

Coffee Development Report 2019

Growing for Prosperity

Economic viability as a catalyst for a sustainable coffee sector

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Executive Director

125th Session - International Coffee Council

Coffee Development Report 2019 Growing for prosperity

The causes and impact of market volatility



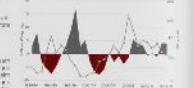
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Chapter 1 Coffee and economic development

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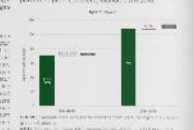


CASE STUDY
LIVING INCOME
IN THE COFFEE VALUE CHAIN

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COFFEE DEVELOPMENT REPORT 2019

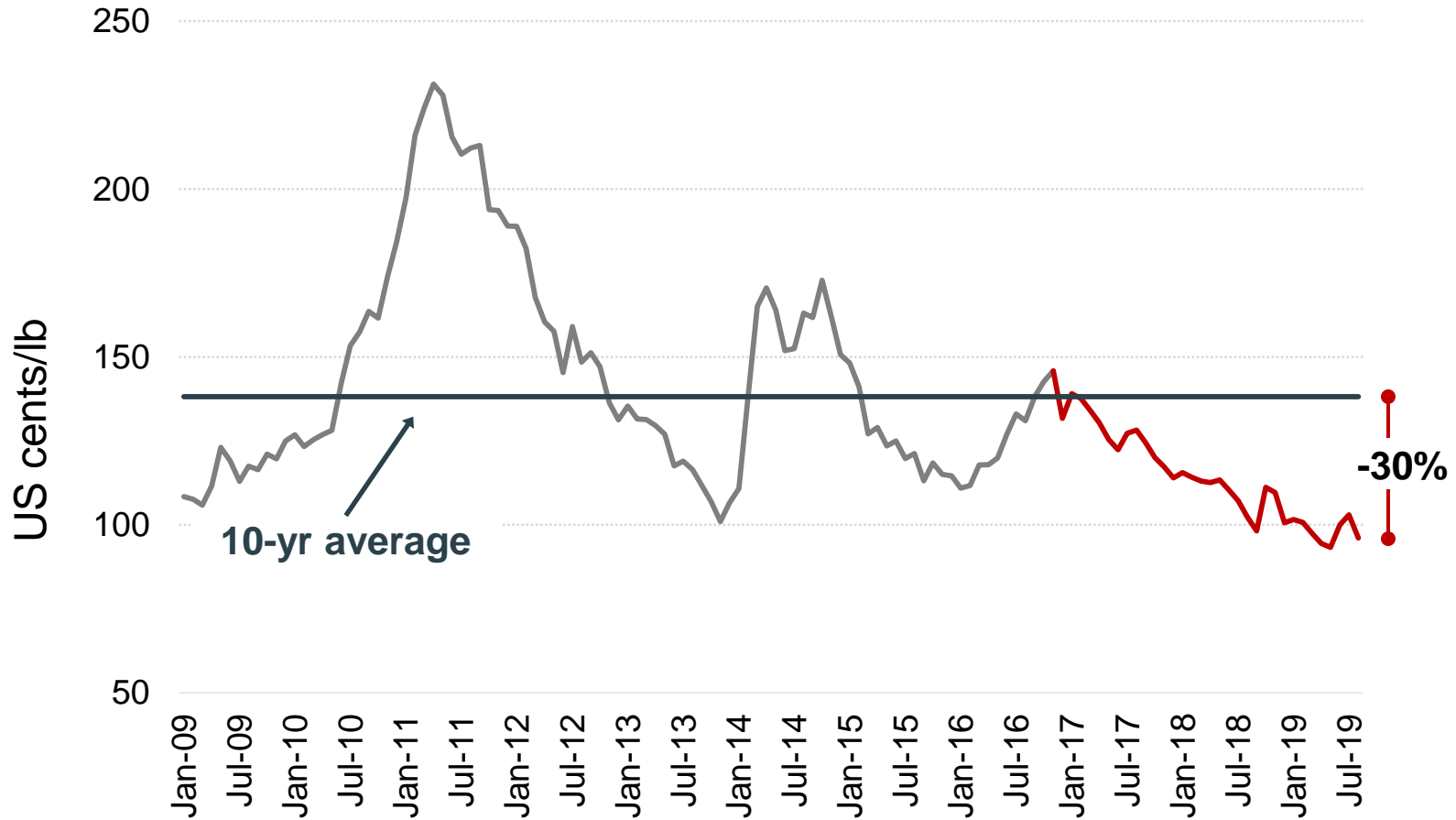
- ICO's new economic flagship publication
- Reflects annual theme of the ICO
- Analysis to support Resolution 465
 - Root causes of the coffee price crisis
 - Solutions
- Integrated in the Sector-wide Dialogue



