

5. Progress in
relation to the
Five-Year
Action Plan



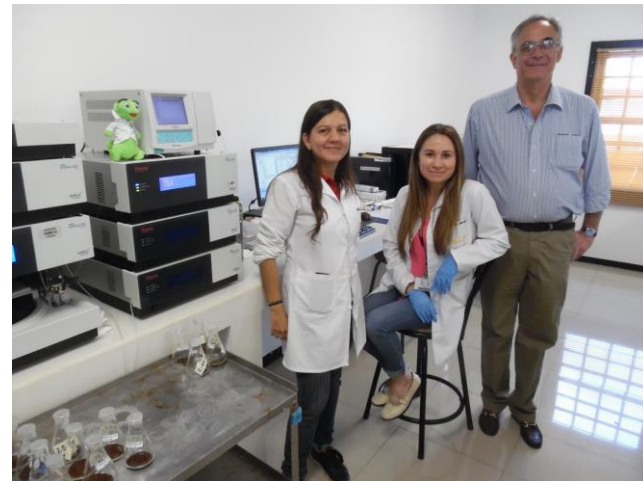
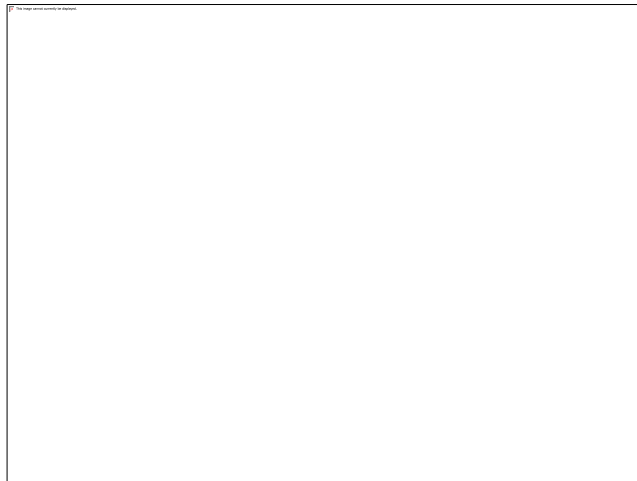
5.1 Activities for Coffee Year 2017-18

Report of the Executive Director

International Coffee Organization

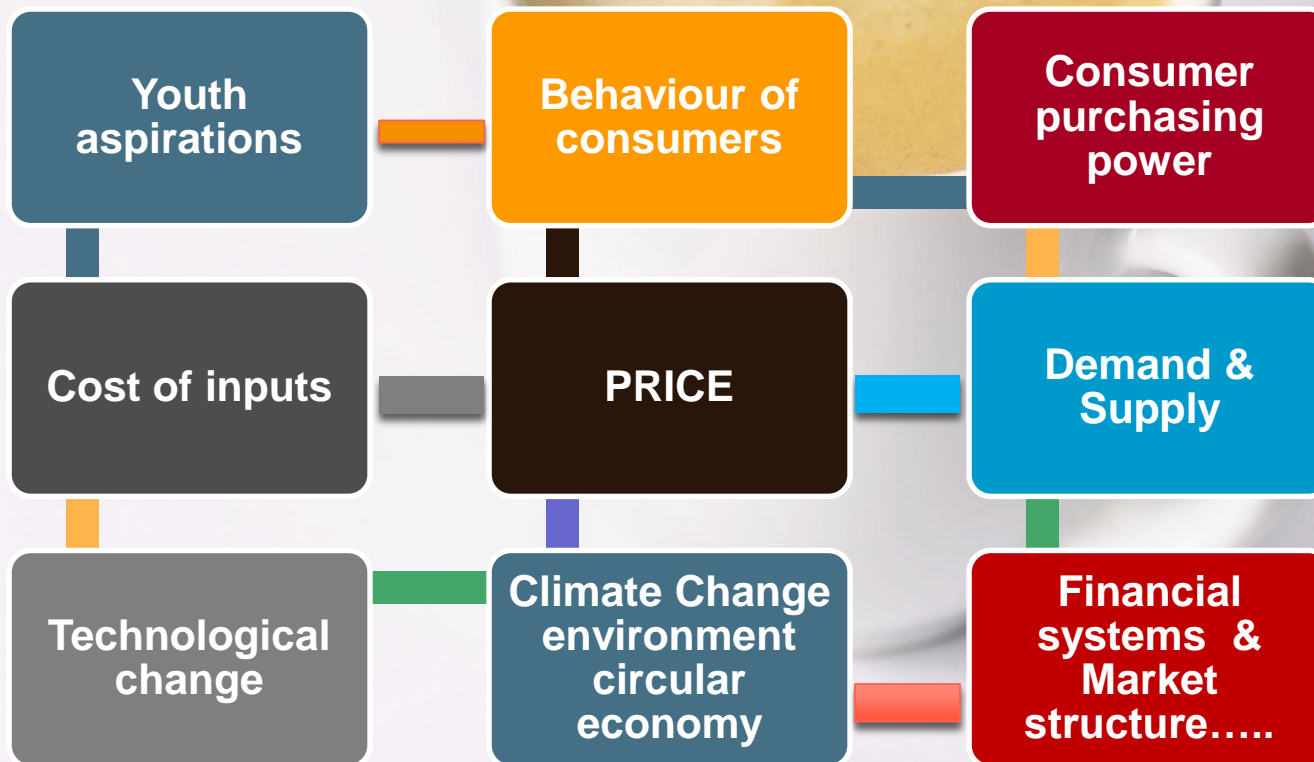
122nd Session of the International Coffee Council
London, United Kingdom

