

**Anacafe – NCA**

**Issues Management Forum**

***Producer Sustainability***

**Proceedings**

## Table Of Contents

Introduction .....	1
Executive Summary .....	2
Background.....	3
Issue: Producer Sustainability Objectives .....	4
Sub-Issues.....	4
Sub-Issue #1: Adaptation to Climate Change .....	4
Existing Programs and Initiatives.....	5
Brainstorming Session.....	5
Objective.....	5
Work Streams .....	5
Action Plan.....	6
Additional Stakeholders .....	7
Sub-Issue #2: Financing and Risk Management to Producer World .....	7
Existing Programs and Initiatives.....	7
Brainstorming Session.....	8
Objective:.....	8
Counter Party Risk Management Assessment .....	8
Workflows .....	10
Action Plan.....	11
Additional Stakeholders .....	12
Sub-Issue #3: Good Agronomic Practices.....	13
Existing Programs and Initiatives.....	13
Brainstorming Session.....	13
Objective.....	14
Work Streams .....	14
Action Plan.....	14
Additional Stakeholders .....	16
Sub-Issue #4: Market Development, Issues and Conditions .....	16
Existing Programs And Initiatives .....	16
Brainstorming Session.....	16
Objective.....	17
Work Streams .....	17
Action Plan.....	17
Additional Stakeholders .....	18
Sub-Issue #5: Good Social/Economic Practices .....	18
Existing Programs And Initiatives .....	18
Brainstorming Session.....	18
Objective.....	19
Work Streams .....	19
Action Plan.....	19
Additional Stakeholders .....	20
Sub-Issue #6: Good Environmental Practices.....	20
Existing Programs and Initiatives.....	20

Brainstorming Session .....	20
Objective.....	21
Work Streams .....	21
Action Plan.....	21
Additional Stakeholders .....	22
Appendix A: IM Forum Participants.....	23
List by Participant .....	23
List by Organization .....	23
Appendix B: Brainstorming Results.....	25
Appendix C: Consumer Demand .....	27
Appendix D: Risk Management Tool Box Workshop .....	28
Appendix E: Possible Execution Structure.....	29

## **Introduction**

This document represents the proceedings of the National Coffee Association (NCA) / Anacafe (National Coffee Association of Guatemala) Issues Management Forum (IM Forum) conducted over three sessions: one online and two in-person. The information contained herein does not represent the opinions or positions of any individual who participated in the Forum, nor does it represent the opinions or positions of any organization represented by the participants.

The document represents a roadmap that could be adopted by the global coffee industry to address producer sustainability. The objective of the IM Forum was to gather a diverse group of leaders in the coffee sector for the purpose of identifying and prioritizing emerging issues for the global supply chain, and developing an issues management strategy for the most important issue. The intent of the Forum was to develop this strategy for the industry and act as a catalyst for others (individuals, organizations and companies) in the industry to execute the strategy. A suggested execution structure is provided in Appendix E.

Action plans contained herein often list an organization or multiple organizations as “accountable” for particular action steps. The organizations are organizations that the participants identified as organizations that the participants believed could execute the respective action. It is important to note that the listing of an organization does not imply that this organization has been contacted or that they have agreed participate.

Time lines for some of the action steps are incomplete. This should not be interpreted to mean that the participants felt time lines for these steps were not warranted. Rather, the time lines are incomplete due to lack of information to appropriately include them or restraints on time at the IM Forum itself.

## **Executive Summary**

The National Coffee Association of USA (NCA) and the National Coffee Association of Guatemala (Anacafe) hosted an Issues Management Forum (IM Forum) for 28 leaders in the coffee world, representing six continents (including consuming and producing nations). The purpose of the IM Forum was to identify emerging issues along the entire coffee supply chain and develop an issues management strategy for the top priority issue.

The participants identified producer sustainability as the top priority issue. Under this umbrella, six sub-issues were identified: adaptation to climate change, finance and risk management, good agronomic practices, market development, good social/economic practices, and good environmental practices. Prior to developing strategies for the sub-issues, the participants identified three targeted outcomes as the goal of the collective sub-issue strategies: profitability throughout the supply chain (with social responsibility and environmental stewardship), prosperous coffee communities, and coffee's generational viability/desirability.

Prior to identifying sub-issue workflows and action plans, objectives were identified for each of the sub-issues.

Adaptation to Climate Change: As the climate changes, maintain and improve, via baseline research and analysis, coffee quality and yield for producer sustainability.

Finance and Risk Management: Provide knowledge for national institutions and decision makers to facilitate their assessment of coffee sector financing and risk management needs and the implementation of effective policies to address those needs.

Good Agronomic Practices: Develop a central clearing house of information that is measurable, incorporates cross certification compatibility and standards between various agencies, utilizing carbon capture/credit criteria with the outcome being a more streamlined process that is relevant and effective for the producer.

Market Development: Facilitate access to verifiable/credible market information through a centralized information source, keeping in mind the information access challenges that small producers have.

Good Social/Economic Practices: Continue support and education, leveraging existing efforts and engaging governments, NGO's and the private sector to improve working conditions and enhance the quality of life respectful of local values and culture.

Good Environmental Practices: Identify, measure and improve the current baseline of environmental practices from tree to exporter through a uniform methodology.

Finally, for each sub-issue participants identified possible stakeholders that might have a vested interest in executing the various strategies/workflows/action steps.

## **Background**

In late 2008, the National Coffee Association of USA (NCA) joined together with Anacafe (Guatemalan National Coffee Association) to host a global Issues Management Forum (IM Forum) for the purpose of identifying and prioritizing emerging issues for the entire supply chain, and developing an issues management strategy for at least one of the priority issues. The IM forum consisted of an online brainstorming session and two, two-day facilitated strategy development sessions. IM Forum participants<sup>1</sup> included 28 representatives from Asia, Africa, South America, Central America, Europe, United States and Canada. The geographically diverse participants represented growers, exporters, importers, roasters and retailers.

The online brainstorming session was conducted using IdeaSpex software, an on-line brainstorming tool, during July and August 2008. During this initial brainstorming session, 24 emerging issues were identified. The results from the online brainstorming session were used as a catalyst for an in-person brainstorming session which took place in December 2008 (first of two facilitated strategic sessions). As a result of the brainstorming sessions, 62 emerging issues in total were identified. These were then consolidated into 17 key emerging issues<sup>2</sup>.