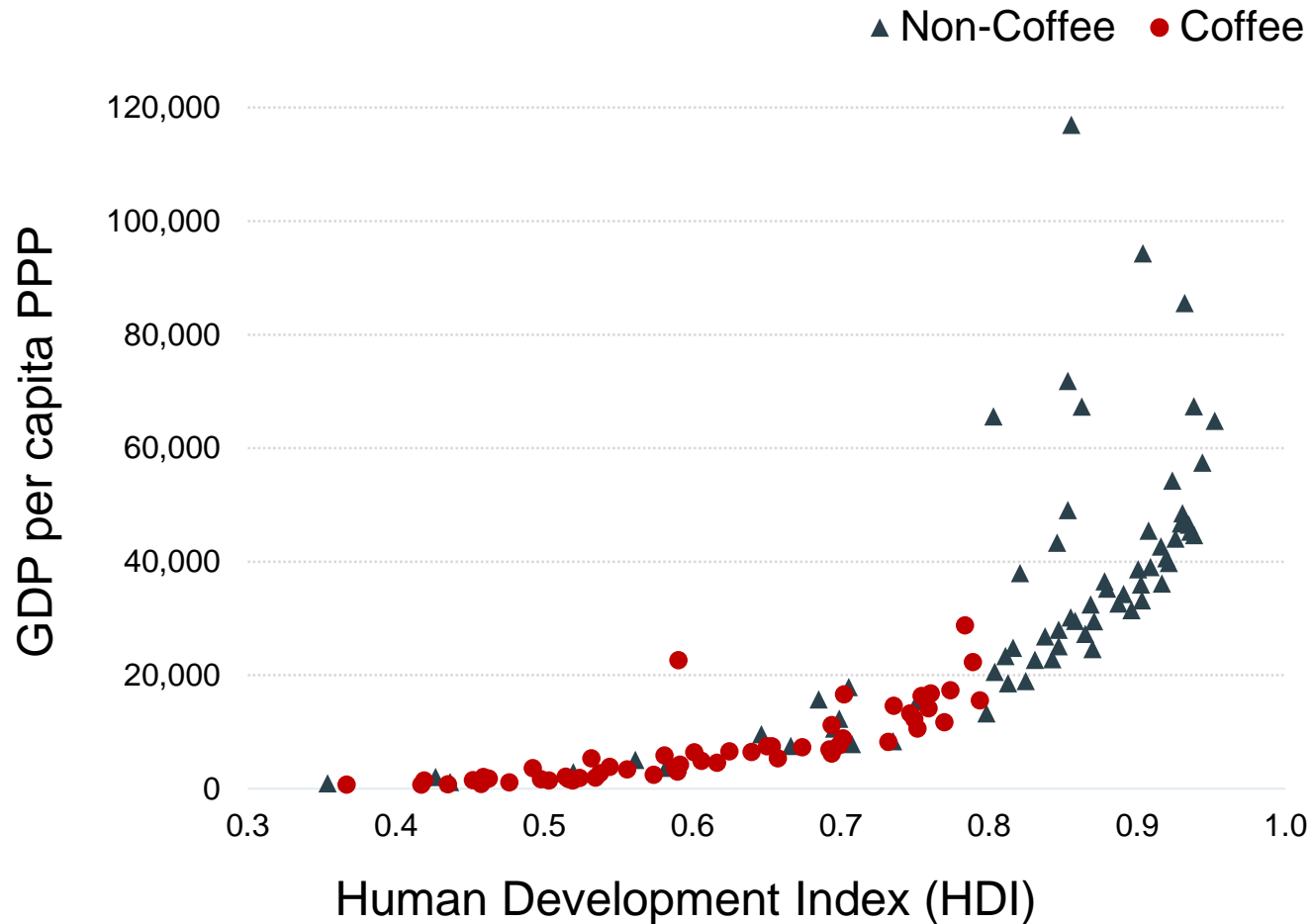


**COFFEE AND
ECONOMIC
DEVELOPMENT**

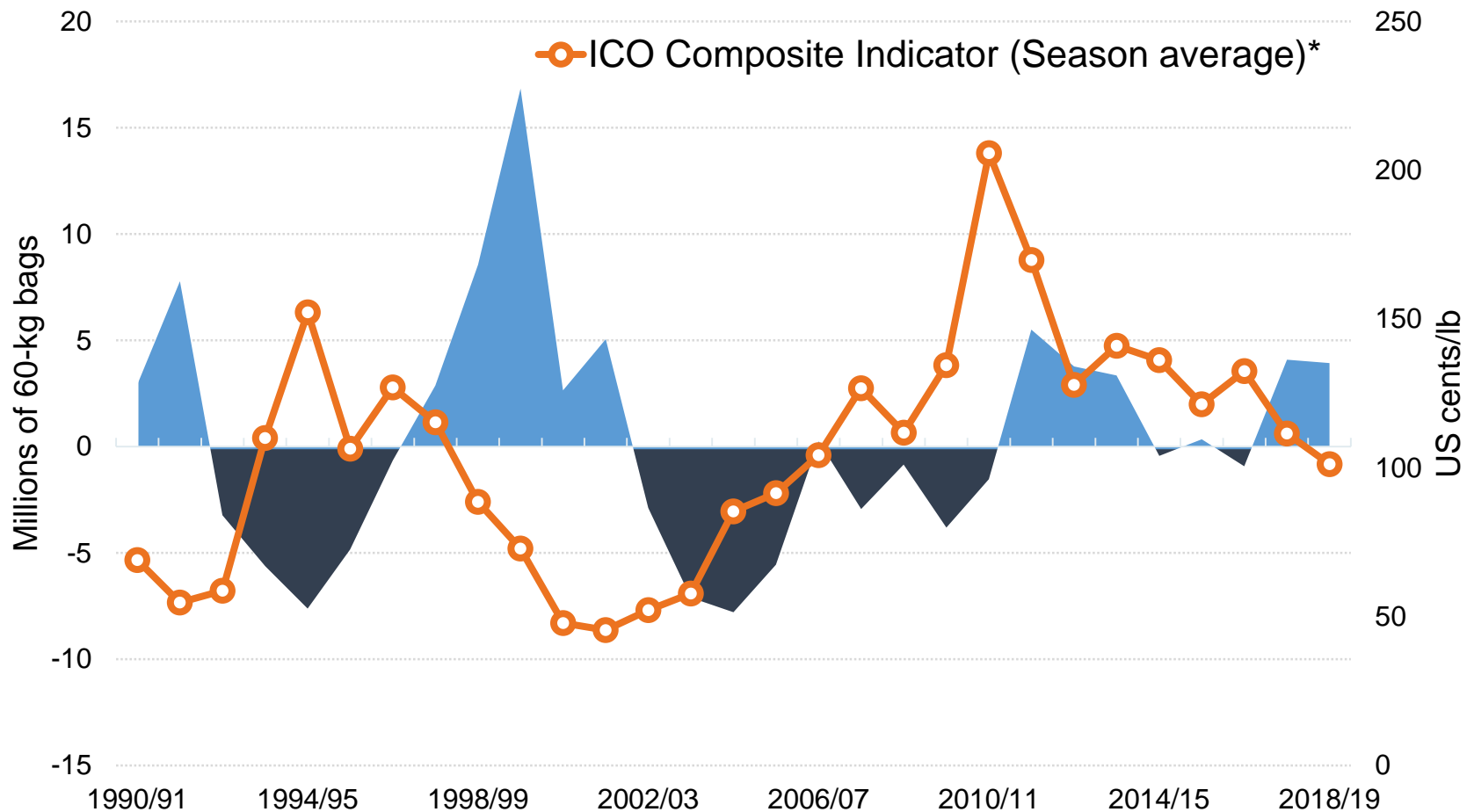
ICO COMPOSITE INDICATOR DROPPED BY 30%