THE BIGGER PICTURE



The big picture: Megatrends

IF we want to understand where the coffee sector goes we must understand what are the megatrends



76

PER CENT

OF THE POOR IN THE DEVELOPING
WORLD LIVE IN RURAL AREAS
AND RELY ON AGRICULTURE
FOR THEIR SURVIVAL



BY **2050**

WORLD POPULATION WILL REACH

9.6 BILLION

*WE WILL NEED TO PRODUCE AS MUCH
FOOD AS WAS NECESSARY IN THE
PREVIOUS 10,000 YEARS*

**Demand for water for food
production, projected to
double by 2050**

Water shortages could affect 5bn people by 2050



**85% world export:
Agriculture products**

**The abandonment of agricultural
activity and climate change will be
the largest driving of biodiversity
loss by 2050.**

Fair price to ensure good living for coffee producers vs production costs



BY 2050: OUT OF A POPULATIONS OF 9.6 BILLION

HOW MUCH COFFEE THEY WILL CONSUME?



25 million

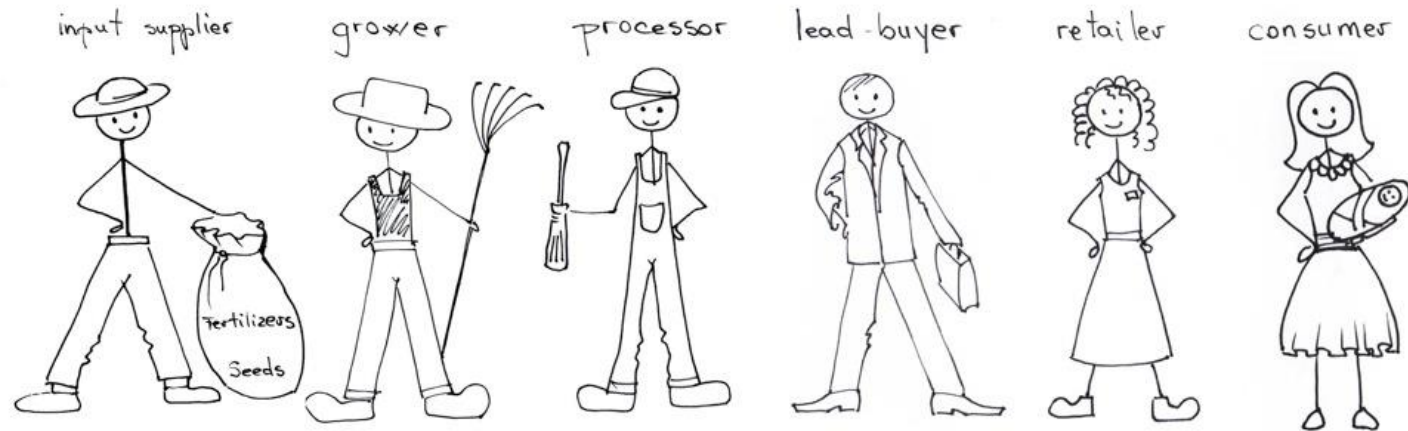
households' livelihood depends on coffee production

And many more millions on the coffee value chain

Coffee is still a key export commodities and foreign exchange earning for many countries

climate change will halve the area suitable for growing coffee BY 2050?