The participants then identified the two top priority key strategic issues: consumer demand and producer sustainability. After briefly discussing consumer demand<sup>3</sup>, the group decided to build an issues management strategy on what was identified as the top priority issue: producer sustainability. It was agreed that the strategy would ultimately address three targeted outcomes: profitability throughout the supply chain (with social responsibility and environmental stewardship), prosperous coffee communities, and coffee's generational viability/desirability.

Under the umbrella of producer sustainability the group identified six sub-issues: adaptation to climate change, financial support, good agronomic practices, market development, good social/economic practices, and good environmental practices. For each sub-issue, using small group breakout sessions, the group identified currently existing programs/initiatives related to the sub-issue, conducted brainstorming exercises to identify "out of the box" concepts/options/solutions that might address the respective sub-issue, developed an objective, identified workflows to achieve the objective, and action

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<sup>1</sup> See Appendix A

<sup>2</sup> See Appendix B

<sup>3</sup> See Appendix C

plans to execute the workflows. Finally, stakeholders that could potentially be engaged early on in the execution phase were identified for each sub-issue.

The first two-day session was facilitated by Business for Social Responsibility (BSR) and the second two-day session held in March 2009 was facilitated by NCA. Both large and small group work sessions were used to develop the strategy.

### **Issue: Producer Sustainability Objectives**

The group agreed to focus on one issue: Producer sustainability. Under this umbrella, it was agreed that six sub-issues would be addressed.

Adaptation to Climate Change: As the climate changes, maintain and improve, via baseline research and analysis, coffee quality and yield for producer sustainability.

Financial Support: Provide knowledge for national institutions and decision makers to facilitate their assessment of coffee sector financing and risk management needs and the implementation of effective policies to address those needs.

Good Agronomic Practices: Develop a central clearing house of information that is measurable, incorporates cross certification compatibility and standards between various agencies, utilizing carbon capture/credit criteria with the outcome being a more streamlined process that is relevant and effective for the producer.

Market Development: Facilitate access to verifiable/credible market information through a centralized information source, keeping in mind the information access challenges that small producers have.

Good Social/Economic Practices: Continue support and education, leveraging existing efforts and engaging governments, NGO's and the private sector to improve working conditions and enhance the quality of life respectful of local values and culture.

Good Environmental Practices: Identify measure and improve the current baseline of environmental practices from tree to exporter through a uniform methodology.

### **Sub-Issues**

#### **Sub-Issue #1: Adaptation to Climate Change**

It was agreed that this sub-issue would not focus on impacting climate change, but instead on what the industry needs to do to adapt to climate change.

## Existing Programs and Initiatives

The following existing programs/initiatives were identified:

- World Bank fund for adaptation to climate change for developing countries
- World Wildlife Federation coffee adaptation fund
- Conservation International adaptation program for coffee industry
- Stanford's food security and environment program
- U.S government legislation to finance adaptation strategies
- UN Global Fund for Adaptation
- Private research
- Cenicafé rainfall research
- The Earth Institute at Columbia University
- Oxfam's Central American coffee program

## Brainstorming Session

The following ideas were identified during a brainstorming session as possible concepts that could address the industry's need to adapt to climate change<sup>1</sup>:

- Generic communication from industry indicating coffee is "good for the environment"
- National coffee trade associations lobby their respective governments for adaptation funding
- Undertake or act as catalyst to ensure meta analysis is undertaken to determine impacts on industry / sector and to build a case for government funding
- Act as a catalyst for primary research relating to coffee industry
- Technical projects funded by industry
- The use of genetically modified organisms (GMO) as an adaptation strategy
- GMO research for suitable coffee varieties
- Examine current adaptation mechanisms to identify those most suitable for coffee sustainability goals

## Objective

As the climate changes, maintain and improve, via baseline research and analysis, coffee quality and yield for producer sustainability.

## Work Streams

1. Develop sources and resources for baseline research analysis that incorporates existing climate research.

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<sup>1</sup> These ideas were developed during a creative thinking exercise. The ideas have not been analyzed and their presence in this document does not indicate the viability or appropriateness of the idea to achieve the Adaptation to Climate Change objective.

2. Develop a process to regularly review and update the data.
3. Develop a communications strategy that moves from acquiring and analyzing climate data to translating the data into information, and effectively communicating such information in a manner that is actionable by producers.

### Action Plan

Develop sources and resources for baseline research analysis and climate/agronomic data that incorporates existing climate research and data.

<b>Action</b>	<b>Accountability</b>	<b>Begin Date</b>	<b>Completion Date</b>
1. Identify known information sources (possibly US National Oceanic and Atmospheric Administration (NOAA), government agricultural ministries, WeatherFLOW, and ICO)	ICO, USDA		
2. Conduct meta-analysis of current research	ICO, USDA		
3. Conduct gap analysis to determine what additional resources may be needed	ICO		
4. Develop additional resources based on gap analysis	USAID, GTZ, other development agencies		
5. Develop a database, designed to automatically accept electronic feeds from sources, of weather/climate and agronomic information, including rainfall, temperatures (day & night), relative humidity, hours of sunlight, soil, shade, farm conditions, & variety, etc.	ICO, FAO, UNEP		

Develop a process to regularly review and update the climate/agronomic data.

<b>Action</b>	<b>Accountability</b>	<b>Begin Date</b>	<b>Completion Date</b>
1. Establish baseline weather and agronomic reference points by country/region, including average and median measures, based of ten years worth of weather and agronomic data.	ICO		
2. Establish a standard for review and data capture frequency – i.e. capture daily, analyze yearly			

Develop a communications strategy that moves from acquiring and analyzing climate data to translating the data into information, and effectively communicating such information in a manner that is actionable by producers.

The objective of the communications strategy is to engage all relevant stakeholders for the purpose of seeking their support of and alignment on industry efforts to adapt to climate change, as well as to inform relevant stakeholders of adaptation options and share best practices/successes.

Action	Accountability	Begin Date	Completion Date
1. Identify internal stakeholders, such as: producers, industry, agronomists, research analysts	ICO		
2. Identify external stakeholders, such as: agriculture ministries, other government officials, NGOs, climate conferences (to get on agenda), and possibly consumers	NCA, Anacafe,		
3. Write communications strategy/plan			

### Additional Stakeholders

The following were identified as additional stakeholders that should be considered as stakeholders that might be involved early on in the execution of the work streams.

