Principal Speaker

Roberto Vélez
CEO Colombian Coffee Growers Federation
Global Coffee Sustainability Conference
Securing the Economic Viability of Coffee

Roberto Vélez
CEO FNC

Geneva, Oct /2017
Only 6% of exports from producing countries are added value coffees.

**Imports to the EU by type of coffee**

- **2007:**
  - Green: 98%
  - Roasted: 4%
  - Soluble: 1%
- **2010:**
  - Green: 99%
  - Roasted: 1%
  - Soluble: 4%
- **2014:**
  - Green: 96%
  - Roasted: 4%
  - Soluble: 2%
- **2016:**
  - Green: 96%
  - Roasted: 2%
  - Soluble: 4%

Source: European Coffee Federation and F.O Licht
The value chain to the final consumer generates an income close to US$200 billions per year.

Global coffee income (includes coffee shops and foodservice)

<table>
<thead>
<tr>
<th></th>
<th>Million bags</th>
<th>US$ (MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World production</td>
<td>152</td>
<td></td>
</tr>
<tr>
<td>Domestic consumption</td>
<td>48</td>
<td>29.169</td>
</tr>
<tr>
<td>Exportable production</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>Roasted coffee retailer</td>
<td>83</td>
<td>53.099</td>
</tr>
<tr>
<td>Coffee shops</td>
<td>7</td>
<td>57.342</td>
</tr>
<tr>
<td>Foodservice</td>
<td>14</td>
<td>61.424</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>201.034</strong></td>
<td></td>
</tr>
</tbody>
</table>

Current world coffee income (no coffee shops or foodservice)

Source: FNC based ICO & FAO. (Data for 2013)
The decreasing trend in green coffee prices is more pronounced than in roasted coffee prices.

**Real price index of Green Coffee Vs Roasted Coffee**

- **Retail prices index of roasted coffee**
- **Composite indicator price index of green coffee (ICO)**

Source: FNC, ICO (Retail prices are calculated from a weighted average of the top 29 importing countries)
There is an uneven distribution of value added in the coffee chain

Free market improved efficiency in the value chain, but concentrated the income in importing countries. The challenge for producers is to capture a higher percentage of the total value.
Global challenges for coffee sustainability

**PRODUCTION AND PRODUCTIVITY**
- In 2025, coffee global consumption will be of 180 million 60 kg bags (ICO)
- Coffee production has to increase 15% in less than 10 years to satisfy the demand*

**PRICE VOLATILITY**
- Nowadays, coffee price volatility is 39% per year.
- The 18 months average price has reached decreases up to 60%. **

**GENERATIONAL TAKE OVER**
- The highest cost for producers is labor force, this is up to 60% of total cost of production.
- There are concerns about youth involvement. *

**CLIMATE CHANGE**
- By 2050 coffee planted area would decrease by 50% as a result of climate change.

* Corey Watts, 2016. Multiclass Classification of Agro-Ecological Zones for Arabica Coffee: An improved understanding of the impacts of climate change
** Own estimates of annualized volatility and moving average of 18 months in 1944-2017 period
World Coffee Producers Forum
It was an event that brought together representatives from all the actors in the value chain.
Medellín, Colombia, July 2017

During the forum, 4 challenges were discussed about the sustainability of the coffee market through workshops where representatives from all producing countries and different links in the coffee value chain participated.
The Forum generated more than 60 proposals on how to solve these challenges among all actors in the chain.

**PRODUCTION AND PRODUCTIVITY**
- Production
- Productivity
- Price volatility
- Climate change

**PRICE VOLATILITY**
- Producer
- Consumer
- Quality
- Cost

**GENERATIONAL TAKE OVER**
- Education
- Technological development

**CLIMATE CHANGE**
- Adaptation
- Renewable energy
1. Production and productivity

Associations *

- Improve sowing densities
- Research for productivity improvement
- Development policies supported by government and value chain
- There’s concern about fertilizers cost
- Create new production technologies
- Technical assistance for quality improvement

*The thicker the line, the greater the value of the association.*
# 1. Production and productivity