Opportunities and challenges for the coffee sector





Global
challenges

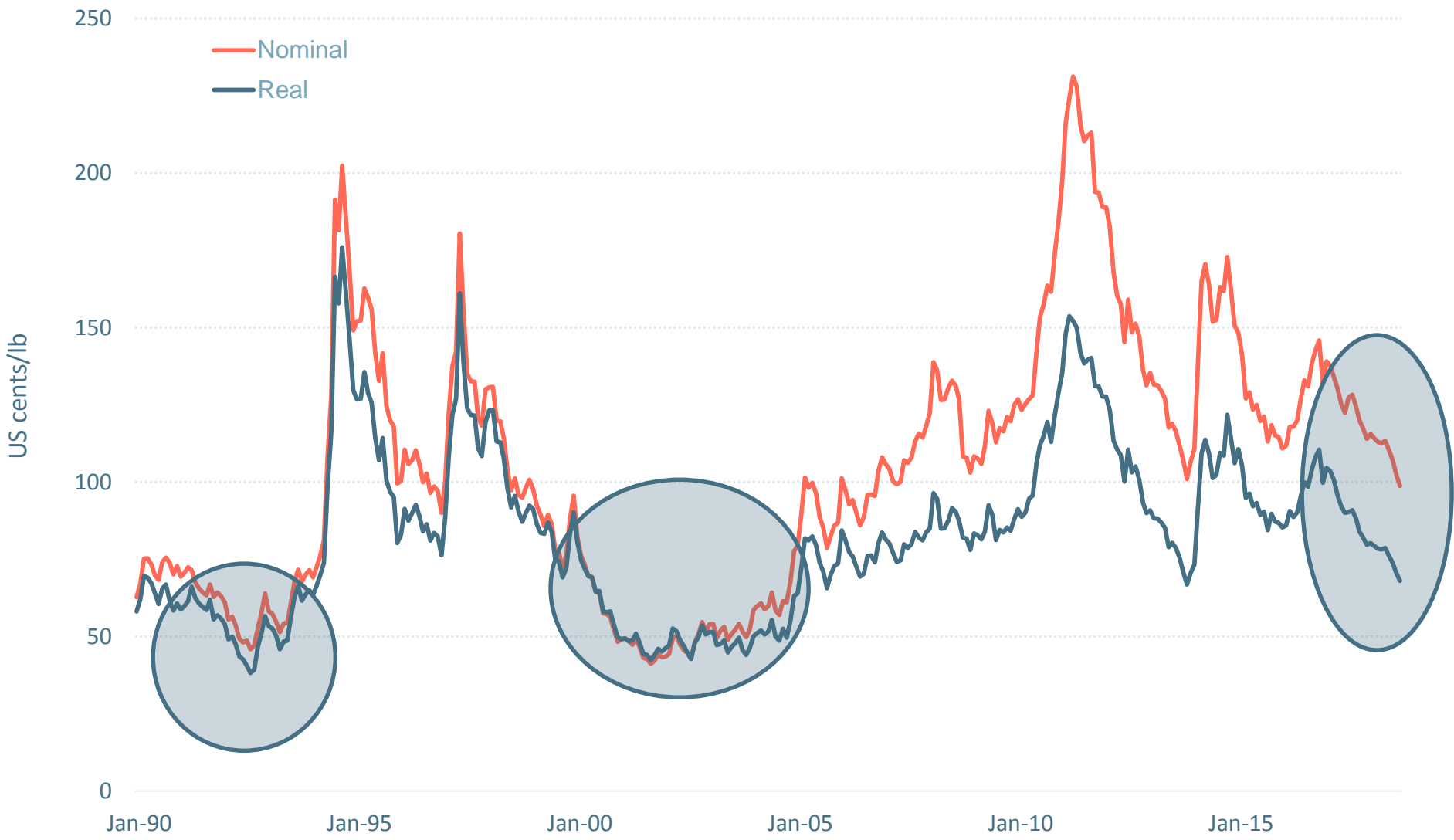


PRICE AND
COST OF
PRODUCTION

Daily Composite Indicator Price