- Additional consumer and producer coffee trade associations
- Academics and climatologists, possibly from institutions such as Harvard, Stanford and Columbia
- Common Fund for Commodities
- National Development agencies such as: DIFID, USAID and GTZ
- Environmentally focused NGOs
- Stakeholders from other industries such as energy and agriculture that are from the public or private sectors

### **Sub-Issue #2: Financing and Risk Management to Producer World**

#### Existing Programs and Initiatives

The following existing programs/initiatives were identified:

- Futures & options markets
- World Bank
- Common Fund For Commodities
- International Finance Corporation
- Africa development banks
- Brazil Counter Party Risk program
- In-country financing programs
- In-country input programs

- Bilateral programs
- Subsidies (value added)
- Private sector initiatives
- Origin pre-financing (advances)
- International Coffee Organization (ICO) information clearinghouse (Forum on Finance)
- Publications – UN Global Compact case studies
- Non Governmental Organizations (NGOs)
- Micro-loans (Macro-micro loans)

### Brainstorming Session

The following ideas were identified during a brainstorming session as possible concepts that might address the industry's financing and risk management challenges<sup>1</sup>:

- Roasted coffee tax
- Stability tools
- Embedding hedging in a marketing plan by country
- Progressive taxations (creation of fund)
- Hedging education – producer level
- Creation of a coffee bond (mechanism to provide for a “rainy day”)
- Bank education of coffee (Global Coffee Bank)

### Objective:

Provide knowledge for national institutions and decision makers to facilitate their assessment of coffee sector financing and risk management needs and the implementation of effective policies to address those needs.

### Counter Party Risk Management Assessment

In the workflow development process, Forum participants explored the concept of Counter Party Risk. In doing so, the group first identified potential components of a counter party risk program. Next, participants used a modified force field problem solving model to develop strategies that could facilitate the development of counter party risk management programs/plans. These strategies were used to formulate workflows designed to achieve Issue # 2, Financing & Risk Management, objectives.

### Counter Party Risk Management Program Components

- Third party verification

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<sup>1</sup> These ideas were developed during a creative thinking exercise. The ideas have not been analyzed and their presence in this document does not indicate the viability or appropriateness of the idea to achieve the Adaptation to Climate Change objective.

- Third party guarantor of contractual rights, which functions as a clearinghouse between buyer and seller
- Standard level of quality and enforcement set by clearinghouse
- Abide by a certain structure, put down margins
- Transparency between buyer and seller
- Infrastructure in place based on rule of law that is verifiable and that will cover contract enforcement
- The ability to repurchase positions or resell them
- Standardized quantity to minimize the risk
- Warehouse guarantee
- Bank lending rates
- Interest rate, variable terms and related time period
- Two ways to liquidate: financial settlement or delivery of product
- “Toolbox” systems/programs
  - Insurance products- such as Mexico’s grain insurance product or Colombia’s minimum price program
  - Put programs, such as Brazilian government sponsored program that offers and writes put options and specific parameter that guarantee the buying of coffee at a specific price
  - Barter, such as fertilizers for future delivery of coffee as done in Brazil and Colombia
  - Minimum guaranteed price by producer governments
  - Export taxes
  - Subsidies (interest rates, inputs (fertilizers) such as in Colombia
  - Auction system
  - Debt relief
  - Long-term supply contract, independently determined
  - Private put programs
  - Pre-financing from private sector
  - Futures market
  - Micro finance
  - Warehouse receipts
  - CPR (Brazil specific)

#### Driving Forces:

Driving forces are defined as forces in the current environment that push toward or support the implementation/execution of a counter party risk program, as defined by counter party risk components set forth immediately above.

- Presence of rule of law
- Well established, healthy banking system/sound institutions
- Willingness of government to help
- Need for financing
- Well established banking system
- Foreign investment

- Scale in volume
- Coffee being a high percentage of exports/GDP
- Risk management (revenue security)

### Restraining Forces

Restraining forces are defined as forces in the current environment that push against or inhibit the implementation/execution of a counter party risk program, as defined by the components set forth above.

- Lack of transparency
- Perception of transparency when it does not exist
- Corrupt government/power structures
- Lack of financial capacity
- Crop failure (climate)
- Lack of rule of law (defaults)
- Cost of fees/program cost
- Co-op system not as well developed
- Farms that are too small to qualify and don't have paper records or previous risk history to support funding
- Lack of education, economic know-how and training opportunities
- Mindset with current conditions
- Credit worthiness of counter parties

### Strategies Designed to Strengthen the Driving Forces

- Analyze the contents of the tool box and build descriptions of the different tools. Assess the tools against different criteria, as well as the merits and problems of each tool [strategy corresponds to workflow one]
- Build a general 'business plan"/strategic outline for the cost benefit of establishing transparent, affordable, reliable financial risk management tools, along with the necessary legal structure [strategy corresponds to workflow one]
- Conduct producing country decision maker and producer organization education/training seminars that are designed for and targeted at specific audiences, taking into account the importance of identifying the organization(s) best equipped present the knowledge. [strategy corresponds to workflow two]

### Workflows

1. Collect information pertaining to existing tools/systems/programs for finance and risk management, ensuring to explore customary and innovative approaches, such as leveraging private and public financing.
2. Build a comprehensive tool box that contains risk management tools.

- Disseminate information pertaining to tools/systems/programs for finance and risk management through the ICO Forum on Finance (FOF).

### Action Plan

Collect information pertaining to existing tools/systems/programs for finance and risk management ensuring to explore customary and innovative approaches, such as leveraging private and public financing.

Action	Accountability	Begin Date	Completion Date
1. Identify what organizations could be accountable for executing action steps three through seven below. In doing so consider organizations such as: World Bank, USAID, NGOs, and FAO.	NCA with ICO overseeing the process	June 2009	August 2009
2. Contact organizations identified in step one enlist their buy-in and determine who will execute components in steps three through seven.	NCA	September 2009	March 2010
3. Collect descriptions/information on current finance & risk management plans/programs by region.	FOF		
4. Identify advantages & disadvantages of plans/programs/program components collected in action step three.	FOF		
5. Identify the strategic goal of each plan/program identified in action step three above.	FOF		
6. Correlate/organize information, along with cost benefit analysis, from current plans/programs to facilitate identification of best program components by local decision makers .	FOF	April 2010	April 2011
7. Engage influencers through dialogue in the building of a general business plan/strategic outline that establishes the cost benefits of a transparent, affordable, reliable financial risk management tools, thereby enhancing probability of buy-in.	FOF		

Build a comprehensive tool box that contains risk management tools.

