



**Summary report of the 7th Consultative
Forum on Coffee Sector Finance**

Background

1. The 7th Consultative Forum on Coffee Sector Finance took place during the week of the 120th Session of the International Coffee Council in Yamoussoukro, Côte d'Ivoire on Wednesday 27 September 2017. The theme of the Forum was 'Creating an Enabling Environment for High Productivity in Coffee Farming'. Its main question was: 'What factors contribute to environments that improve productivity in coffee farming?' It was chaired by Mr Juan Esteban Orduz, President and CEO of the Colombian Coffee Federation, Inc. The Forum brought together experts from the public and private sectors to discuss challenges facing the coffee sector with a special focus on improving productivity in coffee farming. It was noted that the speakers from Ethiopia and Vietnam were unable to participate at the Forum.

2. The presentations and background documents for the Forum can be found on the ICO's website at http://www.ico.org/forum7-e.asp?section=Meetings_and_Documents

SUMMARY REPORT OF THE 7TH CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE

Welcome and opening remarks

1. The Executive Director, Mr José Sette, welcomed participants to the 7th Forum. The Forum was an innovative feature established under the 2007 International Coffee Agreement in order to facilitate consultation on matters relating to the coffee sector. He noted that the central question of the session was focused on increasing global coffee production given the limited availability of arable land. He stated that the Forum featured speakers from several countries that have managed to successfully create enabling environments for increasing productivity in coffee farming and that these successes could serve as best practices for other countries.

Overview of world coffee productivity levels

2. The Head of Operations a.i. presented an overview of global productivity levels over the last five decades. He noted that coffee was a growth market where both global production and consumption had increased over the last few decades. He observed that this was due primarily to yield growth as global coffee area had declined. He noted that while the area had declined in South America, its production and yield had increased with much of this growth occurring in Brazil. He stated that, in contrast, production in Central America & Mexico had decreased in the last ten years due to stagnant yields and declining area. He observed that output and productivity growth in Africa has been led by increased production and yields in Ethiopia and Uganda. He noted that production in Asia had increased significantly as the area had expanded and yield had increased, particularly for Vietnam which had the world's highest level of productivity. He stated that some of the factors that contributed to productivity growth included extension services, access to inputs, access to finance, marketing, and public-private partnerships.

Overcoming the challenges of Sustainability, Mr Silas Brasileiro, Executive President, National Coffee Council, Brazil

3. Mr Brasileiro began his presentation by providing basic characteristics of the Brazilian coffee industry such as harvested area, output and productivity levels for coffee year 2016/17. Over the past 20 years there had been a significant increase in productivity with annual output levels rising from 25 million bags to 51.4 million bags. Mr Brasileiro pointed out that the increase in production was the result of higher yields which were more than twice as high today compared to 1996/97. As a result, less land was required to produce coffee. Over the past two decades, the planted area had decreased by 35% to 1.9 million hectares, fostering the environmental sustainability of production. Finally, he explained that Brazil had also successfully increased quality of output.

4. According to Mr Brasileiro, there were four factors enabling the productivity increase: (i) research and technology, (ii) training and extension services, (iii) strong farmers organizations, and (iv) an efficient supply chain.

5. The Brazilian Research Consortium coordinated by Embrapa Café organized the activities of 50 institutions in the area of developing new varieties and improving the use of inputs. The research results were effectively disseminated to farmers via an effective and well-funded extension service. With a budget of US\$70 million it had reached mainly smallholder farmers and supported, for example, the transition from Arabica to Robusta production in Espírito Santo in view of changing climatic conditions. Smallholder farmers' access to agricultural inputs and output markets was greatly improved by around 90 cooperatives operating across coffee producing states. These farmer-owned organizations facilitated access to finance and bundled crop marketing activities among other activities beneficial to producers. Finally, an efficient supply chain reduced transaction costs from plantation to harbour, transferring on average 85% of the FOB price to growers.

6. Mr Brasileiro concluded that increased productivity on the one hand, and the price of coffee on the other, were essential to achieve economic sustainability in coffee farming. Further increases in output would have to be met by increased demand to avoid oversupply.

Creating an enabling environment for higher production in coffee: the case of Colombia, Dr Hernando Duque Orrego, Technical Director, National Federation of Coffee Growers of Colombia (Fedecafé)

7. Dr Orrego stated that production in Colombia had declined between 2009 and 2012 due to coffee leaf rust and excessive precipitation from La Niña. He observed that coffee production had increased steadily since then, reaching an average of around 18 million bags per annum in the last three years. He noted that one of the challenges for increasing productivity was the fact that most producers were smallholders with an average farm size of 1.4 hectares.

