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Coffee sector

1. Background and key issues

Across the ACP, 26 countries produce significant quantities of coffee. Six ACP countries produce over 800,000 60-kg bags per annum: Ethiopia, Uganda, Côte d'Ivoire, Papua New Guinea (PNG), Tanzania and Kenya. Official production has been recently increasing in each of these countries, except for Côte d'Ivoire. ACP coffee production has grown almost twice as fast as global coffee production since the 2006/07 season, with some ACP countries showing a particularly strong growth performance. Of the coffee produced in ACP countries, 55% is arabica. Ten ACP countries produce only arabica (Ethiopia, Kenya, Rwanda, Burundi, Malawi, Zambia, Zimbabwe, Dominican Republic, Haiti and Jamaica), while PNG has a strong focus on arabica production. The EU remains the dominant market for ACP producers, but good prospects are opening up in emerging economies.

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International coffee prices, after hitting a period of record lows in the early 2000s, have recovered to healthy levels since 2007 and reached particularly high levels in 2011. However, it is unclear to what extent price gains have been passed on to primary producers, given the role that speculative investment may be playing in price surges across a range of commodities. Strengthening the functioning of coffee supply chains in ACP countries would contribute to more stable and remunerative producer prices. Also, a relative shift to arabica coffee consumption in major markets could be of considerable potential benefit to East African, Caribbean and Pacific coffee-producing countries. Effective programmes for high-quality production and the certification and marketing of single-origin arabica

coffee would facilitate the locking in of high prices for the longer term. Product quality and place-of-origin-based differentiation in the coffee sector is an area where 'pump-priming' public sector support under 'aid for trade' programmes should be made available.

Another visible development over the past two decades, but with an accelerating trend in the past 5 years, has been the dramatic expansion of the 'sustainable' coffee market. The production of sustainable coffee has

"There has been a dramatic expansion of the sustainable coffee market, which now accounts for about 16% of total coffee production and 9% of sales"

reached about 16% of total production, with sales of sustainable coffee accounting for about 9% of the total. There are opportunities for ACP countries in the sustainable coffee market, but also challenges. Currently, two-thirds of the supply of certified coffee comes from Latin American producers, suggesting that ACP coffee sector operators and their organisations still have a way to go in improving organisational structures and financial instruments that can facilitate obtaining sustainability certification.

In order to address this gap, ACP governments could do more to facilitate sustainability certification of their

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producers. They should also lobby for the harmonisation and simplification of certification processes (which would

reduce the costs and enhance the net benefits to coffee producers), common audits, and for the promotion of mutual recognition protocols and 'modular standards' – where there is a common base of standards on social issues, labour, shade, integrated pest management/IPM practices etc., but also specialist modules that develop each area in more depth and that can be combined. Activities in this realm could form part of a redefined role for coffee boards in ACP countries where these exist. It could also constitute an area for expanded 'aid for trade' support.

2. Latest developments

Developments in the international coffee market in 2011/12

Price and demand trends

The 2010/11 season witnessed the highest international coffee prices since the spike of 1976/77. The average International Coffee Organization (ICO) composite indicator price passed 205 US cents/lb, an increase of 53% over the previous season. Price increases were more marked for Brazilian naturals, while price differentials between arabicas and robustas widened further. Prices for Colombian milds exceeded the 300 US cents/lb mark on average for 3 months in 2011 (March to May). This happened despite the largest world coffee production level on record, at 134.2 million bags, an increase of over 9% over 2009/10, and an export volume of 104.5 million bags (11% more than in the previous season), spurred by remunerative prices.

According to ICO data from March 2012, exports of arabica reached 67.7

million bags, while robusta exports were 36.8 million bags. The total value of coffee exports in 2010/11 is estimated at US\$22.7 billion, compared to US\$15.1 billion in the previous season. Despite the slower rise in robusta prices compared to arabicas, the value of robusta exports grew from US\$3.4 to 4.3 billion. And despite the growth of production and exports, prices have remained high due to a narrow balance between demand and supply.

Consumption grew by a healthy 2.3% in 2010/11 compared to the previous year, while stocks in importing countries grew from 18.4 million bags at the end of 2010 to 23 million bags in June 2011. The ratio of stocks to consumption remains at historically low levels (equivalent to less than 6 months' consumption). Stocks in producing countries also remain at very low levels.

In the first few months of the 2011/12 season, prices fell back, but were still hovering at high levels, around 190 US cents/lb for the ICO composite price. However, in the first 3 months of 2012, prices fell further to around 180 US cents/lb. The overall downward price correction in local currency terms has been accentuated by the depreciation of the US dollar in relation to the currencies of a number of exporting countries.