Action	Accountability	Begin Date	Completion Date
1. Create a small working group to enhance the tool box components listed above.	FOF		
2. Identify a larger group of individuals to participate in an exchange of ideas related to tool box components at a workshop. Participants to	FOF		

Action	Accountability	Begin Date	Completion Date
include presenters and audience participants. Presenters: Intergovernmental organizations such as World Bank, producer organizations, co-ops, hedge funds, trade finance companies, national development agencies, coffee trade houses, brokerage houses and academia. Audience: ICO member countries, NGOs with appropriate relationship to financing, foundations, and banking/financial institutions.			
3. Distribute the “enhanced” tool box, described in action step one immediately above, to all workshop participants.	FOF		
4. Conduct workshop on risk management <sup>1</sup> .	FOF		

Disseminate information pertaining to tools/systems/programs for finance and risk management the ICO Forum on Financing.

Action	Accountability	Begin Date	Completion Date
1. Conduct education programs for appropriate audiences in member countries.	ICO member delegations		
2. Identify private sector organizations that could benefit from education/information in members countries.	ICO		
3. Encourage appropriate private sector organizations to distribute information to their respective members.	ICO		

### Additional Stakeholders

The following were identified as additional stakeholders that should be considered as stakeholders that might be involved early on in the execution of the work streams:

- International Coffee Organization
- Innovative banks in country
- Hedge funds
- Multi-lateral agencies, such as the World Bank
- Venture capitalist/private equity firms
- Bilateral aid agencies, government
- Foundations/trust funds
- Central banks

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<sup>1</sup> See appendix D

- Producing-country banks
- Universities/educational institutions as local partners capable of providing financial training

### **Sub-Issue #3: Good Agronomic Practices**

For purposes of the this document, “good agronomic practices” is considered to hold the customary and ordinary meaning in its broadest form.

#### Existing Programs and Initiatives

The following existing programs/initiatives were identified:

- Starbucks C.A.F.E. practices
- Rainforest Alliance
- Utz Kapeh
- Fair Trade
- 4C’s
- Organic
- Bird-friendly, Smithsonian
- Nespresso AAA program
- Illy Café
- Projects/research being done by:
  - Producer associations/cooperatives, such as: PROMECAFE (Central America and Caribbean), Cenicafé, EMBRAPA/IAC
  - Other organizations: CIRAD, CATIE, CABI, ASIC, ISIC, Cornet, OTA, FAO, USDA
  - Universities: Vanderbilt, Purdue, Texas A&M

#### Brainstorming Session

The following ideas were identified during a brainstorming session as possible research and development areas that would be helpful in addressing/developing/executing good agronomic practices<sup>1</sup>.

- Drought resistant types
- Flavor
- Altitude
- Disease resistance
- Frost resistance
- Wind resistance
- Caffeine content
- Nitrogen fixing and natural fertility (provided by actual coffee plant)
- Fertility/soil
- Erosion prevention

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<sup>1</sup> These ideas were developed during a creative thinking exercise. The ideas have not been analyzed and their presence in this document does not indicate the viability or appropriateness of the idea to achieve the Adaptation to Climate Change objective.

- Carbon capture
- Pest management
- Cultural practices

Objective

Develop a central clearing house of information that is measurable, incorporates cross certification compatibility and standards between various agencies, utilizing carbon capture/credit criteria with the outcome being a more streamlined process that is relevant and effective for the producer.

Work Streams

1. Develop cross certification compatibility by communicating with the disparate group of agencies to facilitate and reach more uniformity and commonality, in the interest of the producer ultimately making the certification process less expensive and more efficient.
2. Create a best practices agronomic research clearinghouse after identifying and communicating with appropriate entities in country as well as regional institutions.
3. Identify who can measure, monitor and start the process of carbon capture/credit for coffee areas.

Action Plan

Develop cross certification compatibility by communicating with the disparate group of agencies to facilitate and reach more uniformity and commonality, in the interest of the producer ultimately making the certification process less expensive and more efficient.

Action	Accountability	Begin Date	Completion Date
1. Contact ISEAL (International Social and Environmental Accreditation and Labeling Alliance) to inform them of IM Forum and its objectives, to discover the current efforts already made at consolidation.			
2. Contact other certifiers only after ISEAL is contacted.			
3. Contact other certifiers if ISEAL declines or asks for additional support.			

Create a best practices agronomic research clearinghouse, after identifying and communicating with appropriate entities in country as well as regional institutions.

Action	Accountability	Begin Date	Completion Date
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Action	Accountability	Begin Date	Completion Date
1. Contact ICO through a member delegation to discuss the concept and the ICO's capacity for acting as a clearinghouse.	NCA		
2. Contact ASIC to discuss the concept and ASIC's capacity for acting as a clearinghouse.	Ron Peters		
3. If necessary, contact other potential hosting agencies to determine their interest and capacity for acting as a clearing house.			
4. Once hosting agency is identified, have them agree to contact governmental, educational and regional research entities about information sharing.			
5. Develop a list of grant making agencies from ICO database, regional in-country research institutions.	NCA and ANACAFE		
6. Contact grant making agencies to discuss research grant conditions for coffee, pushing for information sharing as part of the grant requirements.			
7. Develop a coffee research information clearing house (CRIC), and create a marketing plan for it and publicize its creation.			

Identify who can measure, monitor and start the process of carbon capture/credit for coffee areas

Action	Accountability	Begin Date	Completion Date
1. Contact certifiers about CO <sub>2</sub> capabilities, for example Rainforest Alliance, to discuss the plan concept.			
2. Contact existing carbon credit exchanges and private sector funds that trade carbon credits to understand the market place and existing conditions.			
3. Translate the information to a tradable certificate within the framework of what exists and what is coming in the next few years.			