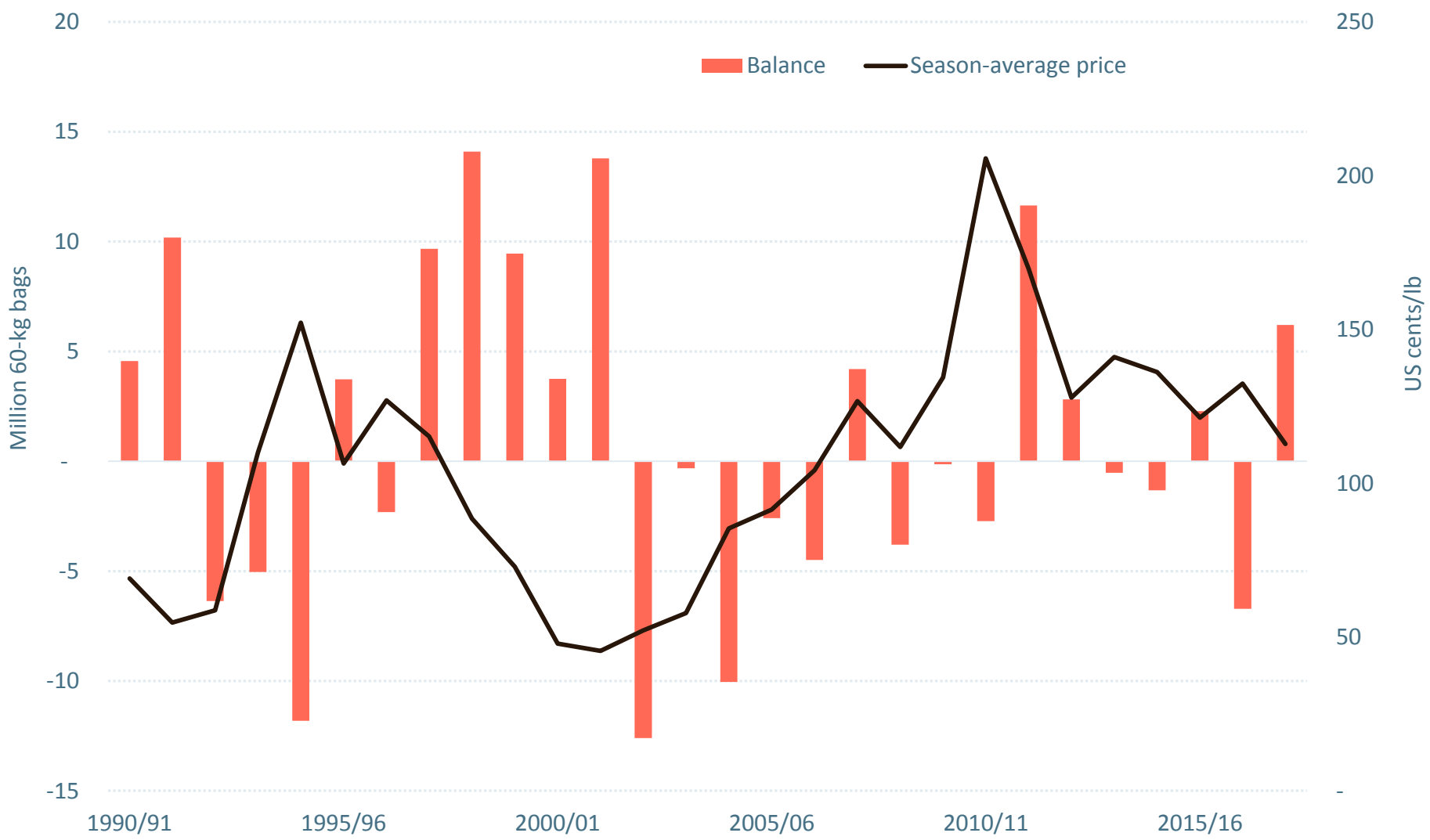
Monthly Composite Indicator Price



*Prices deflated using the UN index of manufactured goods exported by developed economies