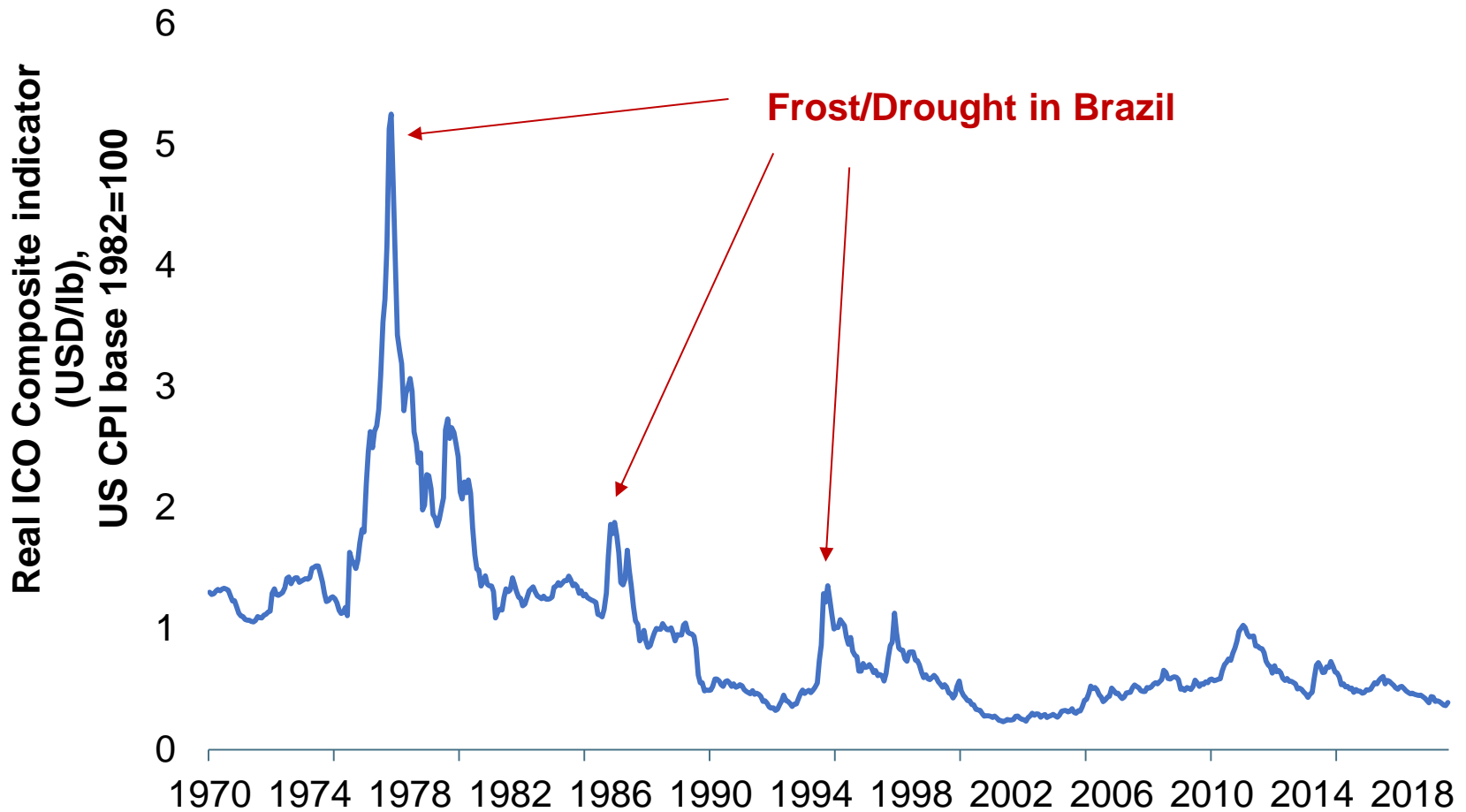
COFFEE IS PRODUCED IN COUNTRIES WITH RELATIVELY LOW INCOME



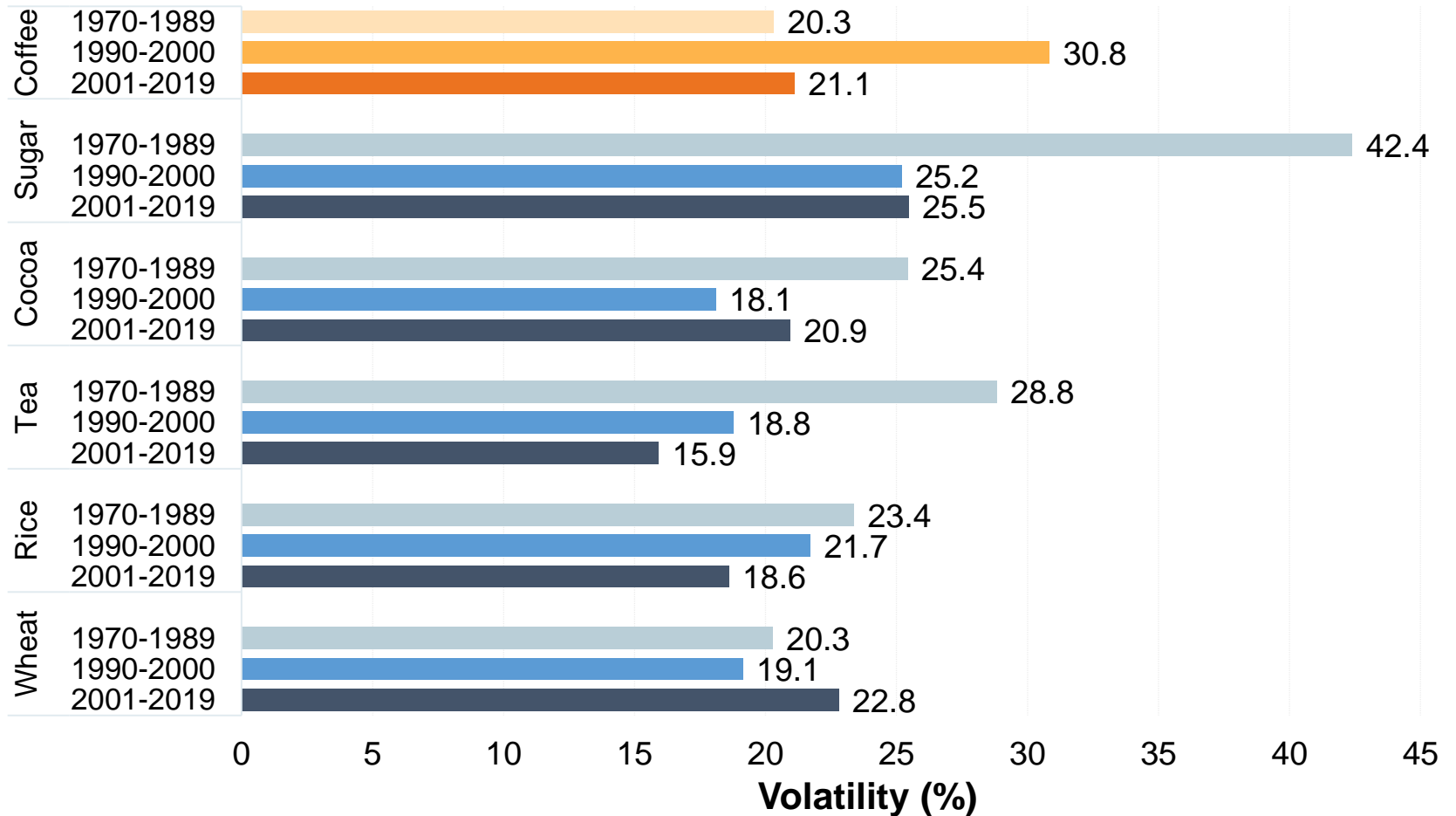
TWO CONSECUTIVE YEARS OF SURPLUS IN THE MARKET