Of particular interest for ACP countries, in February 2012 arabica coffee prices reached their lowest level since November 2010, while robusta prices increased, sharply narrowing the differential between the two. Market analysts do not expect major further corrections of coffee prices downward. Total production in 2011/12 is now estimated at 128.5 million bags, a 4.3% fall on 2010/11, due to the biennial cycle for arabica production in Brazil. In the medium term, prices

are expected to remain high, despite a forecast record crop of 50.6 million bags in Brazil for 2012/13. Domestic consumption in Brazil is growing healthily, demand in traditional importing countries is expected to remain resilient to the global economic downturn, and consumption in emerging markets is expected to grow further.

Short-term price projections

At the beginning of 2012, the agricultural market analysis website *Agrimoney.com* reviewed various projections for the short-term future of robusta coffee prices. It noted that robusta prices 'underperformed in 2011' with a decline of 15.2%. Table 1 below sets out the various price projections reviewed.

Figures from *Indexamundi.com* commodities suggest that prices for arabica coffee in the first 2 months of 2012 were towards the top of the predicted range, but on a downward trend, falling below 200 cents/lb by the beginning of April. Robusta coffee prices in contrast were on average 16% above the projected price level and on an upward trend.

Table 1: Forecasts for robusta and arabica coffee prices in 2012

	2012 1 st quarter	2012 2 nd quarter	2012 3 rd quarter	2012 4 th quarter
Robusta (London, US\$/tonne)				
Commerzbank	1,900	1,850	1,850	1,800
Standard Chartered	1,950	2,250	1,767	1,767
Arabica (New York, US cents/lb)				
Commerzbank	230	200	210	220
Rabobank	220	200	180	170
Goldman Sachs	235	200	-	175

Source: Compiled from *Agrimoney.com* press reports

Developments in the ACP

Overview of price and production developments in the ACP

Information on prices paid to growers is quite limited, with ICO data suggesting a mixed picture. Average prices increased by 63% in Côte d'Ivoire (a robusta producer) between 2010 and 2011, not far from the rate of increase in the ICO composite indicator price. In Cameroon, a producer of both robusta and arabica, the price increase was around 42%. But in PNG, also an arabica and robusta producer, the increase was a much more modest 17%. While this may be a sign that the domestic value chain is not functioning properly in transmitting price signals to farmers, the

impact of exchange rate movements need to be factored in, with the PNG kina strengthening by 20% against the US dollar in 2011.

Nevertheless, in ACP countries efforts may need to be directed towards strengthening the functioning of coffee supply chains so

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that producers can gain the full benefits of any international price increases and not simply carry the consequences of price declines.

ACP production grew only marginally (from 17.6 to 17.8 million bags) between 2009/10 and 2010/11, thus taking only partial advantage of the momentum brought about by record high prices. However, estimates for 2011/12 suggest a possible growth of over 20% to 21.5 million bags, while production in the rest of the world is expected to fall from 116 to 110 million bags for a total world production of 132 million bags, 2 million bags less than in 2010/11 (see *Agritrade* article '[High coffee prices stimulate a surge of interest in African coffee production](#)', 30 January 2012). Sharp production increases are expected in Ethiopia, PNG and Côte d'Ivoire. If ACP production of this level materialises, it would be returning to levels that were more common in the 1980s and some years in the 1990s.

Developments in Eastern Africa

Recent market reports suggest that the large increase predicted in Ethiopia is unlikely to materialise, due to adverse weather and problems with the functioning of the supply chain. Production estimates were cut by 15% to 8.3 million bags, while disputes along the supply chain combined with increasing domestic consumption suggested that the fall in exports could be even more dramatic (for more detail on these issues, see *Agritrade* article '[Better times for East African coffee producers](#)', 18 March 2012).

Elsewhere in East Africa, the African commodities website *CommodAfrica* reports a surge of interest in the coffee sector in Africa, with Uganda, Kenya and Tanzania renewing their coffee plantations with varieties resistant to coffee wilt disease, leaf rust and other diseases, and seeking new markets. Press reports indicated that strong international coffee prices are bringing real benefits to the Kenyan coffee industry, with export earnings set to rise by 7% in 2011 compared to 2010. This followed a substantial increase in earnings in 2010 compared to 2009. A process of financial restructuring is currently under way in the Kenyan coffee sector, with the Ministry of Finance announcing 'a bailout plan that will see it write off Sh3.7 billion [approx. €34.6 million] in coffee debts before the end of the financial year' (see *Agritrade* article '[High coffee prices stimulate a surge of interest in African coffee production](#)', 30 January 2012).