Vester systemic analysis

<table>
<thead>
<tr>
<th>ACTIVE IDEAS</th>
<th>CATEGORY</th>
<th>GOVERNANCE</th>
<th>ACTION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating global producer organization: financing, conservation, consumption</td>
<td>Internacional Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>promotion, variety, technology, education, productivity.</td>
<td></td>
<td>International Coffee Policy</td>
<td></td>
</tr>
<tr>
<td>2 Creating a global research fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 To strengthen scientific research and create a global network with</td>
<td>Agronomic Research</td>
<td></td>
<td></td>
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<tr>
<td>productive chain actors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 To generate linkage between productive chain agents to improve productivity</td>
<td>Productive chain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Improving educational offer (financial management, technical assistance,</td>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>entrepreneurship, value chain scaling)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 To promote public policies that generate access to financing and</td>
<td>Financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cooperative models</td>
<td></td>
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</tr>
</tbody>
</table>
2. Price Volatility

Associations

- Chain of value should help with production costs
- Create a stock market for a minimum price
- Establish a minimum price agreement
- Final consumers should help producers with a minimum price
- Create a campaign to promote coffee consumption
## 2. Price Volatility

*Vester systemic analysis*

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<tbody>
<tr>
<td>1. Creating a global producers organization with ability of negotiation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. To establish an international agreement to set a base price covering production costs plus margin</td>
<td>International agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. To promote global coffee consumption. Higher demand, higher prices</td>
<td>Demand incentive</td>
<td>International Coffee Policy</td>
<td></td>
</tr>
<tr>
<td>4. To know statistics about costs, production, stock, exports and consumption of producing countries</td>
<td>Statistic Information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. To Conduct international studies on production costs and price volatility</td>
<td>Studies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Differentiating soft washed coffees with a new contract in the stock market</td>
<td>Differentiation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Generational take over

Associations

Resources for youth to have access to technology

Government should guarantee land access to youth

Education and technology to make business
### 3. Generational take over

**Vester systemic analysis**

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<th>GOVERNANCE</th>
<th>ACTION PLAN</th>
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<tbody>
<tr>
<td>1. Establishing an agreement with production chain actors for research and knowledge transfer</td>
<td>Productive Chain</td>
<td>International Coffee Policy</td>
<td></td>
</tr>
<tr>
<td>2. Promoting international programs of education and exchange experiences for young people with emphasis in entrepreneurship and generational take over</td>
<td>Education</td>
<td>National Public Policy</td>
<td></td>
</tr>
<tr>
<td>3. Designing public policies to stimulate labor supply in the countryside</td>
<td>Labor policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Promoting initiatives for access to credit and land ownership for young people</td>
<td>Financing</td>
<td></td>
<td></td>
</tr>
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</table>
4. Climate change

Associations

There’s concern about water use on crops and soil

Education programs to adopt good practices

Resources to develop resistant varieties programs

Climate Change research
# 4. Climate change

Vester systemic analysis

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<tbody>
<tr>
<td>1</td>
<td>To promote chain linkage in research, knowledge transfer, climate change mitigation and sustainability assurance</td>
<td>Productive Chain</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Designing policies for environmental control in the value chain and to investigate the risks of climate change</td>
<td>International Coffee Policy</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Creating global fund for research on varieties, adaptation and mitigation of coffee to climate change and application of new technologies</td>
<td>Research</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Designing an international inclusion policy of environmental costs in consumer prices</td>
<td>International Agreement</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>To design environmental education policies and management of natural resources aimed at reducing the impact of climate change</td>
<td>Education</td>
<td>National Coffee Policy</td>
</tr>
</tbody>
</table>
Own sustainability standard for Colombian Coffee: Origin+Quality+Sustainability

VISION

- Sectorial effort– whole chain
- Achieve compliance with fundamental practices
- Progressive improvement with common agenda
- Focus on the local context

VISION

- Social
- Economic
- Environmental

100 / 100
Sustainable coffee growing: competitive and profitable activity that reduces its environmental impacts and improves the producer’s living conditions in a market environment

- Resource management
  - Good farming practices
  - Preserving natural resources (water, soil, ecosystems)

- Adaptable to climatic change
  - Development of coffee varieties
  - Adaptation to agroecological supply

- Quality of life
  - Employment formalization
  - Habitability
  - Public services
  - Community infrastructure

- Building Capabilities
  - Training
  - Asociatividad
  - New generations

- Resource management
  - Guild unit
  - Code of ethics
  - Effective Organization
  - Financial strength

- Technical change - innovation
  - Productivity
  - Different grades of coffee
  - Efficiency in inputs
  - Innovation/technology adoption

- Market integrated
  - Positioning of Origin
  - Add value
  - New markets
  - Risk management

SDG: 2030
Sustainability must be the result of the co-responsibility of all the actors involved

1. High quality specialty coffees

2. Positioning quality + origin + sustainability

3. Traceability and information

4. Integration in the value chain

Creating new value by connecting consumers with producers