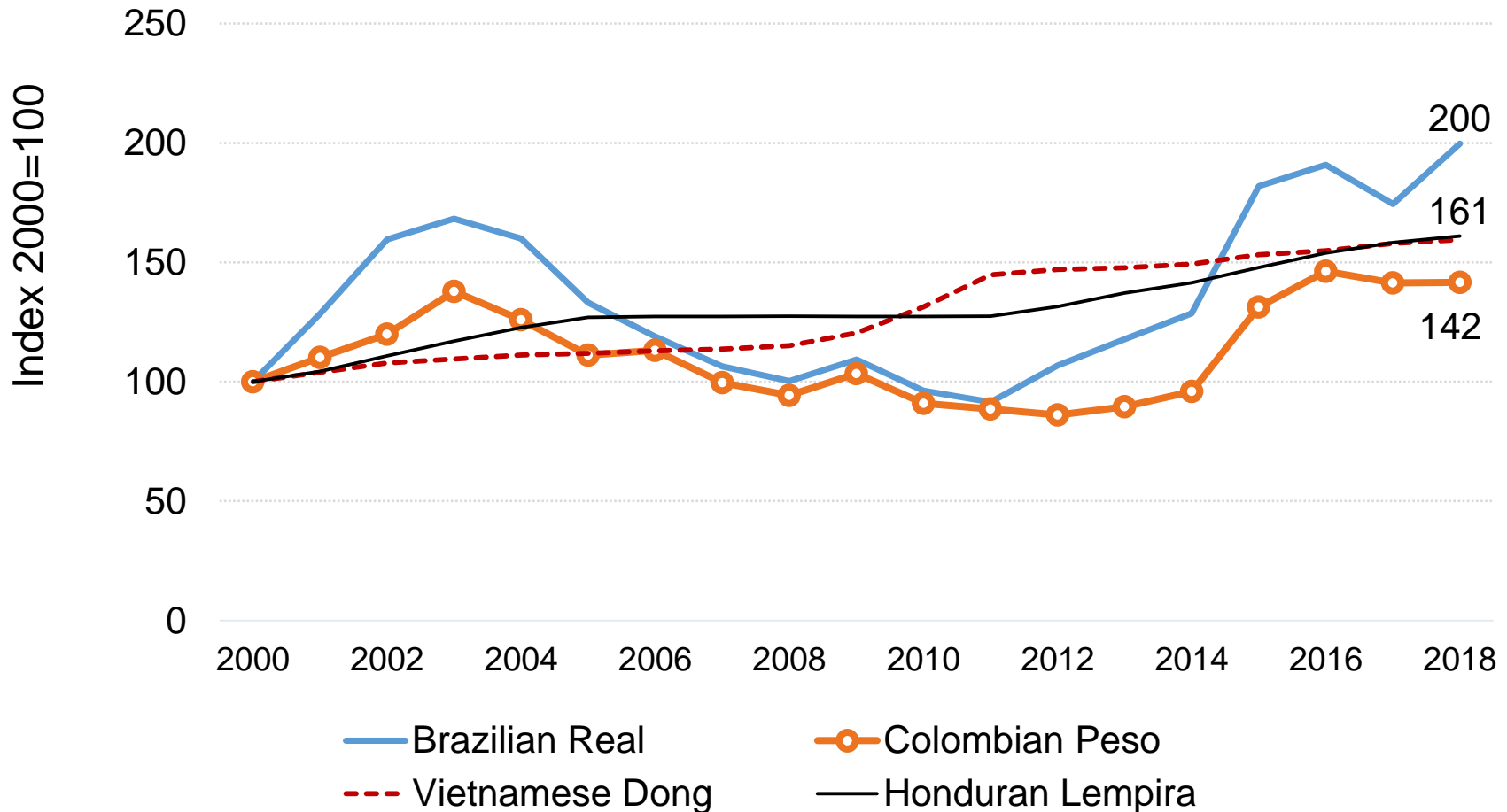
REAL COFFEE PRICES SHOW NO SIGNIFICANT TIME TREND