In Rwanda, roasted coffee exports were reported to have started to enter the Chinese market, in addition to the recent success in Japan and good prospects for developing exports to South Korea. The National Agricultural Export Board (NAEB) (with donor and NGO support)

is assisting Rwandan coffee farmers in increasing coffee production, through land consolidation, the rehabilitation of coffee trees, the promotion of farmer organisations and improvements in the functioning of the supply chain through 'bringing together the traders and processors and exporters'. The NAEB is also seeking to develop value addition through the establishment of coffee roasting facilities.

In Tanzania, five newly developed coffee seed varieties are to be made available to farmers in the Northern region in an effort to revive the sector. The new varieties are reported to be able to 'withstand harsh climate conditions, resist diseases as well as take shorter period for their fruits to ripen'. This is expected to provide an immediate medium-term boost to Tanzanian coffee production. The current high auction prices in Tanzania may encourage the take-up of these new coffee varieties, given the improved commercial prospects for growers. With good marketing arrangements, this could bring significant benefits to the 5% of the Tanzanian population that lives off the coffee sector (see *Agritrade* article '[Tanzania to increase its focus on single origin coffee](#)', 10 June 2011).

Across the region there is however a need for innovation in both coffee production and marketing in order to prevent international price instability from undermining prospects for a sustainable development of production. Greater differentiation of product quality and place of origin, better marketing and strengthening the functioning of coffee supply chains could all serve to contribute to more stable and remunerative producer prices.

The East African coffee sector is also vulnerable to greater incidence of pest infestations and the increased fre-

quency of drought associated with processes of climate change, and adjustment strategies need to be set in place.

Developments in Central and West Africa

Central and West Africa, in contrast to the situation in East Africa, witnessed a general deterioration in coffee production and exports. It was reported that Cameroon coffee production fell by 39% to 574,000 bags in 2010/11 (robusta production fell from 883,000 bags to 531,000 bags and arabica coffee production declined from 57,000 to 43,000 bags), while coffee exports fell from 822,000 bags in 2009/10 to 545,000 bags in the 2010/11, a decline of 34%. The decline in Cameroon's coffee production and exports is variously attributed to the predominance of aging coffee plants, disease, smuggling of coffee into Nigeria and the market disruptions associated with political turmoil in North Africa.

In 2010, Cameroon adopted a 5-year coffee sector recovery plan, with a budget of €39.6 million, aimed at boosting production to 2 million bags. Production for 2011/12 is optimistically forecast by the government at over 1 million bags, with 910,000 bags expected to be robusta coffee. ICO data, however, estimates a total production level of about 700,000 bags for 2011/12.

In Côte d'Ivoire, production fell from 1.8 million bags in 2009/10 to just under 1 million bags in 2010/11, while exports fell from over 2 million bags in 2009/10 to 975,000 bags in 2010/11, the lowest export level in the country for decades (10 years earlier, in 2000/01, 4.3 million bags were exported). This is attributable to the political conflict which followed disputed elections, and the imposition of a UN-backed export embargo on Côte d'Ivoire, which remained in place until April 2011.

Although production and exports are expected to resume in the short term as a result of a more peaceful political situation (and indeed production is expected to be 1.6 million bags in 2011/12), it is unclear how long it is going to take for the country to move back to the export levels of the early 2000s (with exports ranging between 2.6 and over 4 million bags).

Developments in the Caribbean and Pacific

The three main ACP coffee producers outside Africa are the Dominican Republic (500,000 bags) and Haiti (300,000 bags) in the Caribbean and PNG in the Pacific – with Jamaica holding a special place for its small but highly priced Blue Mountain coffee production. In the Dominican Republic, production increased from 352,000 bags in 2009/10 to 378,000 bags in 2010/11, with an estimated production of 500,000 bags in 2011/12. In Haiti, production remained stable at around 350,000 bags in 2009/10 and 2010/11, with an expected drop to 300,000 bags in 2011/12. In both countries, much production is consumed locally, as exports in 2010/11 accounted for only 67,000 bags in the Dominican Republic and 9,000 bags in Haiti.

