



**INTERNATIONAL  
COFFEE  
ORGANIZATION**

# **INTRODUCTION TO THE ICO AND ACTIONS TO ADDRESS COFFEE PRICE LEVELS**

**José Sette  
Executive Director**

**British Coffee Association Sustainability Committee  
5 March 2019**

# INTERNATIONAL COFFEE ORGANIZATION (ICO)

ICO is the main **intergovernmental** organization for coffee, bringing together **exporting and importing governments** to tackle the **challenges** facing the world coffee sector through **international cooperation**

ICO's mission is to **strengthen the global coffee sector** and promote its **sustainable expansion in a market-based environment** for the betterment of **all participants in the coffee sector.**

ICO contributes to the development of a sustainable world coffee sector **and to reducing poverty in developing countries to achieve the 2030 Development Agenda** and the Sustainable Development Goals

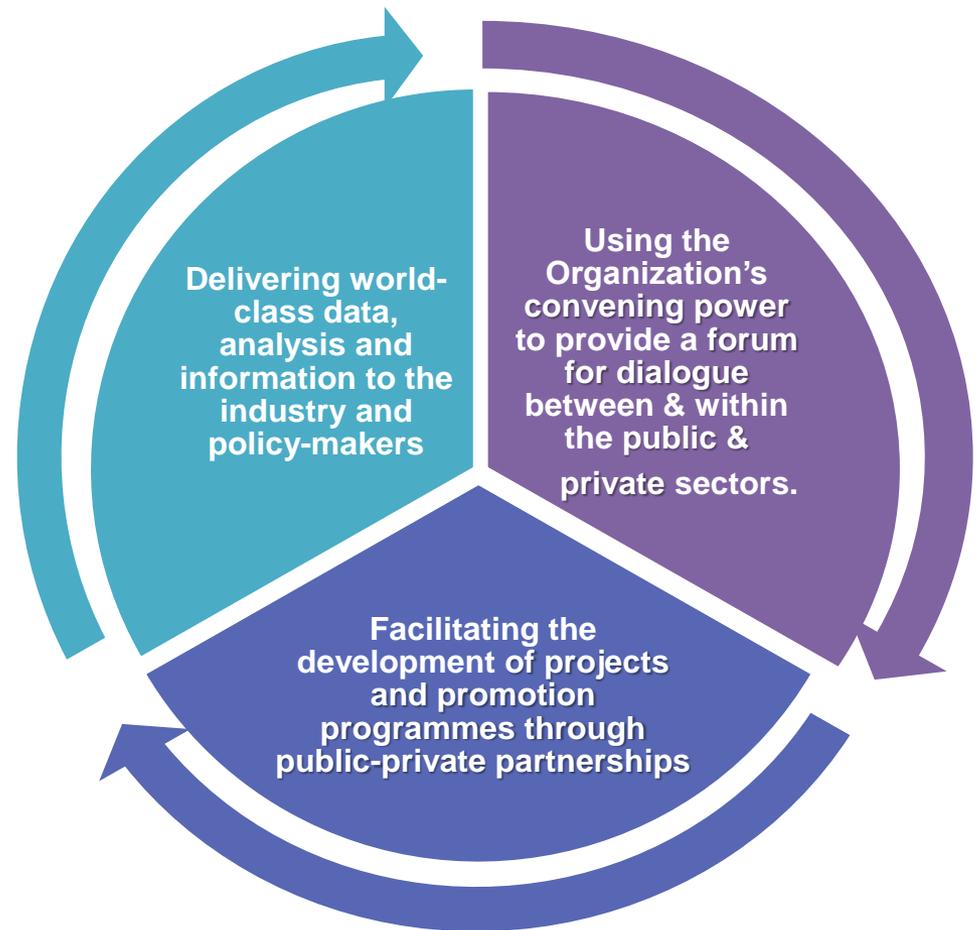


# INTERNATIONAL COFFEE ORGANIZATION (ICO)

The ICO was set up in London in 1963 under the auspices of the **United Nations** because of the great economic importance of coffee.

It administers the **International Coffee Agreement (ICA)**, an important instrument for development and cooperation.

The latest Agreement, the ICA 2007, entered into force on 2 February 2011.