### Additional Stakeholders

The following were identified as additional stakeholders that should be considered as stakeholders that might be involved early on in the execution of the work streams.

- IT companies that could offer resources and might be interested, such as: Yahoo, Google, Microsoft, Baidu, IBM
- International Coffee Organization (ICO)
- Local governments
- World Economic Forum (Davos)

### **Sub-Issue #4: Market Development, Issues and Conditions**

Market Development is meant to include niche and traditional markets.

### Existing Programs And Initiatives

The following existing programs/initiatives were identified:

- European Union expert help desk
- International trade center (thecoffeeguide.org)
- Juan Valdez.com
- Cafédecolombia.com (cup of excellence)
- ICO – statistics, case studies
- FO Licht (publications)
- Government legislation
- NCA's National Coffee Drinking Trends study/publication

### Brainstorming Session

The following concepts were identified as possible ideas that might address the issue of market development<sup>1</sup>:

- In-country information brokers
- Cupping programs
- Travel exchange programs (bring roasters, people not typically in contact with growers)
- Tradeshows/conventions (enhance exporter visibility to importing community)
- Denomination of control - origins

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<sup>1</sup> These ideas were developed during a creative thinking exercise. The ideas have not been analyzed and their presence in this document does not indicate the viability or appropriateness of the idea to achieve the Adaptation to Climate Change objective.

## Objective

Facilitate access to verifiable/credible market information through a centralized information source, keeping in mind the information access challenges that small producers have.

## Work Streams

1. Create a centralized database containing market information.
2. Facilitate small producer and “newer origin” producer access to trade shows and conventions.
3. Promote ITC training modules.

## Action Plan

Create a centralized database containing market information.

<b>Action</b>	<b>Accountability</b>	<b>Begin Date</b>	<b>Completion Date</b>
1. Contact ICO to discuss creation and maintenance of database and explore the possibility of expanding “coffee club network.”	NCA		Aug. 1, 2009
2. Contact potential database contributors, such as certifiers, origin coffee associations, co-ops, consuming country associations and NGOs	Database host		Aug. 1, 2010
3. Promote the database	Database host		
4. Link database to origin Websites			

Facilitate small producer and “newer origin” producer access to trade shows and conventions.

<b>Action</b>	<b>Accountability</b>	<b>Begin Date</b>	<b>Completion Date</b>
1. Identify conventions/trade shows in consuming nations.			Sept. 1, 2009
2. Determine the existence/relevance of conventions/tradeshows that are relevant to green coffee.			Sept. 1, 2009
3. Contact coffee conventions/trade shows to discuss small producer access.			
4. Identify scholarship/subsidy sources (including development agencies) for small producer attendance at trade show.	NCA		June 1, 2009

Promote ITC Training Module

Action	Accountability	Begin Date	Completion Date
1. Contact ITC to discuss in-country promotion.	ICAFFE		June 1, 2009
2. Explore the possibility of UNCTAD and/or WTO promoting training module(s).			

### Additional Stakeholders

The following were identified as additional stakeholders that should be considered as stakeholders that might be involved early on in the execution of the work streams.

- International Trade Center (ITC)
- Trade associations
- Local government
- Local phone companies
- WTO
- International Standards Organization (ISO)

### **Sub-Issue #5: Good Social/Economic Practices**

#### Existing Programs And Initiatives

The following existing programs/initiatives were identified:

- Local/national legislation
- Certification programs, such as Rainforest Alliance, Fair Trade, Utz Kapeh, etc.
- Existing programs financed by development agencies
- USAID
- NGOs
- Private Sector
- Banks – Micro loans
- Individual roaster/retailer programs (supply chain initiatives)

#### Brainstorming Session

The following ideas were identified as concepts that might address the issue of good social/economic practices<sup>1</sup>.

- A program such as “Doctors/Dentists Without Borders” where medical professionals go to coffee regions
- Survey/diagnostic of needs/issues
- Academic systems/process knowledge transfer
  - Regional sharing (not just developed – developing)

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<sup>1</sup> These ideas were developed during a creative thinking exercise. The ideas have not been analyzed and their presence in this document does not indicate the viability or appropriateness of the idea to achieve the Adaptation to Climate Change objective.

- Global interacting/info sharing/best practices
- Removal of tariff and non-tariff trade barriers
- Reducing coffee producers' financial dependence on coffee through diversification of income
- Scholarships for basic education in origin countries
- Program to identify teachers to teach a semester abroad
- Financial literacy (COP evaluation, etc.)
- Infrastructure development
- Program for producers to develop good business practices/management

### Objective

Continue support and education, leveraging existing efforts and engaging governments, NGO's and the private sector to improve working conditions and enhance the quality of life respectful of local values and culture.

### Work Streams

1. Replicate and promote socially responsible programs and practices.
2. Replicate and promote programs and practices that are economically sustainable.

### Action Plan

Replicate and promote socially responsible programs and practices

Action	Accountability	Begin Date	Completion Date
1. Create working group to identify potential members of expert panel for social issues and expert panel for economic issues.			
2. Establish an expert panel on social issues that would include NCA and Anacafe.			
3. Establish an expert panel on economic issues that would include NCA and Anacafe.			
4. Survey existing social programs and practices, such as Doctors Without Borders & Coffee Kids.			
5. Survey existing economic programs and practices.			
6. Identify potential social program elements/best practices.			
7. Identify potential economic program elements/best practices.			
8. Post information/best practices widely to national trade associations.			

Action	Accountability	Begin Date	Completion Date
9. Establish a single data source for social and economic best practices utilizing available technology, such as Facebook and/or Google.			

### Additional Stakeholders

The following were identified as additional stakeholders that should be considered as stakeholders that might be involved early on in the execution of the work streams.

- Medical organizations
- Lawmakers – local, national
- Governments – local, federal (producing countries)
- Universities
- NGOs
- Teachers/Education organizations
- Think-tanks
- Foundations
- Research organizations

### **Sub-Issue #6: Good Environmental Practices**

#### Existing Programs and Initiatives

The following existing programs/initiatives were identified:

- Rainforest Alliance
- Conservation International
- Oxfam
- Earthwatch
- Utz Kapeh
- 4C's
- Smithsonian
- Starbucks C.A.F.É. Practices
- Fair Trade
- Nespresso AAA
- Nespresso

#### Brainstorming Session

The following ideas were identified as concepts that might address the issue of good environmental practices<sup>1</sup>.