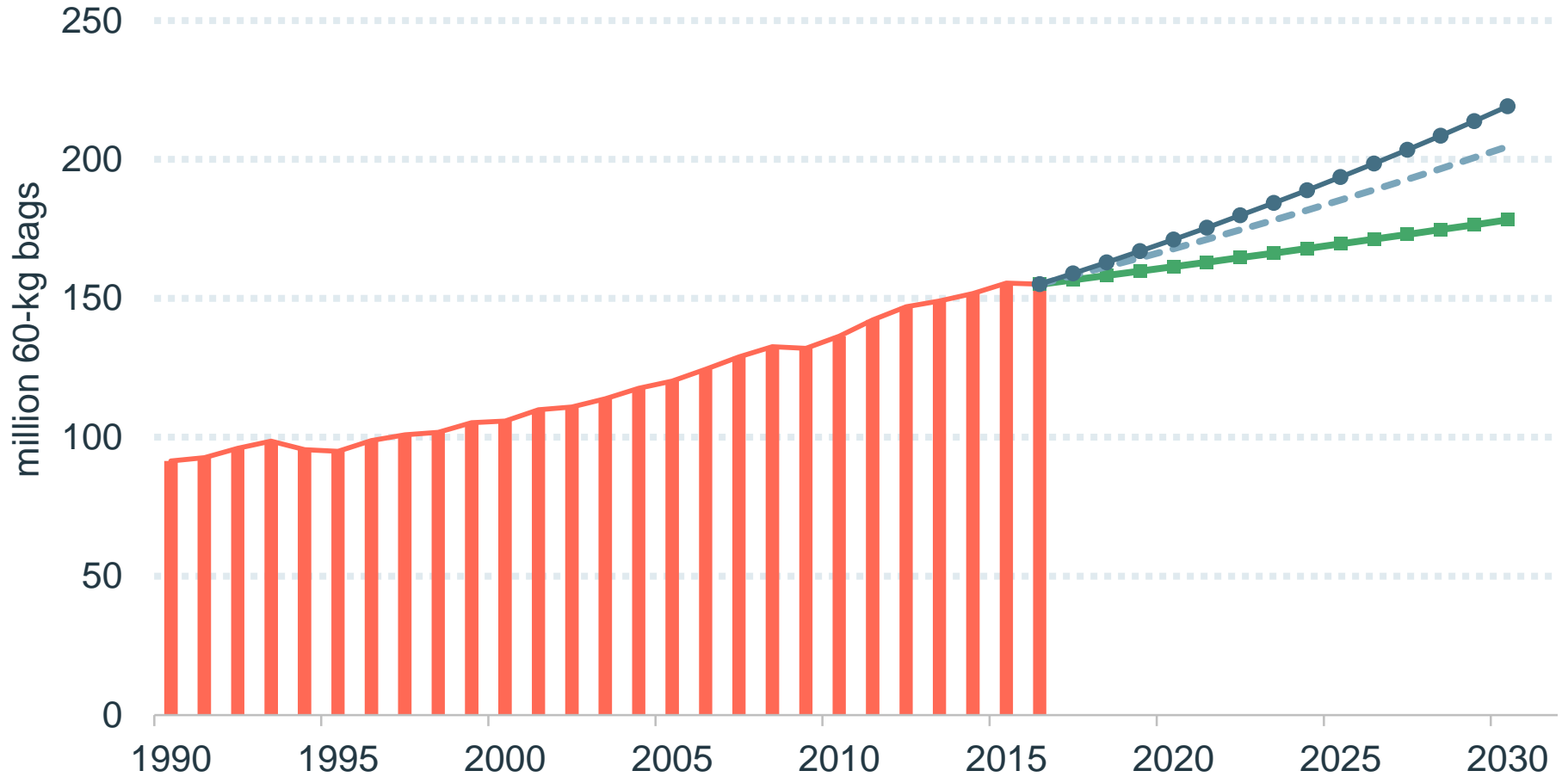


Coffee prices and global coffee supply



Supply gap in 2030?