**ICO Strategic Goals 2017-2022**



# THE SUSTAINABLE DEVELOPMENT AGENDA AS GUIDING FRAMEWORK OF THE ICO



# CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGS



- Coffee production can significantly contribute to **rural incomes** and thus help lifting rural households out of poverty. It provides **jobs and employment** to farming families and to farm workers in the community.
- **Resilience** against price shocks or extreme climatic events.



- Coffee can help reducing hunger and malnutrition, as a cash crop **generating income for food purchases.**
- Coffee also competes for land with food crops. Hence, modernized production systems and **higher yields will alleviate** pressure for land.



- Acknowledgement of the important role **women** play in the agricultural sector and of the whole coffee value chain
- With **equal access** to production factors, skills and financial resources, women can reach the same productivity levels and incomes as men.



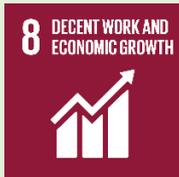
# CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGS



- Coffee sector could **improve water efficiency** of production both at farm and processing levels and minimize the risks of contamination through improved production methods.



- The coffee sector can increase **energy efficiency** at the various levels in value chain, e.g. cultivation, transport, and processing.
- Increase the share of renewable energy used in the value chain as well as use of **coffee waste as biomass**.



- More policies which help to retain **young people in rural areas** and/or encourage them to pursue a coffee sector career.
- Identify and address the issue of **child labour** and where applicable any forms of forced labour.



# CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGs



- The **sustainable industrialization** of coffee can increase income, employment and value addition and **reduce environmental impact**.
- Adopting new technologies as **Climate Smart Practices** and **Blockchain**, the coffee sector can adapt to and mitigate the impact of climate change and offer opportunities of higher income.



- Coffee sector improves **inclusion** and reduces inequality within countries by providing **economic opportunities in rural areas**, where poverty rates have been historically higher than in urban areas.



- **Engaging consumers** through awareness-raising and education on sustainable consumption and lifestyles.
- Promote **waste management** and **circular economy policies**, for example in the handling of coffee pods.



- Strong link to the coffee sector, more frequent extreme climatic events – frost, drought or prolonged rainfall – could have severe negative effects on **farm productivity. Yields and quality** could go down, ultimately affecting the global coffee market.



# CLIMATE-RESILIENT AND SUSTAINABLE COFFEE ECONOMY CONTRIBUTES TO THE UN SDGS



# SUSTAINABILITY OF THE COFFEE SECTOR

A sustainable coffee economy meets the SDGs:  
Well-being of all actors in the chain and ability to meet  
economic, social and environmental goals and standards

FIGHT POVERTY

- The production, processing, consumption and disposal of **coffee creates wealth and employment**
- Farmers, traders, industry, retailers and other stakeholders: **ALL should profit and prosper** from a sustainable coffee sector
- **Shared value** (sustainability) requires a **shared responsibility** among all stakeholders and must be reflected in a **fair, green and efficient** supply chain
- We need to analyse and address the economic, environmental and social impact of the coffee value chain, and **find solutions from production to consumption and disposal**



# THE COFFEE VALUE CHAIN

- Coffee is produced in **20-25 million** farms, mostly smallholdings, all over the world (tropical belt)
- More than **100 million** people **depend on coffee** for their livelihoods
- Retail distribution of coffee value:
  - Grocery/retail/discounters \$75-80bn
  - Coffee shops internet \$65bn
  - Foodservice channels \$58bn
- Average **value of green coffee exports is around \$20bn**, i.e.  $\leq 10\%$  of the more than **\$200 billion** revenues generated at retail level
- \$350 million is invested annually in sustainability activities in the coffee sector



# COFFEE IN THE GLOBAL CONTEXT

If we want to understand where the coffee sector is going, we must understand the **megatrends**