- Voluntary carbon market
- Carbon verification programs (Rainforest Alliance)
- Clean energy – solar, hydro, wind

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<sup>1</sup> These ideas were developed during a creative thinking exercise. The ideas have not been analyzed and their presence in this document does not indicate the viability or appropriateness of the idea to achieve the Adaptation to Climate Change objective.

- Renewable energy, next generation biofuels, focus on use of byproduct (not agriculture expansion)
- Wastewater treatment technology
- Multi-product composting, reducing, reusing, recycling
- Green tax for consumers
- Everything in coffee supply chain compostable and recyclable
- For every 5 coffee trees, plant one tree of native species – or maintain 20% of land as private reserve
- Carbon neutral coffee industry in 5 years
- Mimic wine (grape) production – microbotic, symbiotic
- Creating biosphere corridors – Mayan, biosphere preserve
- Create and expand buffer zones

### Objective

Identify, measure and improve the current baseline of environmental practices from tree to exporter through a uniform methodology.

### Work Streams

1. Determine through ICO what current standards exist in each producing country.
2. Determine through certification agencies what current standards exist, and see to what countries they currently apply and what work is currently being done in advancement of current standards.
3. Identify potential consultants/consultancy agencies that could collect and evaluate current environmental practices on a country by country basis.
4. Create or convene a forum to discuss and adopt a baseline for environmental best practices.
5. Approach internationally recognized body to adopt and promote a universal environmental standard(s) for coffee.

### Action Plan

Determine through ICO what current standards exist in each producing country.

Action	Accountability	Begin Date	Completion Date
1. Contact ICO.	NCA		Sept. 1, 2009

Determine through certification agencies what current standards exist, and see to what countries they currently apply and what work is currently being done in advancement of current standards.

Action	Accountability	Begin Date	Completion Date
1. Contact certification agencies.	ECF		Sept. 1, 2009

Identify potential consultants/consultant agencies that could collect and evaluate current environmental practices on a country by country basis

Action	Accountability	Begin Date	Completion Date
1. NCA and ANACAFE to identify consultants/consultant agencies.	ANACAFE	Sept. 1, 2009	Dec. 31, 2009

Create or convene a forum to discuss and adopt a baseline for environmental best practices

Action	Accountability	Begin Date	Completion Date
1. Convene Forum.	Consultants	Jan. 1, 2010	June 30, 2010

Approach internationally recognized body to adopt and promote a universal standard(s) for coffee.

Action	Accountability	Begin Date	Completion Date
1. Contact internationally recognized body simultaneously with workflow 4 immediately above.	ICO or UN	Jan. 1, 2010	Dec. 31, 2010

### Additional Stakeholders

The following were identified as additional stakeholders that should be considered as stakeholders that might be involved early on in the execution of the work streams.

- Buyers of carbon/carbon counterparties
- Business developing new technologies, such as GE
- E&Co. - SME business incubators for clean technologies in developing countries
- Practical action-oriented community organizations
- The Honorable Al Gore
- ICO

## **Appendix A: IM Forum Participants**

The diverse group of participants included representatives from all levels of the supply chain: growers, exporters, importers, roasters and retailers. In addition, trade associations from producing and consuming nations participated, as well as NGO's. The participants were from five continents: Africa, Asia, Europe, North America and South America.

### **List by Participant**

- Alvarez, Ernesto – Coex Coffee International Inc.
- Brody, Liam – Oxfam America
- Browning, David – Technoserve
- Boyle, John – Massimo Zanetti Beverage USA
- Cordero, Edgar – Colombian Coffee Federation
- DeVries, Timjen – European Coffee Federation
- Dunlop, Henry – Atlantic (USA) Inc.
- Easson, Kimberly – TransFair USA
- Feuer, Jonathan – L.M. Zuckerman & Co., Inc
- Hay, Dub – Starbucks
- Leite, Joaquim – Cooperativa Regional De Cafeicultores em Guaxupe
- McAlpine, Sandy – Coffee Association of Canada
- Moore, Kim – TransFair USA
- Nelson, Robert – National Coffee Association of USA
- Ngabirano, Henry – Uganda Coffee Development Authority
- Ott, Rebecca – J. M. Smucker Company
- Peyser, Rick – Green Mountain Coffee Roasters
- Rossillion, Florence – Roaster Association of France & PSCB Chair
- Rasch, Christian – Anacafe
- Saffadi, George – Olam Americas, Inc.
- Salaverría, José Antonio – JASAL (El Salvador)
- Scandridge, Jill – McDonald's
- Oscar Schaps – Hencorp Becstone Futures, LC
- Sette, Jose – International Coffee Organization
- Seevers, Ronald Peters – ICAFE
- Van, Hans – Olam International, Singapore
- Vassen, Roel – European Coffee Federation
- Vigilante, Sabrina – Rainforest Alliance

### **List by Organization**

- Coex Coffee International Inc. – Ernesto Alvarez
- Atlantic (USA) Inc. – Henry Dunlop
- Anacafe – Christian Rasch
- Coffee Association of Canada – Sandy McAlpine
- Colombian Coffee Federation – Edgar Cordero
- Cooperativa Regional De Cafeicultores em Guaxupe – Joaquim Leite

- European Coffee Federation – Timjen DeVries
- European Coffee Federation – Roel Vassen
- Green Mountain Coffee Roasters – Rick Peyser
- Hencorp Becstone Futures, LC – Oscar Schaps
- ICAFE – Ronald Peters Seevers
- J. M. Smucker Company – Rebecca Ott
- International Coffee Organization – Jose Sette
- JASAL (El Salvador) – José Antonio Salaverría
- L.M. Zuckerman & Co., Inc – Jonathan Feuer
- Massimo Zanetti Beverage USA – John Boyle
- McDonald's – Jill Scandridge
- National Coffee Association of USA – Robert Nelson
- Olam Americas, Inc. – George Saffadi
- Olam International, Singapore – Hans Van
- Oxfam America – Liam Brody
- Rainforest Alliance – Sabrina Vigilante
- Roaster Association of France – Florence Rossillion
- Starbucks – Dub Hay
- Technoserve – David Browning
- TransFair USA – Kimberly Easson
- TransFair USA – Kim Moore
- Uganda Coffee Development Authority – Henry Ngabirano

## **Appendix B: Brainstorming Results**

The following table contains the 17 key emerging issues that were identified by the IM Forum participants. The key issues (expressed in bold type) were identified as a result of condensing all identified emerging issues (62) into groups, each group representing a key emerging issue. The issues below are randomly listed and are not in priority order.