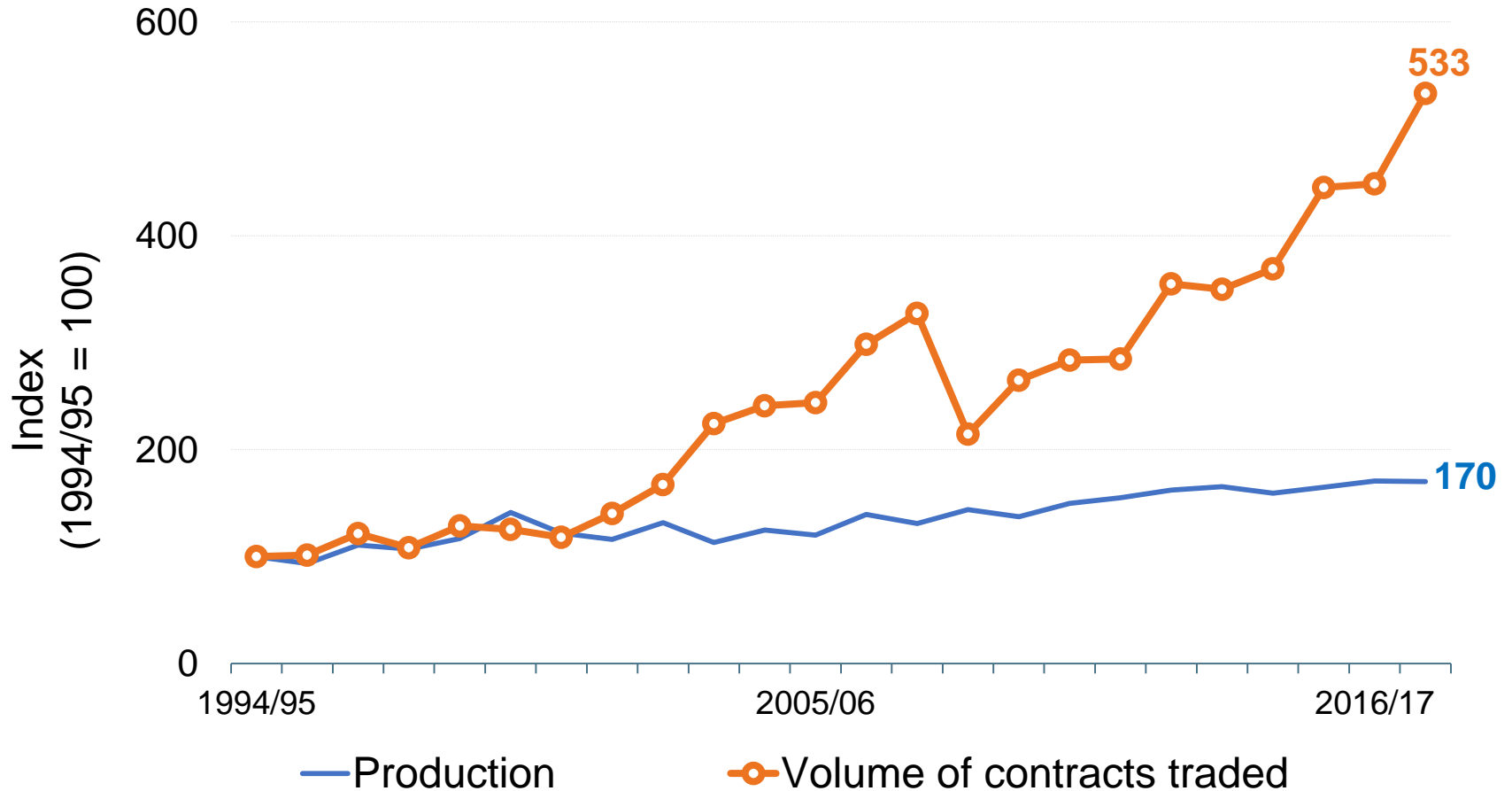
VOLATILITY OF COFFEE AND OTHER AGRICULTURAL COMMODITIES



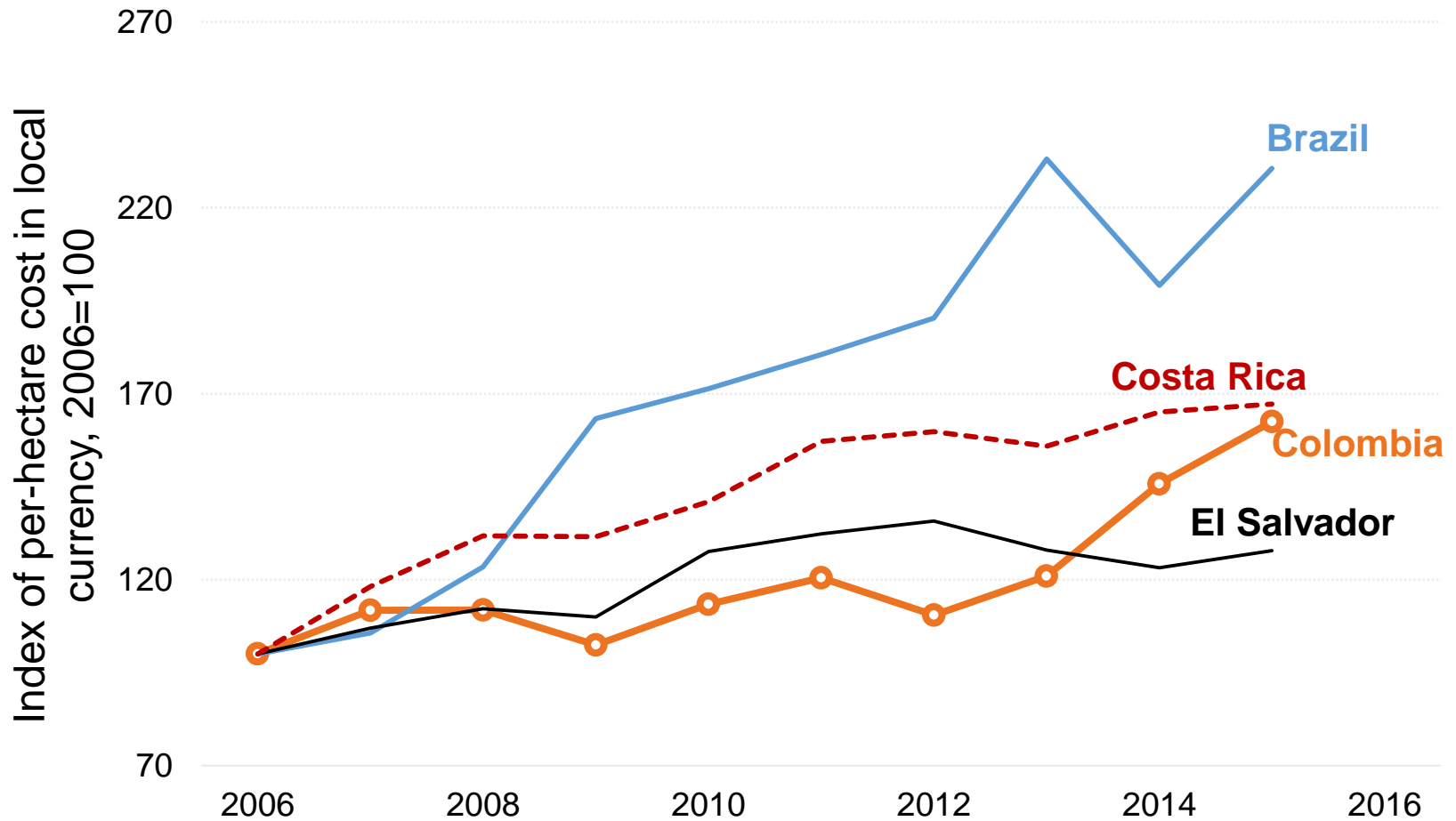
MOVEMENTS IN EXCHANGE RATES AGAINST THE US\$