# MONTHLY COMPOSITE INDICATOR PRICE

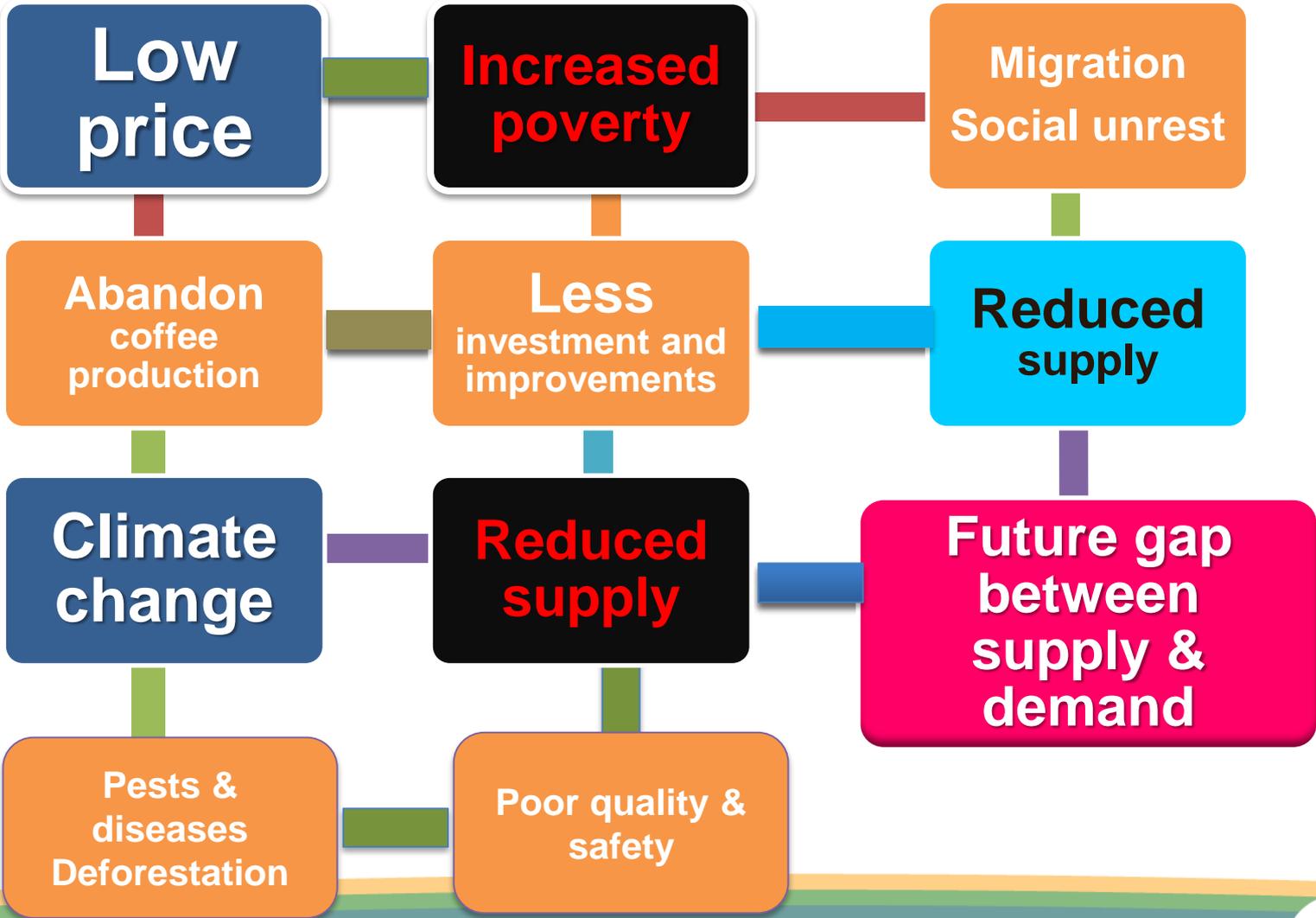
Figure 1: ICO composite indicator daily prices



© 2019 International Coffee Organization ([www.ico.org](http://www.ico.org))



# IMPACT OF LOW COFFEE PRICES





**Resolution 465  
on Coffee Price  
Levels**

## **CONSIDERING**

***That current market price levels do not allow coffee growers in most producing countries to cover their production costs, compromising their economic sustainability;***