World Coffee Consumption



COFFEE PRICE DECLINE

In the past few months at ICO we have been assessing the situation, analyzing data and trends and have identified causes and possible actions within the ICO's mandate.

- Coffee prices have fallen consistently over the last two years.
- Feature and spot markets alike
- In August 2018, the composite indicator price averaged 102.41 US cents/lb, a 20.1% drop compared to the same month in the previous year.
- On Friday, September 14, the daily composite indicator price stood at xx US cents/lb. This is the lowest daily price since xxx.



COFFEE PRICE DECLINE

DETERMINANTS

- This decline has multiple causes.
- On the supply side, several important producing countries are expecting large harvests, which could lead to a situation of oversupply, at least in the short-term.
- Upstream in the coffee value chain, the process of rapid concentration rebalancing the relative bargaining power among stakeholders
- The futures markets increasingly dominated by funds not connected with actual coffee production
- Impact of fluctuations in exchange rates
- The most vulnerable link in the coffee value chain, the millions of smallholder growers their livelihood is a stake and worse for the most vulnerable such women



COFFEE PRICE DECLINE

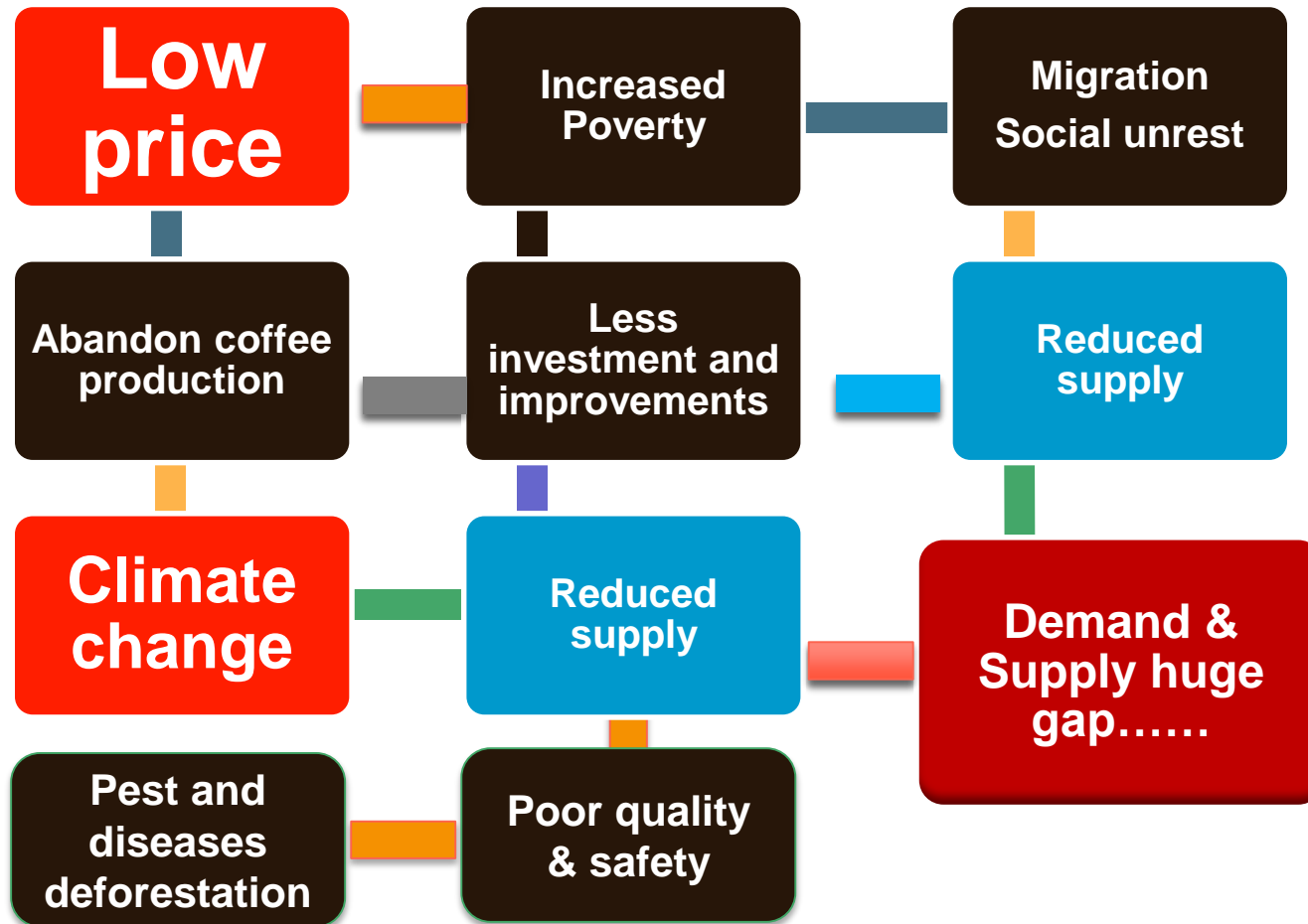
CONSEQUENCES

- the current regime of low prices calls into question the long-term viability of our coffee sector.
- If producing coffee become unsustainable and growers abandon production?
- If forecast of impact of climate change fully materialize?
- And the world demand is expected to grow.....
- Supply simply may not become sufficient
-and what shall we do in our capacity as producers, traders, roasters, retailers, policy-makers and consumers?



COFFEE PRICE DECLINE

CONSEQUENCES





Farmers livelihood
and
economic
sustainability

Sustainability of the coffee sector

- **A sustainable coffee economy is based on the well-being of all actors in the chain**