PNG, on the other hand, is a major ACP player in the global coffee market. Production in 2010/11 dropped to 867,000 bags from over 1 million bags in 2009/10 (with exports dropping from over 1 million bags in 2009/10 to 880,000 bags in 2010/11). However, production estimates for 2011/12 predict a harvest of around 1 million bags. Production and export levels in the past 3 years are in line with the normal range of the last decade in the country. In the medium term, however, a production boost is expected. In December 2011, the CEO of the Coffee

Industry Corporation (CIC) invited proposals for the coffee component of a US\$46.3million programme, Productive Partnerships in Agriculture Project (PAPP), funded by the World Bank. PAPP aims to 'improve smallholder productivity by strengthening the links between smallholder farmers and agricultural businesses, with a target of adding 25,000 households to the list of registered producers of certified coffees by 2016'. The government has also allocated a sizeable budget in 2012 to support the coffee sector (see *Agritrade* article '[PNG coffee production set to grow while Fijian wild coffee shows potential](#)', 20 May 2012).

Developments in the sustainable coffee market

A growing number of schemes

One of the most visible developments in recent years has been an accelerating expansion of the 'sustainable' coffee market. Sustainable coffee now represents about 16% of total coffee production. This proportion includes third-party-certified coffee, but also coffee that is verified by external auditors in relation to companies' own standards, such as Starbucks' CAFE Practices and Nespresso's AAA guidelines. Sales of sustainable coffee account for about 9% of total coffee sales. The gap between the proportion in production and in sales is explained by the fact that not all coffee that is sustainably certified is sold under a consumer label – this happens especially when roasters blend certified and non-certified coffees. Although the calculation of these proportions includes double- or triple-certified coffee (the extent of the overlap is unknown), they nevertheless amount to a considerable proportion of the global coffee market, and sustainable coffee can no longer be considered a niche market.

Certified coffees are growing in emerging economies too (such as China, Korea, Brazil and India) where coffee consumption overall is growing faster than in traditional consumer markets. The growth potential in China for coffee consumption, both regular and certified, is large. Current average consumption is 3 cups per person per year, compared to the global average of 240 cups. Chinese coffee consumption grew at 15% per annum between 2003 and 2008, with 25% growth in speciality coffee shops between 2008 and 2010. In addition, Brazil is likely to become the world's largest consumption market fairly soon. Although certified coffee volumes are still small in Brazil, certified coffee (especially fair-trade, but also organic) is increasingly visible in shops and cafes.

"Chinese coffee consumption grew at 15% a year between 2003 and 2008, with 25% growth in speciality coffee shops between 2008 and 2010"

There are a number of active initiatives in the field of coffee sustainability. The longest established of the sustainable coffee initiatives are Fairtrade labelling (by Fairtrade Labelling Organizations [FLO] International) and organic certification. FLO operates a minimum price system plus a social premium that are guaranteed to producer organisations. Organic certification has no guarantee, but the record suggests that it normally attracts a premium. These two certification systems were followed by a second wave of labels that emerged in the late 1990s/ early 2000s, with the establishment of the Rainforest Alliance and UTZ Certified certification schemes. These may also provide price premiums depending on the market situation, but they are not guaranteed.

These four systems (plus the much smaller Smithsonian 'Bird Friendly' certification) are still the main coffee certification systems in the market. However, other systems of verification, such as the Common Code for the Coffee Community (4C), and private sustainability standards (such as Starbucks' CAFE [Coffee and Farmer Equity] Practices and Nespresso's AAA guidelines) have also grown exponentially. Additionally, Transfair USA has recently stepped out from the Fairtrade system to develop its own certification that would also cover estates ('Fairtrade' only certifies small-holders in the coffee sector).

All of these systems, to different degrees and with different combinations, seek to address environmental and social sustainability issues in the

"None of the current coffee certification initiatives has yet addressed greenhouse gas reduction – a key component in other sustainability certification systems emerging in the agro-food sector"

production (and sometimes trade) of coffee. None has yet addressed the issue of greenhouse gas reduction, a key component in other sustainability certification systems emerging in the agro-food sector (especially in biofuels, but also other food and feed). It is not yet clear whether other competitors in the market for sustainability certifications will enter the coffee sector on this basis, but if they do, the whole sector may be in for a shake-up. For example, the International System on Carbon Certification (ISCC) label, originally developed for sustainable biofuels and focused on certifying reductions in greenhouse gas emissions, is currently expanding into other food and chemical product markets.

The multiplication of standards and certifications means that farmers may have to comply with several systems at once, adding costs and complicating operations. This situation may improve if Rainforest Alliance and UTZ Certified follow up on their commitment to make their standards mutually acceptable and share third-party auditing. But if a greenhouse gas emission certification is added to the existing mix, a further layer of costs and demands placed at the farm level may be added.