COFFEE MARKET IS SUBJECT TO FINANCIALIZATION

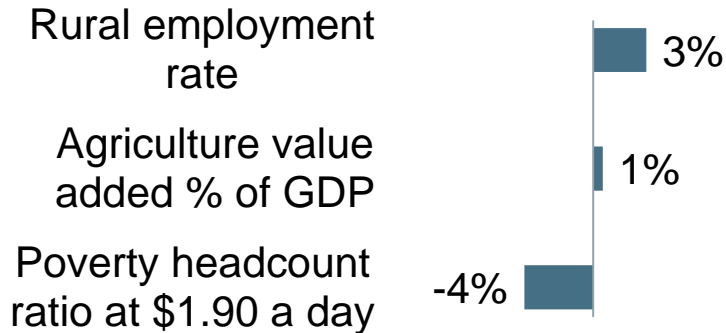


PRODUCTION COSTS ARE ON THE RISE

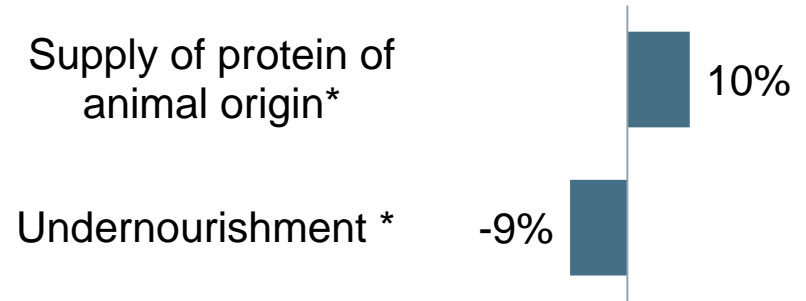


SOCIOECONOMIC RELATIONSHIP

1% INCREASE IN COFFEE PRICE



(a) ECONOMIC AND SOCIAL IMPACT



(b) FOOD SECURITY

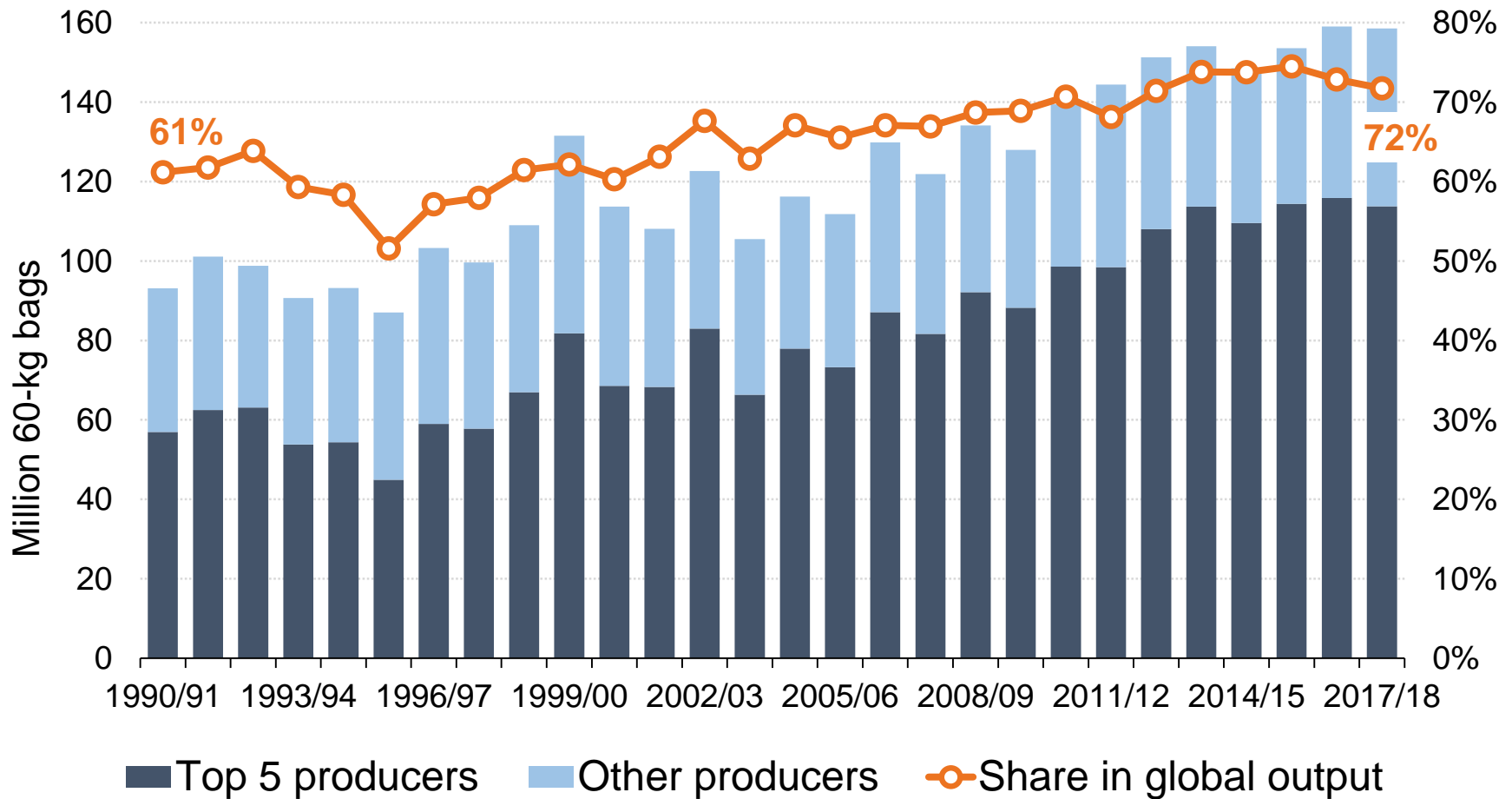


(c) POLITICAL STABILITY AND SOCIAL COHERENCE

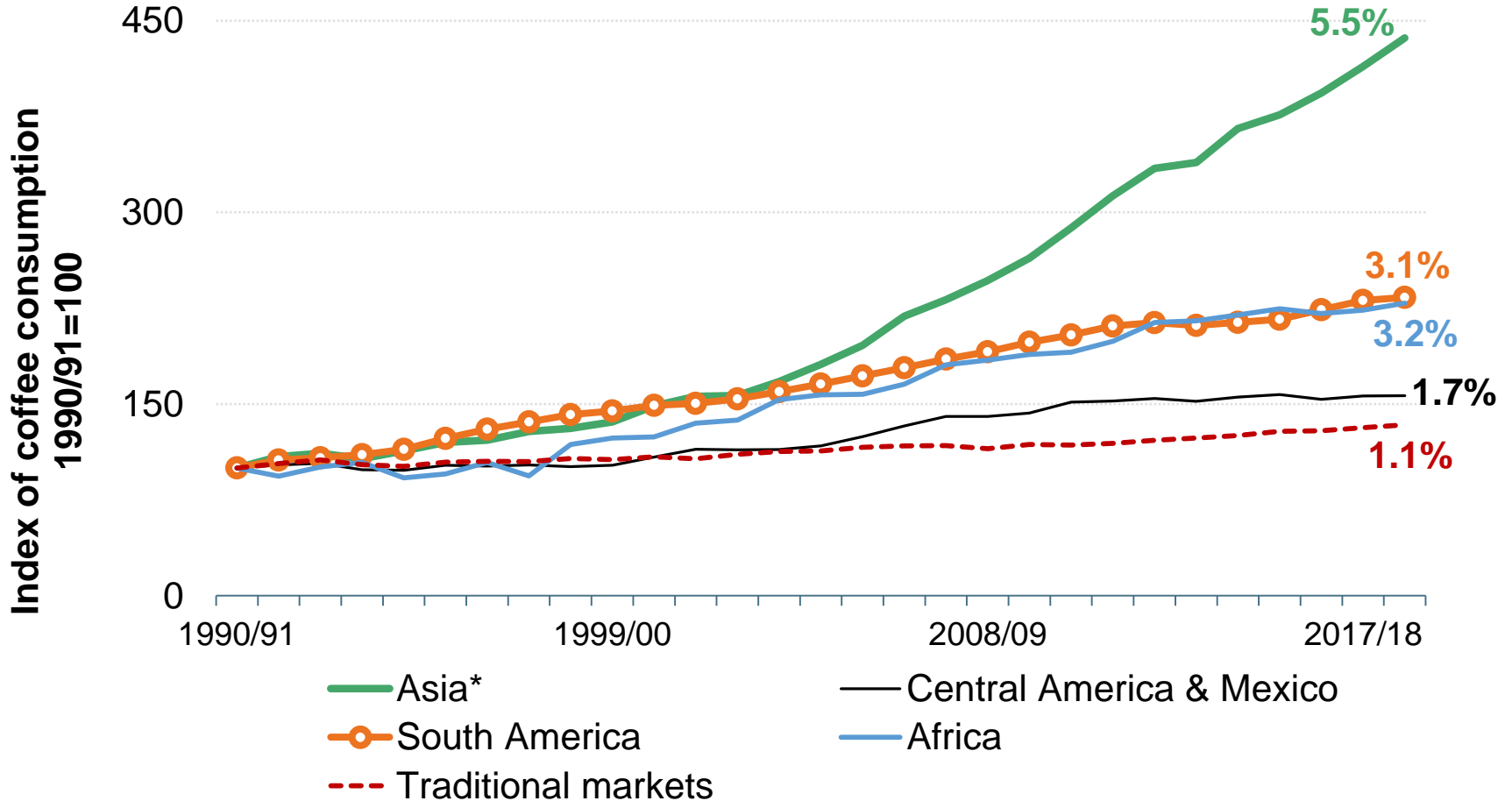
* Results are significant for countries which are highly dependent on coffee (share of coffee in total export value)
Results are statistically significant at least at the 10% level.