- **From a farmer's point of view:**
 - Meet long term environmental and social goals**AND**
 - Achieve **prices** that cover production costs
 - Realise an acceptable profit margin
 - Compliance with Labour standards





Climate Change

Impact of climate change on coffee production

- Global warming affects coffee production via two pathways
 1. Higher & changes in rainfall patterns temperatures **make regions unsuitable for production**
 2. Change in climatic **conditions facilitates spread of pests and diseases** (e.g. Coffee Leaf Rust)





Impact on the
environment

COFFEE & CARBON

FARM TO CUP



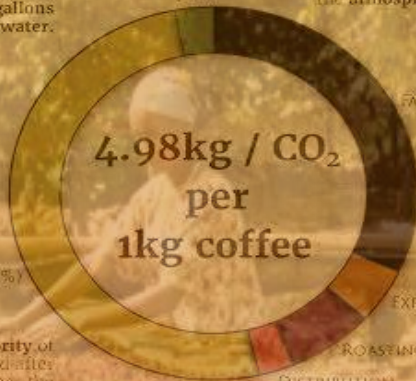
To produce 1kg of green coffee it takes 126 gallons of fresh-water.



Growing 1kg of green coffee emits 1.93kg of CO₂ into the atmosphere

DISPOSAL (3%)

Surprisingly, only about 8% of CO₂ emissions occur due to movement of the coffee



CONSUMPTION (52%)

FARMING & MILLING (33%)

EXPORT (5%)

ROASTING & PACKAGING (7%)

DISTRIBUTION (3%)

The majority of carbon is emitted after the coffee reaches the consumer, during preparation and use

SEATTLE 4530

How far a product is transported before being consumed is referred to as its food miles.



One large cargo ship emits as much asthma and cancer causing pollutants as 50 million cars.



Coffee is transported across the globe to consumers, on a journey of up to 16,000 miles

—SOURCES—

Center for Sustainable Coffee in Europe
 www.coffeeandclimate.com
 Coffee Science & Innovation
 www.coffeeandclimate.com



Environmental impact of coffee production, processing, distribution, consumption and disposal

- Use of chemicals, land, water
- Processing processes
- Packaging
- Transport, distribution
- Waste and disposal





Gender
equality

... impact of inequality

- Closing the gender gap could productivity by 2-4.5%
- Target women through extension programmes
- Improve access to finance (financial literacy, training of loan officers)
- Women's role in the marketing of cash crops
- Consumers gender gap