***And further that current prices do not reflect the physical market fundamentals;***

***That consumption is a key instrument to guarantee the economic viability of the coffee value chain;***



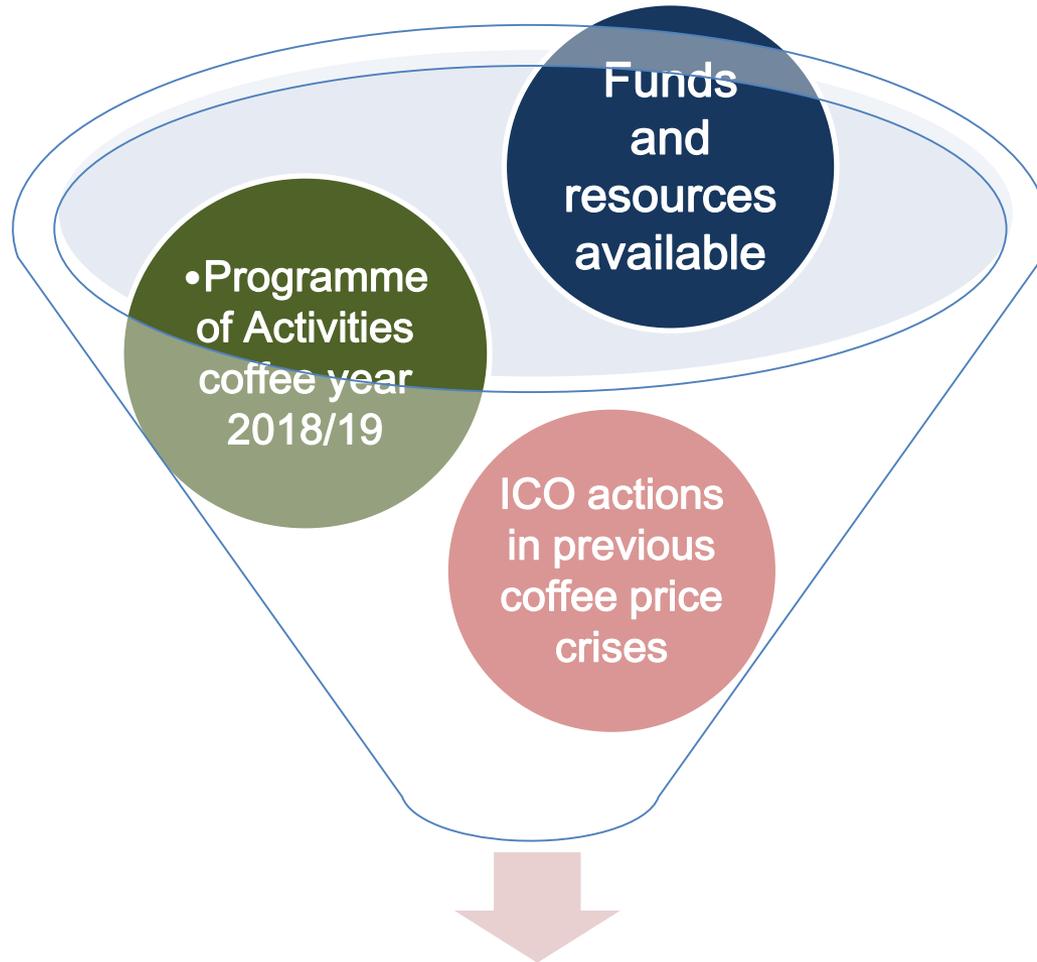
## THE INTERNATIONAL COFFEE COUNCIL DECIDES

1. To launch a **global communication plan** targeted at consumers, together with producers, the coffee industry, opinion makers, and other stakeholders, using social media and other means of communications in order to show the economic reality of the coffee sector – from the producer to the final consumer – as of the International Coffee Day, October 1<sup>st</sup> 2018.
2. To instruct the ICO to **promote dialogue among all stakeholders in the coffee value chain** to ensure the economic sustainability of the coffee producers.
3. To instruct the ICO to ensure that there is an **effective exchange between Member countries of national public policy initiatives** promoting economic sustainability.
4. To change the priorities of the ICO Strategic Plan to **address ‘Profitability: Consumption and Productivity’ in the coffee year 2018/19.**



- 4) To include the **promotion of consumption** as a guideline in all action plans of the ICO aiming to implement the 2030 Agenda for Sustainable Development;
- 5) To encourage **exporting Members** to adopt programmes to further **raise their internal consumption** level and encourage the ICO to support initiatives to **explore alternative uses for low-grade coffee**, in line with Item 9 of Resolution 420.
- 6) To urge the Executive Director to further **strengthen ties with the international roasting industry** as a matter of urgency, in order to gain support for the implementation of this resolution





## ICO IMPLEMENTATION PLAN



# ICO IMPLEMENTATION PLAN

Advocacy and  
communication

Research,  
knowledge-  
building and  
transparency

**ICC Resolution 465 – Coffee Price Levels**

Mobilisation of  
coffee  
stakeholders

Promotion of  
coffee  
consumption



# ICO IMPLEMENTATION PLAN

Structured dialogue

Survey on impact of low prices

Analysis of futures markets

Profitability of coffee growers in Latin America

Communications plan

Benchmarking coffee farmers' costs and revenues

# IMPLEMENTING ICC RESOLUTION 465

....the ICO to **promote dialogue among all stakeholders** in the coffee value chain to ensure the economic sustainability of the coffee producers.