<p><b>Consumer Demand</b></p> <ul style="list-style-type: none"> <li>▪ Impact of slowing economy on consumption</li> <li>▪ Retailer landscape changing (move from Food/Drug to Mass Merchants)</li> <li>▪ Shift in consumption patterns (from out-of to in-home)</li> <li>▪ Diminishing perceived value of coffee by consumers (commoditization)</li> <li>▪ Competition among (and new) caffeinated beverages</li> <li>▪ Consumer confidence</li> <li>▪ Consumer careful expenditure</li> </ul>
<p><b>Risk Management Costs</b></p> <ul style="list-style-type: none"> <li>▪ Volatility (non-market players, commodities as a financial asset class)</li> <li>▪ Long-term speculator involvement</li> <li>▪ Valuations favoring old stocks (past-crop coffees)</li> </ul>
<p><b>Climate Change Adaptation</b></p> <ul style="list-style-type: none"> <li>▪ Increasing costs due to unstable climate and shifts in farmable lands</li> <li>▪ Financing for adaptation to climate change</li> <li>▪ Unstable climate/weather patterns reducing/wiping out harvest yields</li> <li>▪ Unstable, unpredictable climate reducing product quality</li> <li>▪ Climate change impact on growing conditions</li> </ul>
<p><b>Cost of Production</b></p> <ul style="list-style-type: none"> <li>▪ Coffee prices: reduced prices, increased volatility (here to stay)</li> <li>▪ Increasing production costs</li> <li>▪ Sharing burden of increased costs and distributing value through the chain</li> <li>▪ Increased input and energy costs</li> <li>▪ Impact of rising energy costs on production &amp; transport</li> </ul>
<p><b>Producer Sustainability</b></p> <ul style="list-style-type: none"> <li>▪ Sustainable economic/community development in producing communities (small farmers)</li> <li>▪ Attractiveness/economic feasibility of coffee farming for younger generations - preserving quality knowledge</li> <li>▪ Ensuring basic well-being of farmers (e.g. food)</li> <li>▪ Ensuring fairness to farmers</li> <li>▪ Mechanism and mix of efficient resources to producers</li> <li>▪ Reduction in development funding, increased competition for existing available funds</li> <li>▪ Impact of US dollar on producer income</li> <li>▪ Lack of new young blood to take over key positions throughout the industry</li> <li>▪ Water quality &amp; health</li> </ul>
<p><b>Variety of Species</b></p> <ul style="list-style-type: none"> <li>▪ Production trending toward limited number of origins - decrease/consolidation of origin diversity, increased vulnerability</li> <li>▪ As farmland is lost, global supply becomes reliant upon fewer providers and more unstable</li> <li>▪ Preservation of biodiversity in coffee (varietals)</li> </ul>

<ul style="list-style-type: none"> <li>▪ Supply of washed arabicas not keeping up with consumer demand</li> <li>▪ GMOS and coffee production</li> </ul>
<b>Available Lands</b> <ul style="list-style-type: none"> <li>▪ Increasingly protected areas reduce farming options</li> <li>▪ Geographic/growing alternatives</li> <li>▪ Coffee farmland under pressure because of increasing urbanization</li> <li>▪ Maintaining and sourcing new fertile farming areas</li> </ul>
<b>Liquidity</b> <ul style="list-style-type: none"> <li>▪ Competition for financing from other crops (biofuels)</li> <li>▪ Securing for producers long-term financing and income in tight economic climate</li> <li>▪ Lack of credit availability</li> <li>▪ Liquidity throughout supply chain</li> </ul>
<b>Customs</b> <ul style="list-style-type: none"> <li>▪ Customer requirements and outdated port conditions cause burden and inefficiencies</li> </ul>
<b>Security</b> <ul style="list-style-type: none"> <li>▪ Increased security regulations</li> <li>▪ Container monitoring</li> <li>▪ Suez shipping reliability - recent piracy</li> </ul>
<b>FOB &amp; SAS</b> <ul style="list-style-type: none"> <li>▪ FOB and SAS sales leave exporters with frustrations and few options</li> </ul>
<b>Regulation and Labeling</b> <ul style="list-style-type: none"> <li>▪ Adopting consistent product labeling in view of new market demands</li> <li>▪ Policy and regulation at origin (in Ethiopia auction)</li> <li>▪ Geographical Indicators (GI) versus trademarks versus Certification Marks</li> <li>▪ Ensuring product quality and integrity by identifying origins more specifically</li> </ul>
<b>Food Safety</b> <ul style="list-style-type: none"> <li>▪ GMOs and coffee production</li> <li>▪ OTA (pesticide rejection by Japan)</li> </ul>
<b>Communications</b> <ul style="list-style-type: none"> <li>▪ Countering perceptions of exploitative relationships within the industry</li> <li>▪ Engaging common resources to collectively address perceptions of the industry as a whole</li> <li>▪ Communicating the positive benefits of coffee consumption to consumers</li> <li>▪ Reacting to negative scientific discoveries</li> </ul>
<b>Industry Consolidation</b> <ul style="list-style-type: none"> <li>▪ "Offshore roasting"</li> <li>▪ Accelerated industry consolidation</li> </ul>
<b>GHG Footprint</b> <ul style="list-style-type: none"> <li>▪ Reducing production/transportation carbon footprints</li> </ul>
<b>Sustainability of Natural Resources</b> <ul style="list-style-type: none"> <li>▪ Loss of momentum on sustainability issue</li> <li>▪ Regression of social &amp; environmental improvements we've made</li> </ul>

## **Appendix C: Consumer Demand**

Prior to choosing the top priority issue to develop a strategy for, the IM Forum participants discussed the top two priority emerging issues: Consumer Demand and Producer Sustainability. Following is a compilation of the results of the discussion on Consumer Demand, which the group decided not to develop a strategic plan for.

The topic of Consumer Demand was framed by a problem question: How do we support and grow consumer demand in volume and value?

