



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
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PRESS RELEASE

International Coffee Organization holds first Consultative Forum on Coffee Sector Finance

London (27 September, 2011) – The International Coffee Organization (ICO) held the first meeting of the Consultative Forum on Coffee Sector Finance today as part of its semi-annual meetings. The Forum, an innovative feature of the International Coffee Agreement (ICA) 2007, is designed to address challenges related to finance and risk management in the coffee sector, with a particular emphasis on the needs of small- and medium-sized producers and local communities in coffee producing areas.

“Today’s first session of the Consultative Forum showed that the ICO has a powerful new channel to help fulfil its mission,” said José Sette, ICO Executive Director a.i. “The Forum enriches ICO efforts to promote sustainable expansion by engaging market-based principles to promote the betterment of all participants in the worldwide coffee sector.”

First Consultative Forum on Coffee Sector Finance

This first Forum focused on existing, emerging and future risk management tools associated with green coffee price volatility and how they can be improved to satisfy the specific needs of small- and medium-sized producers. Forum participants included four leading experts in the coffee trade, economics and development, as well as representatives of over 38 countries and the European Union, industry and several non-governmental organizations.

Volatile green coffee prices can frustrate the ability of all elements of the coffee value chain, especially the most vulnerable, to plan ahead. While market-based tools are available to mitigate risk, there are often significant barriers such as lack of knowledge, lack of scale, regulatory and institutional obstacles, and financing. These barriers make these tools largely inaccessible to small- and medium-sized coffee growers.

The Forum explored a range of potential risk management tools to overcome these challenges. These included new types of contracts between coffee producers and roasters, the use of producer cooperatives and associations as a way to pool risk, and making existing market-based hedging instruments more accessible to small and medium-sized producers.

Presentations were made by four invited speakers: Oscar Schaps, Managing Director, Global Soft Commodities, INTL Hencorp Futures LLC, who looked at risk management mechanisms available to smaller producers; Edgar Cordero, Executive Vice President of the Colombian Coffee Federation, who described the Federation's role in supporting the coffee sector; David Browning, Director of Technoserve, who stressed the need to promote confidence in contracts and the value of hedging; and Professor Christopher Gilbert of the University of Trento in Italy, who underlined some of the problems with contracts and proposed a number of modifications to the contracting system.

The International Coffee Agreement 2007 established the Consultative Forum on Coffee Sector Finance 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-sized producers and is designed to include representatives from members, intergovernmental organizations, financial institutions, the private sector, non-governmental organizations, interested non-member countries and others with relevant expertise.

About the ICO: *The International Coffee Organization (ICO) is an intergovernmental organization created under the auspices of the United Nations to serve the international coffee community. Established in 1963, the ICO is unique in bringing producing and consuming countries together to exchange views on coffee matters and market conditions, and address coffee policies. In the last four calendar years, the value of world coffee exports averaged over US\$14 billion. Among the services provided by the ICO are: up-to-date information and statistics; innovative projects to benefit the world coffee economy; coffee market reports and economic studies; a coffee quality improvement programme; consultations on coffee sector finance; developing consumption through market development activities; and conferences and seminars.*

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