8. He indicated that several approaches had been taken to improve productivity in Colombia. One approach had been the use of new varieties resistant to coffee leaf rust, which had been planted in 75% of the area under coffee. Increasing planting density in the last ten years, decreasing the average age of trees from thirteen years to seven years, and improving soil quality had also contributed to the improvement in productivity.

9. He noted that there were four distinct coffee growing regions in Colombia and over 200 demonstration plots across all regions had been used to study production systems for

mitigating the negative impact of climate change on coffee production. Cenicafé, the main research institute in Colombia, conducted research on coffee production at all stages in the various regions. Cenicafé also provided extension services, employing around 960 extension workers to improve coffee farm management practices.

10. He mentioned that improving farmers' access to finance and credit had also improved productivity. A credit scheme promoting the planting of new tree varieties resistant to leaf rust had been implemented through a public-private partnership to provide 230,000 loans to smallholders, covering around 200,000 hectares.

11. He concluded that these efforts had resulted in increased yields and production and that future efforts would focus on the economic sustainability to improve the profitability of the coffee sector in Colombia.

The coffee sector of Honduras, H.E. Mr Iván Romero-Martínez, Ambassador of Honduras to the United Kingdom

12. The Ambassador of Honduras stated that there was a long history of coffee production in Honduras with important milestones such as the establishment of the Honduran Coffee Institute (IHCAFE) in the 1970s to provide research and technical assistance to coffee farmers and the creation of the National Coffee Fund (FNC) in the 1990s, to support social development and infrastructure investment in the coffee sector.

13. Most coffee in Honduras was grown in the shade, using low-cost tree varieties, good soil management and intermediate spacing between trees to improve sustainability and profitability. Over the last ten years, production in Honduras had increased from 3.2 to 7 million bags while the average yield had advanced from 12.4 bags/ha to 18.8 bags/ha.

14. Several methods had been employed to improve productivity on coffee farms in Honduras, such as improving knowledge through transfer of technology, extension agents and demonstration plots. Efforts were underway to reduce the average age of trees in a plantation and to certify coffee plants. Other practices included monitoring for pests, employing a crop management plan, and using integrated pest management.

15. He explained that in addition to supporting production, efforts had been made to increase both international and domestic consumption of coffee grown in Honduras in order to improve profitability. These efforts included attending international conferences, participating in industry events to promote Honduran coffee, and promoting barista specialists among other things.

16. He maintained that climate change had been one of the main challenges for the Honduran coffee sector. One effort to mitigate the negative impact of climate change was to increase the genetic base of coffee trees to include varieties that could adapt better.

17. He concluded that to maintain and strengthen growth in the coffee sector, it is planned to increase institutional capacity, provide more financing for producers, improve the profitability of the coffee farming and provide social support such as food safety or safe drainage of waste water.

Development of coffee research to improve productivity in Côte d'Ivoire, Mr Hyacinthe Legnate, Head of the Coffee Research Programme in Côte d'Ivoire, National Agricultural Research Centre (CNRA)

18. Mr Legnate provided an overview of the development of coffee research programmes in Côte d'Ivoire aimed at productivity improvements.

19. Formal breeding programmes in the country had been initiated 60 years ago with a strong focus on producing hybrid varieties. Initially, this had been achieved by crossing plants of different origins, specifically those found in Guinea and the Congo basin. Until the 1980s, the selection and diffusion of almost 20 different clones had helped to increase the yield potential to 2.5 tons per hectare. However, these varieties still took four years to become productive. Recent improvements included productivity level at 3.5 tons per hectare. Coffee trees began to bear fruits after the first year.

20. Future research, Mr Legnate concluded, would focus on increasing resistance against pests such as the berry borer which poses a threat to coffee production in Côte d'Ivoire. Efforts would also be made to increase berry sizes and reduce the height of coffee trees, both aimed at advancing efficiency during manual harvest.

Discussion and conclusions

21. The presentations were followed by a lively discussion between all panellists and the audience. The discussion touched upon questions such as the link between increased output and suppressed prices, constraints to the dissemination of new varieties and the role of governments to foster large-scale replanting schemes.

22. The Executive Director summarized the results of the sessions and subsequent discussion, identifying broadly six factors that constituted an enabling environment for high productivity in coffee farming. He specified the following six factors: research into new

varieties, dissemination of new varieties and modern farming techniques, access to finance, efficient logistics, domestic consumption to stabilize demand, and strong institutions as well as coffee authorities.

23. The Forum concluded with a presentation by Mr Roberto Vélez, CEO of the National Federation of Coffee Growers of Colombia. He shared with the participants the results of the World Producers Forum had taken place from 10 to 12 July 2017 in Medellin, Colombia. During the forum, four main challenges that affect the sustainability of the economic coffee sector had been identified: productivity, price volatility, generational takeover, and climate change.