

## DEVELOPING A SUSTAINABLE COFFEE ECONOMY MUMBAI, 7 DECEMBER 2015

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## Introduction

- The economic performance and development prospects of many developing countries are largely dependent on commodity exports.
- The heavy dependence of such countries on a few commodities has in general an adverse economic impact, with harmful consequences for growth and the reduction of poverty;

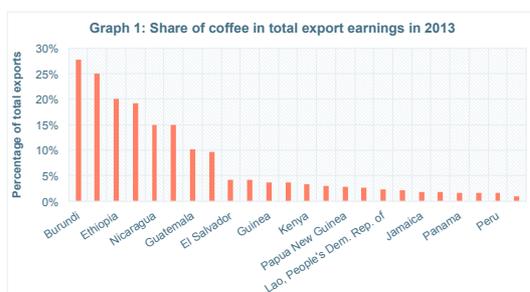
## Importance of coffee (1)

- Coffee is a remarkable commodity for being produced in almost all no-arid countries in the tropics. Over 50 countries produce coffee in significant amounts and in many of these, earnings from coffee exports are of vital importance to the country's balance of payments.
- A further characteristic is that, with minimal exceptions, coffee is produced in developing countries, including a significant number of least developed countries (LDCs)

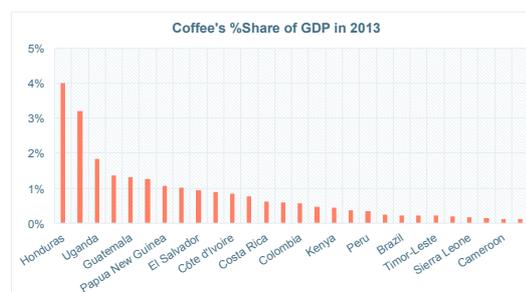
## Importance of coffee (2)

- ❖ Africa: 12.1 million farmers (55% of the world total)
- ❖ Asia&Oceania: 5.5 million (25%)
- ❖ Mexico&Central America: 2.3 million (10%)
- ❖ South America: 2.2 million (10%)

## Importance of coffee (3)



## Importance of coffee(4)



## Sustainability of coffee sector

- ❖ Sustainable development for coffee, or any other agricultural products in general, can be defined as a system of production and trade that is more equitable in terms of social, economic and environment targets.
- ❖ Sustainable development presupposes a concern for social equality between the generations, a concern which should logically extend to equality within the same generation.



## Challenges of sustainable coffee sector

- The Rio Earth Summit identified three mutually reinforcing “pillars” of sustainable development as economic, social and environmental.
- The three pillars are further recognized and emphasized in the International Coffee Agreement 2007 as a major objective for the global coffee sector
- The key tenet of the ICO’s work is to promote awareness of the need for a sustainable coffee economy, which is facing significant challenges



## Challenges of sustainable coffee sector

- **Economic sustainability**
  - Adequate income for coffee farmers
  - Improved farm productivity
  - Farming profitability
  - Access to market and transparency
  - Quality product and traceability
  - Access to finance
  - Diversified income generating activities



## Challenges of sustainable coffee sector

- **Social sustainability:**
  - Improved living conditions
  - Gender equality in coffee farming
  - Adequate farm working conditions
  - Improved farmer skills
  - Healthy farming practices
  - Effective farmers’ organizations and positive impact on their communities
  - Food security



## Challenges of sustainable coffee sector

- **Environmental sustainability**
  - Adoption of good agricultural practices
  - Non-harmful soil fertility management
  - Integrated Pests and diseases management
  - Adequate water management
  - Waste management
  - Conservation of biodiversity
  - Land/forest protection



## Climate change

- ❖ The variability of weather patterns is the main factor responsible for changes in coffee yields all over the world (prolonged rains, droughts);
- ❖ Climate change affects the crop physiology, impacting the flowering and fruit filling stages;
- ❖ Outbreak of coffee pests and diseases;
- ❖ The majority of the coffee producing countries are among the most vulnerable to the effects of climate change;
- ❖ Smallholder farmers who are already vulnerable, climate change will increase further their vulnerability





## Initiatives of ICO (1)

### International Coffee Agreement 2007

Its preamble:

- Recognizing the contribution of a sustainable coffee sector to the achievement of internationally agreed development goals, including the MDGs, in particular with respect to poverty eradication;
- The need to foster the sustainable development of the coffee sector, leading to enhanced employment and income, and better living standards and working conditions in Member countries



## Initiatives of the ICO (2)

### Promoting coffee sector development projects

Recognizing the exceptional importance of coffee to the economies of many countries which are dependent upon this commodity for their export earnings and for the achievement of their social and economic development goals, the Organization encourages sustainable development and poverty reduction in producing countries through projects which have as their principal beneficiaries the coffee producing countries of Africa, Asia & Oceania and Latin America;



## Initiatives of the ICO(3)

- In the light of changes at the Common Fund for Commodities, The ICO is reviewing its role on projects which may in the future include assistance with designing projects, matching projects with the priorities of multilateral donors and ensuring donor agencies are aware of the requirements of the global coffee sector



## Initiatives of the ICO (4)

### Consultative Forum on Coffee Sector Finance

The Forum aims 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

- ❖ Risk management
- ❖ Access to credit
- ❖ Financial tools and services
- ❖ Sources of finance and partnerships for coffee development activities



## Initiatives of the ICO (5)

- ❖ First forum discussed the mechanism, tools or strategies that exist or could be developed or improved, to help small-and medium-sized producers manage the risk of green coffee price volatility;
- ❖ The second concentrated on the role of producer associations;
- ❖ The third forum was to identify best practices and disseminate information to Members about farmer aggregation as a platform through which access to finance and risk management could be achieved more effectively;
- ❖ The fourth forum analysed how producing countries can engage effectively with financial multilateral institutions and donors and ensure that financing from those institutions meets the needs of producers
- ❖ The fifth forum was about how to effectively structure a project in order to obtain financing



### Initiatives of the ICO (6)

#### ☐ The World Coffee Conference

It provides a wider forum for prominent and influential members of the world coffee community to highlight the way forward in addressing the challenges of the coffee sector.



### Initiatives of the ICO (7)

#### ☐ Addressing climate change

Climate change has emerged as the serious challenge to sustainable coffee sector as its effects will deepen poverty and reverse positive trends toward a sustainable development.

The Organization invites in regular basis experts and scientists to report on its potential impacts on coffee production, and discuss several adaptation and mitigation strategies for coffee producers.



### Initiatives of the ICO (8)

#### ❖ Dissemination of relevant information on climate change

- 1) Climate change and the coffee sector (consultancy report, 2015);
- 2) Climate change adaptation in coffee production: A step-by-step guide to supporting coffee farmers in adapting to climate change ([www.coffeeandclimate.org](http://www.coffeeandclimate.org))
- 3) Guide for financing climate-related activities in the coffee sector



### Conclusion

- As in the case of many agricultural crops, coffee cultivable land is shrinking while production costs are rising, suggesting that many producers may be reaching their saturation point.
- The variation of weather patterns due to climate change will exacerbate chronic environmental threats that could derail progress toward sustainable development

