



ORGANIZACIÓN INTERNACIONAL DEL CAFÉ ORGANIZATION  
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ  
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**Ad hoc Working Group for the  
Consultative Forum on Coffee Sector Finance**

**Managing the risk of green coffee price  
volatility – preparations for September 2011**

1. At its 106<sup>th</sup> Session in March 2011, the Council decided that the topic to be addressed at the ICO meetings in September 2011 should be 'Managing the risk of green coffee price volatility'. The Council also decided to establish an Ad hoc Working Group to assist with preparing a statement of problems or issues to refine this topic and identifying the methodology to be used and individuals with relevant expertise to address the topic.
2. The following Members participated in the Group, which was open to all interested Members and operated by email: Exporting Members: Brazil, Cameroon, Colombia, Côte d'Ivoire, Ecuador, Kenya, Mexico and Papua New Guinea; Importing Members: European Union and the USA. The Chairman of the Private Sector Consultative Board (PSCB) also participated in the Group which was chaired by Mr Michael Wheeler of Papua New Guinea.
3. Following consultations, a document containing a statement of the problem and methodology is attached. The Executive Director a.i. will contact experts identified by the Group and invite them to participate in discussions on this topic on the afternoon of 27 September 2011 during the 107<sup>th</sup> Session of the Council.

## **Ad hoc Working Group for the Consultative Forum on Coffee Sector Finance**

### **Managing the risk of green coffee price volatility – preparations for September 2011**

#### **Statement of problem**

1. The global coffee market is subject to high volatility, and green coffee prices are often unpredictable, making it difficult for growers to plan production accordingly. Although market-based instruments are available to mitigate and off-set price risk, these instruments are short-term and mostly utilized by large exporters and buyers and occasionally by larger producers. Usage by small- and medium-sized producers has been relatively low, as limited knowledge and awareness of instruments, regulatory and institutional barriers, and the price of such instruments, especially those relevant for longer-term planning and creditworthiness problems, form significant barriers to accessing these tools.

2. In the light of these barriers, what mechanisms, tools or strategies exist, or could be developed or improved, to help small- and medium-sized producers manage the risk of green coffee price volatility? What are the challenges for each of the mechanisms, and how can those challenges be overcome to make the tools/strategies more accessible and useful for small- and medium-sized producers?

3. As a starting point for this discussion, participants are invited to consider, among others, the following tools, strategies and mechanisms:

- simple, cheap, longer-term market-based risk management options for both growers and buyers;
- alternative hedging/insurance strategies/opportunities;
- opportunities for direct/long-term producer/(roaster/importer) contracts;
- producer aggregation into co-operatives or associations;
- new business models.

4. An outcome of this discussion may be to identify specific mechanisms or tools that may warrant more in-depth analysis and serve as topics for more focused discussions in future Consultative Forums.

## **Methodology**

5. It is envisaged that the Ad hoc Working Group will invite a number of experts (probably no more than five) to address the topics, each giving no more than a 15-minute presentation. The discussion will be led by a moderator who may or may not be the Chairman of the Group. Speakers will be briefed beforehand to ensure that they are aware that they will be engaging in a discussion rather than just a presentation. The moderator should encourage participation by the Members present as well as by observers and invited guests. Experts selected should come from a range of backgrounds and experience, be effective communicators, and be willing to engage with other speakers and participants so as to contribute to a lively discussion.