- PRODUCTION AND GRINDING IN ASEAN COUNTRIES
- ECONOMIC GROWTH

CHALLENGE:
SUSTAINABILITY INDICATOR. SHALL CONSIDER ASEAN COUNTRIES CONDITION

RECONCILING of Certification Programs

ASEAN CERTIFICATION SYSTEM
Conclusion:

- Numbers of certification programs initiated by private sectors those have been imposed to coffee producers, including Utz Certified, Organic (JAS, EU, USDA/NOP), GAP, HACCP, Rainforest Alliance, Fair Trade etc.
- Sustainable coffee certification have started in 1990s, currently 46 Indonesian coffee companies have been certified with total certified coffee of 47,000 ton per year. Nevertheless, coffee producers give varies respond including the confusing at farmer level and cost certification issue.
- Direct contact between buyer and producer by ignoring middlemen provides a case sensitive in implementing the certification programs.
- Indonesia as well as ASEAN coffee countries (from International Seminar on Coffee, June 12-14, 2012) concluded the need of reconciled efficient sustainable coffee certification in ASEAN countries which is accepted globally and cost effective.
Economically, Environmentally, Socially SUSTAIN........

Government policy

ICO TEAMWORK IS THE CATALYST THAT YIELDS EXCELLENCE FROM SHARED STRENGTHS