....the Executive Director to further **strengthen ties with the international roasting industry** **as a matter of urgency**, in order to gain support for the implementation of this resolution

The Executive Director is engaging many key actors

THE BRITISH  
COFFEE  
ASSOCIATION

nca  
NATIONAL COFFEE ASSOCIATION USA EST. 1911



GLOBAL COFFEE  
PLATFORM  
for sustainable coffee work



SUSTAINABLE  
COFFEE  
CHALLENGE



European Coffee Federation



Specialty  
Coffee  
Association



JDE

JACOBS DOUWE EGBERTS



Nestlé



LAVAZZA

TORINO, ITALIA, 1895



SUCAFINA

TATA COFFEE



# IMPLEMENTING ICC RESOLUTION 465

.....the ICO to **promote dialogue among all stakeholders** in the coffee value chain to ensure the economic sustainability of the coffee producers.

.....the Executive Director to further **strengthen ties with the international roasting industry** **as a matter of urgency**, in order to gain support for the implementation of this resolution

## The Executive Director is engaging many key actors

- All parties share the concern on economic sustainability (short/long term)
- All parties welcome the ICO as a neutral forum for identifying solutions based on shared values among exporting/importing countries
- Overall agreement on a consultative process leading to the CEOs Forum 09/19
- Parties ready to contribute to identify and implement viable market-based solutions



## 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.



### Consultative events

1) **Seminar: Coffee - How Sustainable is our Future?**  
ICO/Global Coffee Platform, during the 124th Session of the ICC, 25 March, 2019, Nairobi, Kenya

2) **Financing investment in inclusive and resilient value chains: the case of the coffee sector**  
ICO/IFAD, 16 April 2019, UN Headquarters, NYC  
Side event at SDG Investment Fair, Finance for Dev. Forum

3) **Interactive Workshop on Price volatility and sustainability: Development challenges and solutions for smallholder farmers in the coffee value chain**  
ICO, Italian Dev. Coop., Ministry of Foreign Affairs & International Cooperation, IFAD, FAO, UNIDO, 16 May 2019, Rome, Italy  
Side event of International Cooperation Expo (Exco 2019):

4) **Symposium on Coffee price levels and volatility: Towards a sustainable path for the future of coffee**  
ICO /European Coffee Federation (ECF), hosted by the European Commission, 6 June 2019, Brussels, Belgium

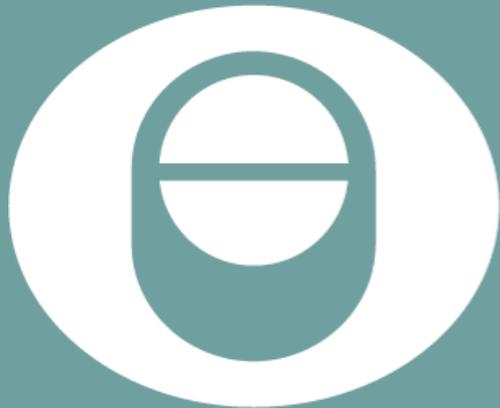
5) **Forum of Coffee Industry CEOs**  
24 September, 2019, as part of the 125th Session of the International Coffee Council, 23-27 September, 2019, Int'l Maritime Org., London, UK

**UN, EU, ECF, NCA, Italy, Germany, IFAD, FAO, UNIDO**

# TRANSPARENCY: STUDIES AND ANALYSIS

1. Futures markets: The role of non-commercial traders (Mar)
2. Survey on the impact of low coffee prices on exporting countries (Mar)
3. Profitability of coffee farming in selected Latin American countries (Mar/Sep)
4. Flagship report on economic sustainability of the coffee value chain (Sep)
5. Benchmarking of production costs (fundraising)





**INTERNATIONAL  
COFFEE  
ORGANIZATION**

*Thank you!*