The following sub-issues, under the umbrella of consumer demand were identified:

- Sustainability of natural resources
- Consumer careful coffee expenditure
- Consumer confidence
- Communicating positive benefits of coffee consumption to consumers
- Impact of slowing economy on producers
- Increased consumption among (and new) caffeinated beverages
- Engaging common resources to collectively address perceptions of the industry as a whole
- Reacting to negative scientific discoveries
- Enhancing consumer value perception

The following key impacted and impacting stakeholders were identified:

Impacted	Impacting
■ Entire supply chain	■ Media ■ NGOs ■ Government ■ Medical/scientific community ■ Brands ■ Retailers

The following desired outcomes (end state) were identified:

- An increasing number of consumers around the world, with regard to cups consumed, consuming regions, and per capita consumption
- Maximized/optimized consumption growth
- Generate positive coffee drinking experience among consumers

## **Appendix D: Risk Management Tool Box Workshop**

The development/design and execution of the workshop set forth below would be conducted with the input and oversight of the ICO Forum on Finance. The forum itself would take place in conjunction with a regularly scheduled ICO Council meeting.

The purpose of the forum would be to build, through and interchange of ideas, a comprehensive tool box of options that producers could choose from to manage risk. Prior to the workshop, participants would receive a copy of the “tools” (with the addition of enhancements, including, where possible, examples) identified at the NCA/Anacafe Issues Management Forum, which could be used as a catalyst for discussion at the workshop. Ultimately, the tool box must be designed in such a manner that decision makers can make wise decisions with regard to which tools to adopt for their respective regions/countries.

The one day workshop would begin with a key note presentation on “risk management as a precursor to financing,” followed by other educational presentations to conclude by mid-day. Ideally, presentations would take up no more than 40 percent of the workshop time. A small working group would identify presenters and review presentations to ensure that they are aligned and fact based. Possible presenters could include: Inter-governmental organizations, such as the World Bank; Private sector representatives from producer associations and/or co-ops; Hedge funds; trade finance companies, national development agencies, such as GTZ, USAID, SAECO and/or FICO; coffee trade houses; brokerage houses; and representatives from academia.

Participants in the audience could include: ICO member country representatives; non-governmental bodies (NGOs) and foundations with a vested interest in financing; and financial institutions, including commercial banks.

Subsequent to the presentations, a facilitated large/small working group format could be employed to ensure maximum input and interaction as the tool box was built. The day would end with a presentation of the work product from each small group.

Subsequent to the workshop, the ICO Forum on Finance/ICO would be responsible for publishing the tool box and ensuring wide distribution of the results. The ICO Forum on Finance would be responsible for continual updating of the tool box and conducting ongoing education in conjunction with the distribution of the information.

## Appendix E: Possible Execution Structure

<p>Steering Council: The Steering Council oversees the progress of each work stream and advises the overall direction of the working groups. The Steering Council consists of representatives from each sub-group (likely the sponsors), as well as nominated issue experts. The Steering Council meets in person 1-2 times a year, with the smaller sub-groups meeting via phone and in-person as necessary.</p> <p>Initiative Facilitator: The group facilitator coordinates communication among the members of the Steering Council, and between the Steering Council and the sub-groups. The facilitator helps the group prioritize agenda items, coordinate outreach to issue experts and stakeholders, and evaluate / communicate progress.</p>			
	<b>Working Group Leads &amp; Sponsors</b>	<b>Technical Partners</b>	<b>Issue Participants</b>
Description of Role	<b>Working Group Leads</b> oversee individual work streams, monitor progress and streamline group communication and meetings, and may provide research as needed. <b>Working Group Sponsors</b> are industry or trade partners that work closely with the Lead to ensure progress, completion of deliverables, and facilitate communication.	Organizations and/or research institutions with relevant expertise to aid the group in 1) contextualizing learnings, 2) connecting with other stakeholders/experts in the field, 3) offering input on overall direction of work stream	Representative group of coffee buyers, traders, producers, associations, and NGOs that are interested in and have the ability to influence the work stream. Issue Participants participate in ongoing working group discussions and activities, offering expertise, ideas, and resources to contribute to the group's objectives.
1. Adaptation to Climate Change	BSR (Working Group Lead) ICO (Sponsor)	BSR (research & analysis) Climatologists Agronomist Specialist in adaptation strategy Research institution (Stanford Food Security and Environment Program)	Trade associations, academics (CFC, development agencies (DIFID, USAID, GTZ), environmental NGOs (WWF, Earth Institute, Oxfam, CI)), stakeholders from other industries (agriculture, energy) operating in overlapping regions, producers (Cenicafe – conducting research on rainfall)
2. Financing and Risk Management to Producer World	Producer Financing Organization (Working Group Lead) Coffee Importer (Sponsor)	Financial Analyst Multilateral agency (World Bank) Bilateral aid agencies	Producer Financing Organizations (Root Capital), hedge funds, ICO, innovative producing-country banks (Brazil CPRs), venture capitalists, NCA foundations/trust funds, educational institutions.
3. Good Agronomic Practices	ICO (Working Group Lead) Coffee Producer Association (Sponsor)	Agronomist, research institution (CATIE, CIRAD, ASIC, etc) IT advisor	IT companies (Google, Microsoft, Baidu, IBM, Yahoo), local governments, WEF,

			producer associations (participating in/leading research – Cenicafe, PROMECAFE, Embrapa, IAC), FAO, OTA, NCA members
4. Market Access	Consumer Based Trade Association (Working Group Lead) Coffee Roaster (Sponsor)	ITC IT company and/or phone company	ITC, trade associations, local government and coffee associations, local phone companies, WTO, ISO, NCA members, producer organizations
5. Good Social / Economic Practices	BSR (Working Group Lead) Coffee Importer or Producer Organization (Sponsor)	BSR (research & analysis) Development NGO	Existing initiatives, governments, universities, lawmakers, foundations, think tanks, research organizations, public health organizations, capacity building organizations, NCA members
6. Good Environmental Practices	BSR (Working Group Lead) Producer Organization (Sponsor)	BSR (research & analysis) Environmental research institution Clean tech advisor	Carbon traders, developers of new applicable/clean technology, SME business incubators for clean tech (E&Co), ICO, community and climate organizations, NCA members