



Core Group on the Consultative Forum
12th Meeting
28 March 2019
Nairobi, Kenya

**9th Consultative Forum
on Coffee Sector Finance**

Background

1. The attached document has been prepared to assist the Core Group in considering the preparations for the 9th Consultative Forum, including topic, date, format, dissemination of results, budget and sponsorship.
2. As stipulated in Article 31 of the International Coffee Agreement 2007, the objective of the Forum is to ‘facilitate consultations on topics related to finance and risk management in the coffee sector, with a particular emphasis on the needs of small- and medium-scale producers and local communities in coffee-producing areas’.
3. Under a revamped format, the 8th edition of the Forum, which was held as part of the 122nd Session of the International Coffee Council, brought together experts from a wider range of sectors and industries than in previous years. At the 8th Forum speakers from the coffee sector, financial industry, technology start-ups, international development and academia exchanged ideas on ‘Harnessing technology and innovation for investments in the coffee sector’.
4. Continuing with this new format that is also open to participants from the public, the proposed theme of the 9th Forum is ‘Weathering the storm – effectively managing price risks in the coffee value chain’. The thematic focus reflects Resolution 465, which was adopted by Council in September 2018, and provides the Organization with a strong mandate to address the impact of current price levels on producers. The 9th Forum will be a key element in the search for solutions to strengthen farmers’ resilience against price volatility and foster economic sustainability in the coffee sector.

5. Results of the 9th Forum will inform other activities of the Organization carried out as part of the implementation of Resolution 465, such as the proposed sector-wide dialogue and will be shared widely among ICO Members and partner organizations.

Action

The Core Group is invited to consider this document and, if appropriate, to recommend for approval by the Council.

9TH CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE

I. DATE OF NEXT FORUM

1. The ICO will host the 9th Consultative Forum on Coffee Sector Finance (the Forum) during the 125th Session of the International Coffee Council, which will take place from 23 to 27 September in London, United Kingdom.

II. TOPIC FOR DISCUSSION

'Weathering the storm – effectively managing price risks in the coffee value chain'

2. The coffee sector faces various risks including: (i) agricultural risks stemming from erratic weather conditions as well as potential spread of pests and diseases; (ii) enabling environment risk related to changes in regulations, trade policies and macro-economic shocks; and (iii) market risk deriving from volatile global coffee prices, exchange rate fluctuations and counterpart risks in dealing with up- and downstream supply chain actors.

3. Since 2016 the coffee market has experienced a downturn resulting in current price levels that are 30% below the 10-year average. Hence, the issue of market risks is especially timely and pertinent. While market risks affect the entire coffee sector, value chain actors vary significantly in their ability to manage these risks and to mitigate the impact of shocks, with farmers usually being particularly vulnerable and smallholders as well as female producers disproportionately affected.

4. Against this backdrop participants of the Forum will explore how innovative and market-based approaches can improve farmers' resilience against price volatility and price shocks and how risks can be shared more equally among all links in the value chain, including roasters, traders and input providers.

5. Participants will be invited to discuss the potential of innovative price risk management solutions for smallholder farmers and identify structural, technological and institutional barriers to their widespread adoption. The participants will debate how some of the existing barriers can be overcome, for example through farmer aggregation (consortia, clusters, networks) and through the support of development finance and technical cooperation.

III. FORMAT

5. Similar to the previous year, the format of the Forum will be a half-day conference with a keynote presentation provided by the Secretariat and expert panels with time allocated for discussion with the audience. The Forum will be held in the Auditorium of the International Maritime Organization (IMO), venue for the 125th Session of the International Coffee Council

6. The Forum will be divided into two focus sessions.

Session 1: Innovation in price risk management at farm and cooperative level

7. The objective is to review price risk management options available to smallholder farmers either individually or through cooperatives. The discussion will evolve around successful risk management tools employed in coffee and in other agricultural sectors, as well as new technology based solutions. Specific topics may include:

- Digital innovations for hedging and price insurance for small growers.
- Design and enforcement of contracts between farmers and buyers of coffee.
- Harnessing cooperatives, farmer groups and clusters to access hedging and other market-based mechanisms.
- Fostering the diversification of farm income.
- De-commoditization of coffee and improving access to high-value markets.

Session 2: Sharing price risks with economic agents along the value chain

8. The discussion will identify ways of sharing price risks assumed by growers with supply chain actors, including coffee buyers and providers of agricultural inputs. The panel will explore ways of crowding-in value chain finance by reducing the perceived risks (including default risk) of providing credit to farmers through novel contractual arrangements, strengthened institutions and public guarantee schemes. Specific topics may include:

- The potential and constraints of pre-harvest finance arrangements with input suppliers, traders and roasters.
- Strengthening buyer-lender relationships among supply chain actors through higher levels of transparency and enforcement, reducing defaults.
- Risk-sharing facilities of development banks and social lenders to support value chain finance.
- Involvement of consumers and civil society.

IV. PRESENTERS AND PARTICIPANTS

9. To encourage knowledge sharing and learning from other sectors, invitations will be sent to eight speakers (four per session) from a variety of backgrounds, including cooperatives, national coffee grower associations, agricultural input suppliers (e.g. agro-chemicals), coffee traders, financial institutions, start-ups and technology firms, and academia.

10. As in the previous year, the Forum should be open to participation from the public. The event will be promoted via the ICO mailing list, website and social media.

V. DISSEMINATION OF RESULTS

12. The following arrangements are suggested for dissemination of the Forum results:

- Presentations, reports and press releases are translated and posted in all four ICO official languages on the home-page and the Forum section of the ICO website.
- Audio/video recordings of speakers are posted on the ICO website. Live-streaming should be considered.
- ICO press releases are issued to national and international media and Members.
- Journalists covering coffee and the Forum's main issues are invited to attend the Forum free of charge and are briefed about the outcomes at a press briefing.
- Presentations, reports and press releases are distributed electronically to Members, PSCB and non-member countries with a request to disseminate the results of the Forum as widely as possible to representatives of the coffee sector and policy-makers in their countries. Members are also encouraged to issue press releases to publicize the results of the Forum and generate interest in it in their countries.
- Relevant international organizations will be invited and solicited to post materials on their website (e.g. Common Fund for Commodities (CFC), Food and Agriculture Organization of the United Nations (FAO), GIZ, International Fund for Agricultural Development (IFAD), International Trade Centre (ITC), World Bank, United Nations Industrial Development Organization (UNIDO), etc.
- Social network sites are used to disseminate the results, including Facebook, Twitter, LinkedIn, and Instagram.

VII. BUDGET AND SPONSORSHIP

13. While the proposed venue can be used free of charge, travel costs for some of the presenters may need to be covered. Additional costs could derive from refreshments provided during breaks, a light lunch and reception.

14. Article 31 of the 2007 Agreement provides that unless the Council decides otherwise, the Forum shall be self-financing. Hence, sponsorship by financial institutions and other (private sector) organizations will be considered. In addition, a registration fee will be charged. ICO Members will be entitled to three free spaces.