Ageing
farmers

Generational change in coffee communities

- **Rural youth** is becoming less interested in pursuing a future in farming (especially in African countries)
- Lack of opportunities in rural areas (push factors) and labour demand in urban areas (pull factors)
- Youth often better educated/more entrepreneurial
- Rural-urban migration becomes an important livelihood choice
- Incentives for entrepreneurship development



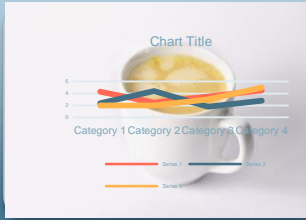


**Progress
coffee year
2017-18**

ICO strategy, challenges and achievements 2017-18



ICO Strategic Goals 2017-2022



Delivering world-class data, analysis and information to the industry and policy-makers



Using the Organization's convening power to provide a forum for dialogue between and within the public and private sectors.



Facilitating the development of projects and promotion programmes through public-private partnerships.



Strategic Goal 1: Delivering world-class data, analysis and information to the industry and policy-makers

Work Plan 2017-18



- **A new compliance indicator at the statistics committee**
 - one global indicator;
 - one for importing Members;
 - one for exporting Members.
- **Satisfaction among users of ICO data regarding usefulness and quality**
 - 65% of respondents to strategic review survey agreed or strongly agreed that ICO statistical data was satisfactory (comprehensive and helped in decision making)
 - ICO DB Validated by the Statistics Round Table (CONVERGENCE)



Strategic Goal 1: Delivering world-class data, analysis and information to the industry and policy-makers

Work Plan 2017-18



- **Studies**

- Women
- South and East Asia Consumption
- Prices (internal)
- Feature and spot prices

- **Thematic workshops:**

- Women and Coffee
- Forum: Harnessing Technology and Innovation for Investment in the Coffee sector

- Establishment of the ICO Award for Excellence in Coffee-related Research

- Partnership with Universities and research centres



Strategic Goal 2: Using the Organization's convening power

Work Plan 2017-18



- (a) Strengthening membership engagement
 - 1. 121st Session of Council held in Mexico
 - 2. Preparatory visit for WCC
 - 3. Missions/coffee events: African Fine Coffees Ass., Costa Rica, El Salvador, Guatemala, Honduras, India, Indonesia, Nicaragua, Panama, Vietnam....
 - 4. Mission to non-member country: China.



Missions/coffee events



Strategic Goal 2: Using the Organization's convening power

Work Plan 2017-18



(b) Strengthening engagement with third parties

1. Signed MoU with SCC
2. Draft MoU with IWCA
3. Meeting of International Commodity Bodies held in May 2018.



Strategic Goal 3: Facilitating the development of projects and promotion programmes through public-private partnerships

Work Plan 2017-18



1. Assessment of Challenges
 - Mexico and Central America
 - Asia and the Pacific
2. Engagement with GCP, C-GAP and SCC
3. Engagement with potential donors/partners (GEF, FAO, IFAD, OFID, UNIDO, IAEA, UNODC, UNDP, ITC, EIB, EU, CIEB....)
4. Project Development Financing Trust Fund approved



Strategic Goal 3: Facilitating the development of projects and promotion programmes through public-private partnerships

Work Plan 2017-18



1. Project developed and approved: Delta with GCP
2. Projects developed/engaged: Uganda (Large scale), Colombia, Honduras, Ethiopia...
3. GEF Guide (with SCC)
4. Donors Forum
5. Partnership Fair



Strategic Goal 3: Facilitating the development of projects and promotion programmes through public-private partnerships

Work Plan 2017-18



Int'l Coffee Day 2018 Fully developed



Innovations



Innovative approach

- Annual Thematic Focus
- Secretariat staff as permanent secretary of Committees
- Stronger engagement with donors, private sector, international organizations, academia
- KPIs for 5 years Plan (unique in ICBs)
- Innovative forums (Donors, partnership fair)
- Improved communication...





GRACIAS

THANK YOU

DANKE

OBRIGADO

Спасибо

MERCI

GRAZIE

ありがとうございました





**INTERNATIONAL
COFFEE
ORGANIZATION**

Thank you