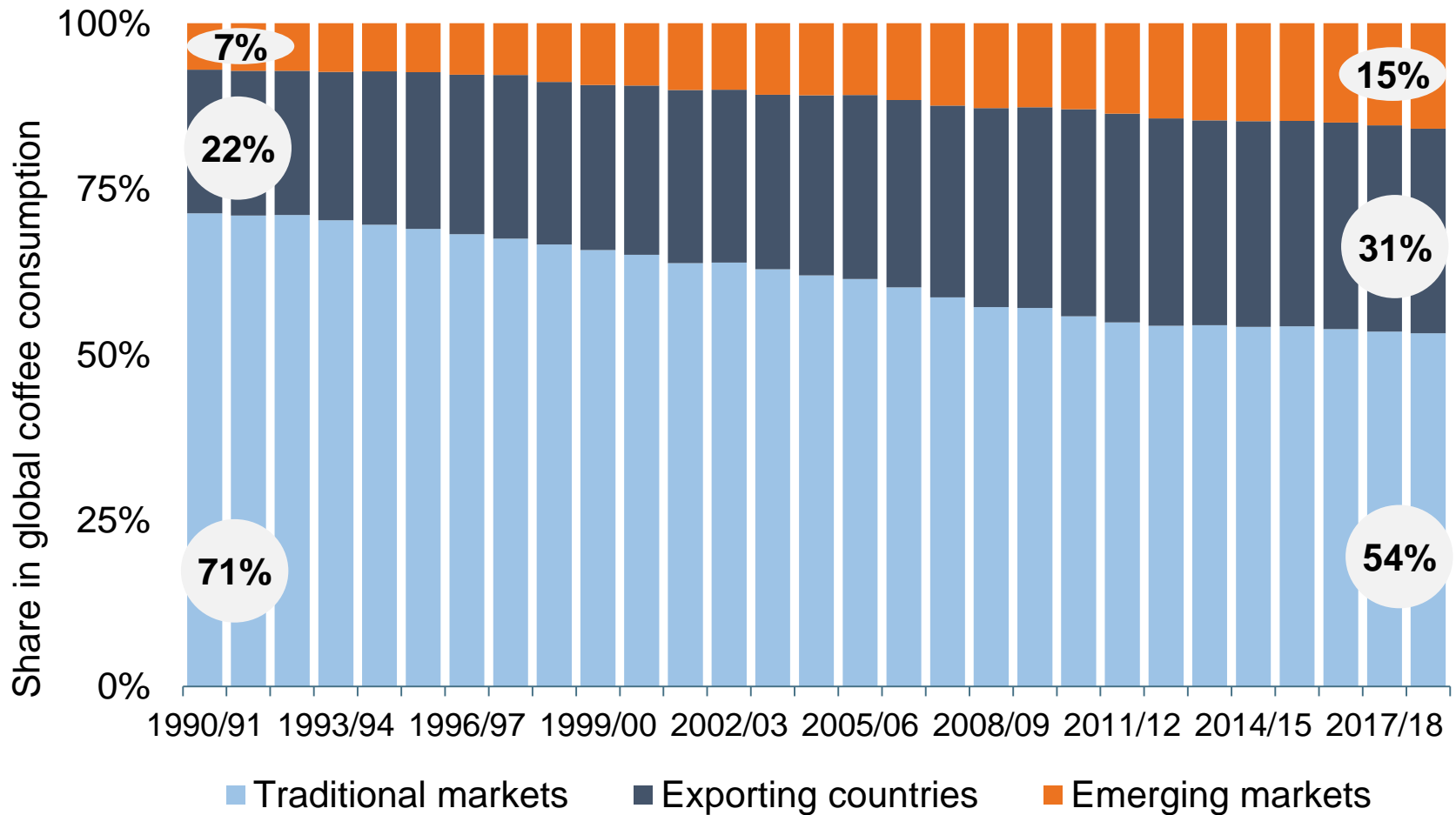
SHARE OF TOP-5 PRODUCERS IN GLOBAL COFFEE PRODUCTION INCREASES



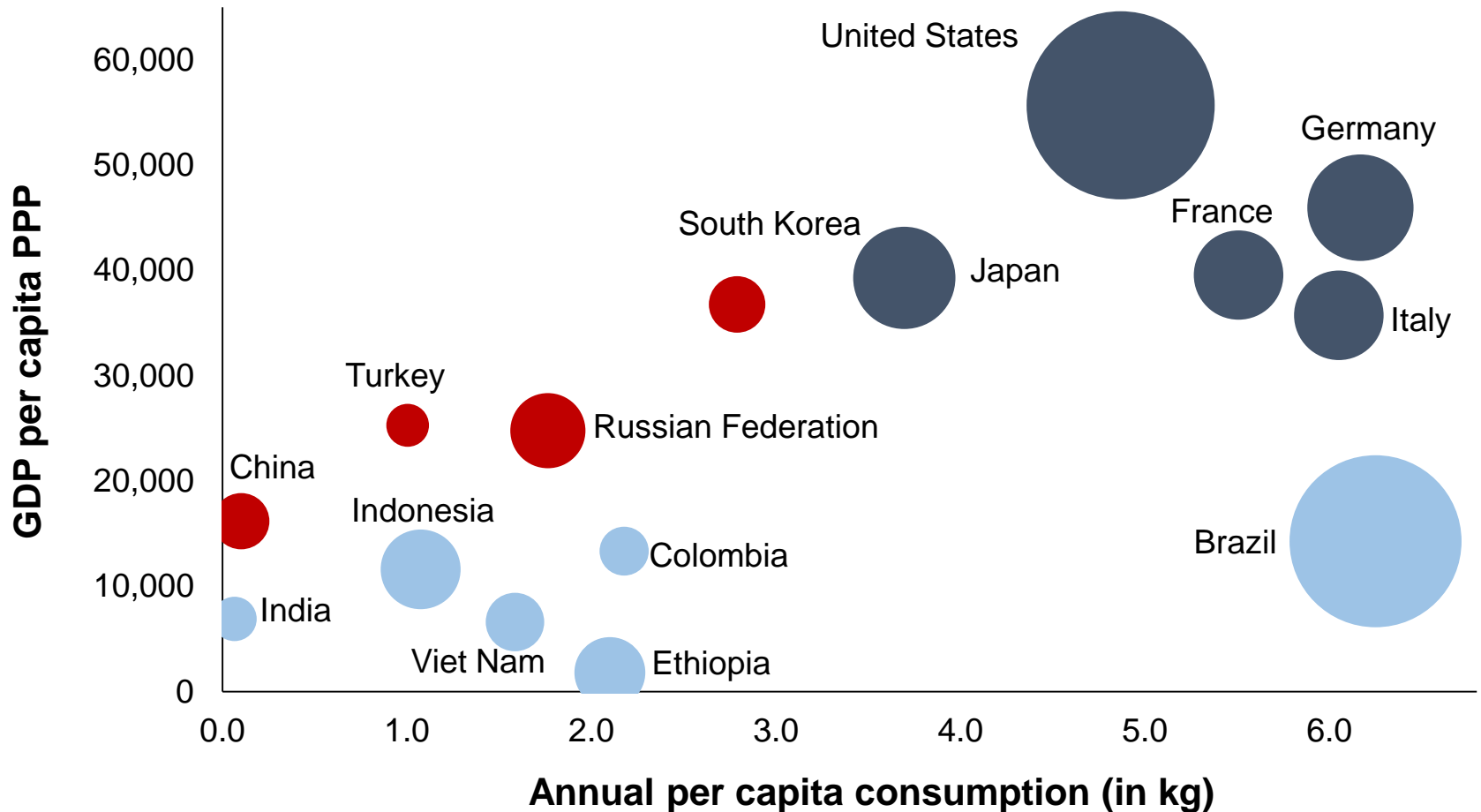
COMPARISON OF COFFEE CONSUMPTION BY REGION (INDEX OF VOLUME)



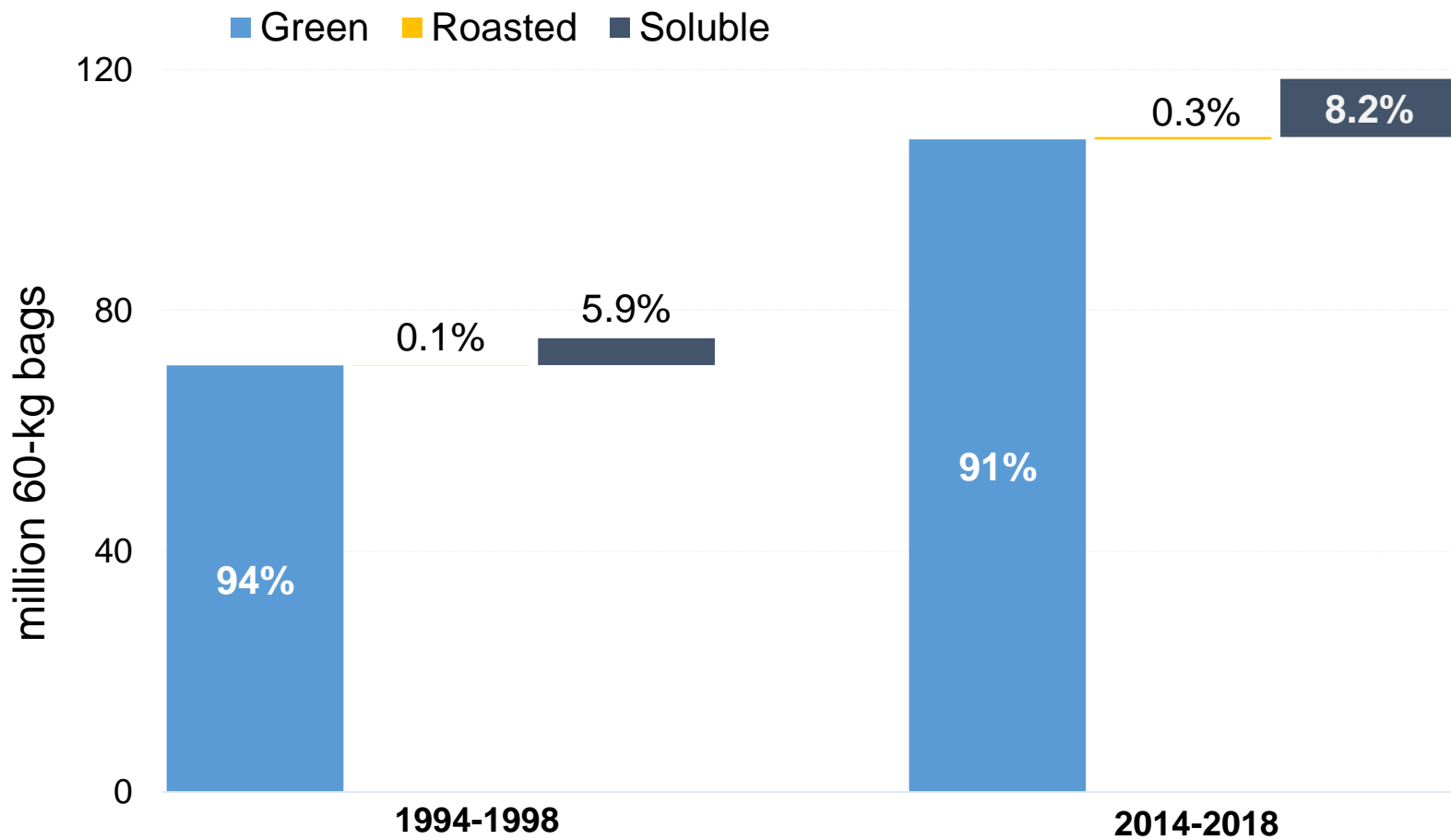
EVOLUTION OF GLOBAL MARKET SHARES IN CONSUMPTION



PER CAPITA CONSUMPTION ACROSS MARKETS (2018)



OVER 90% OF COFFEE EXPORTED IN GREEN FORM





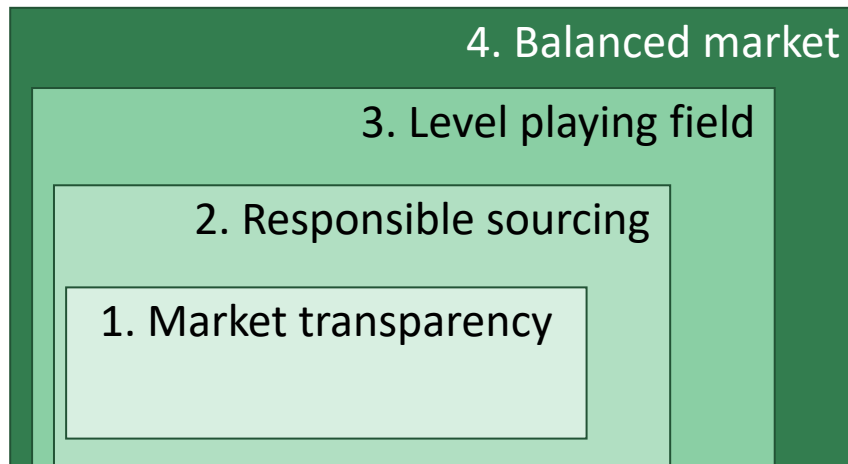
**KEY
AREAS
FOR
ACTION**

AREAS FOR ACTION

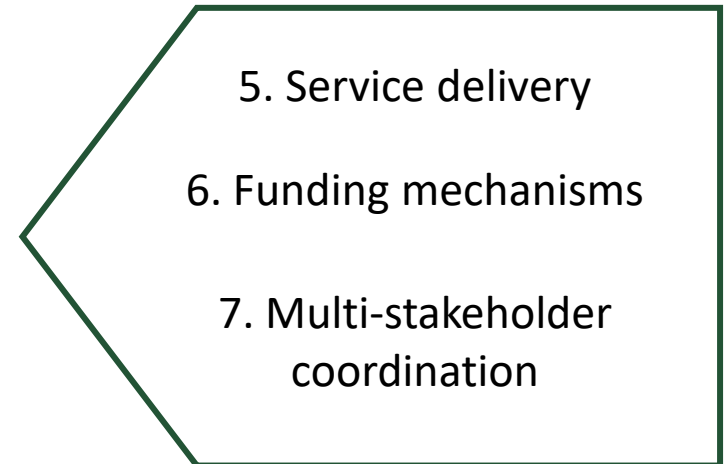
- 50 potential solutions
- Considered:
 - Barriers to implementation
 - Potential impact
- Leading actors:
 - Producers
 - Industry
 - Governments and international organizations



PRIORITY SOLUTIONS AND ENABLING FACTORS



FOCUS OF PRIORITY SOLUTIONS



ENABLING FACTORS



ROLE OF PRIVATE SECTOR

- Develop direct, transparent, stable commercial relationship with suppliers
 - Contract and payment terms
 - Price incentives: reward quality, consistency and sustainable practices
- Premiums paid: informed by production costs and living income benchmarks
- Prices paid: match objective of profitability and sustainability



ROLE OF PRIVATE SECTOR

- Private sector-led initiatives
 - Partnerships to make them scalable
 - Multi-stakeholder dialogue for better integration and harmonization
- Financial sector
 - Tailored products
 - Ease barriers to access
- Blended finance mechanisms for strategic investments



ROLE OF GOVERNMENTS

Exporting countries

- Transition to more profitable and sustainable production:
 - Cost-efficiency: access to inputs, finance, extension services, digital technology
 - Increase value added
 - Investments in research, infrastructure, on-farm diversification
 - Social and environmental regulation
 - Holistic approach / enabling environment
- Promote domestic demand – pre-competitive
- Remove trade barriers



ROLE OF GOVERNMENTS

Importing countries

- Ensure efficient functioning of futures markets
 - Regulation
 - Measures to mitigate volatility
- Promote responsible sourcing practices and responsible trade
- Further research in areas of concentration/competition
- Promote demand – pre-competitive
- Remove trade barriers



ROLE OF ICO

- **Market transparency**
 - Costs of sustainable production: economic, social and environmental
 - Widely-accepted methodologies
 - Price level that enable a living income
- **Upgrading market information systems**
 - Inform sourcing practices of industry
 - Inform production practices



ROLE OF ICO

- **Multi-stakeholder dialogue**
 - Integration and harmonization of initiatives
 - Sharing of best practices
 - Lessons learned
 - Definition of a shared vision, long-term strategy and common targets



NEXT STEPS

- Launch of CDR on International Coffee Day (1 October) at Embassy of Switzerland
- Roadshow to disseminate results, advocate for the coffee sector
 - ICO Member countries
 - International organizations
 - Donors
 - Industry events





INTERNATIONAL
COFFEE
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COFFEE DEVELOPMENT REPORT 2019

With the support of

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Thank you