Growth prospects for sustainable coffee

There is no sign of slowing down in the uptake of sustainable coffee in the market, despite the economic slowdown in traditional coffee drinking markets. A recent review of sustainability commitments and a round of interviews carried out by the Tropical Commodity Coalition (TCC, 2012) with major coffee roasters and traders indicate increasing commitments to sustainable coffee purchasing:

- Nestlé has committed to 26% of its total purchases being sustainably sourced by 2020 (3 million bags of 4C+AAA and 1.5 million bags of Rainforest Alliance), compared to 5% in 2010.
- Kraft has committed to purchasing 30% of its total coffee purchases (and 100% of coffee sold under its European brands) via Rainforest Alliance certification or 4C verification by 2015. (Kraft is currently the largest buyer of Rainforest Alliance coffee, with 830,000 bags purchased in 2010.)
- Sara Lee has committed to purchasing 20% of its total (mainly UTZ Certified, 1.5 million bags) compared to 9% at present (660,000 bags), making it the largest buyer of UTZ Certified coffee.

- Starbucks has committed to sourcing 100% sustainable coffee by 2015 (using its own CAFE Practices, FLO and others), a target it is likely to achieve since it already sources 84% under its CAFE Practices programme (1.7 million bags in 2010). In addition, Starbucks is a substantial buyer of organic coffee (467,000 bags) and the second largest buyer of FLO-certified coffee (after Green Mountain Coffee Roasters), accounting for almost 8% (167,000 bags) of all Fairtrade green bean coffee.

- Tchibo, the German-based international coffee company, plans to procure 25% of its coffee from sustainable sources by 2015 under a variety of sustainability certification schemes, and has a future commitment to a 100% target. In 2010, Tchibo bought 125,000 bags of Rainforest Alliance coffee, 33,000 bags of Fairtrade/organic coffee and 117,000 bags of 4C.

Other major players in the coffee trading and roasting market, however, have not yet made clear commitments on procuring sustainable coffee (Strauss, Aldi, Smucker's, Lavazza and Segafredo).

Surprisingly, little is known on the actual environmental and social impacts of existing coffee sustainability certification schemes on coffee farmers and their communities. A study by the Scientific and Technical Advisory Panel of the Global Environment Facility reviewing the available studies in the field found that there is no clear evidence linking certification to positive impacts (STAP, 2010). Giovannucci *et al.* (2008), however, highlight that:

- certified farmers obtain higher net incomes (although it is not clear whether this is a result of certification,

or whether wealthier farmers tend to seek certification to start with);

- occupational health and safety is better on certified farms;
- there is little evidence of significant effects of certification on the environment (in terms of shade coverage and biodiversity).

“Market access for ACP coffee is increasingly linked to obtaining a sustainability certification”

The overall picture suggests that market access for ACP coffee is increasingly linked to obtaining one or another sustainability certification. This picture is made more complicated by the fact that national markets in Europe exhibit different preferences.

- The Netherlands and the UK are the markets with the highest proportion of sustainable coffee consumption – 38% in the Netherlands (mostly UTZ Certified) and 20% in the UK (mostly Fairtrade, some Rainforest Alliance).
- The German market exhibits a lower proportion (3–7%) but is larger overall in size, and demands mainly organic coffee (with Fairtrade, UTZ Certified and Rainforest Alliance to a lesser extent).

“Not only sustainable certifications are needed for market access – a portfolio of different ones is needed for different destinations”

In the USA, demand for Rainforest Alliance and Starbucks CAFE-verified coffee is highest. So, not only sustainable certifications are needed for market access – a portfolio of different ones is needed for different destinations.

Developments in sustainable coffee production in the ACP (2010–12)

Following the recent problems faced by Jamaican exporters of Blue Mountain coffee on their major markets in Japan, efforts have been taking place since 2010 to diversify export markets. In 2011, signs of progress began to emerge:

- In March 2011, there were indications of increased interest from Europe in expanding purchases of Blue Mountain coffee (see *Agritrade* article ‘[Some market diversification under way for Jamaican Blue Mountain coffee](#)’, 5 July 2011).
- In April 2011, the first shipment of 7.3 tonnes of Blue Mountain coffee was sent to China. This forms part of a 2-year deal to export an annual 70–100 tonnes to the Chinese market via two Chinese organisations, Hangzhou City Coffee and Western Cuisine Association, who will now act as Blue Mountain brand representatives in China.
- In early 2012, it emerged that initial shipments to the US-based Starbucks chain were meeting with success. Orders had tripled from their initial level in 2010 taking overall volumes to 15.4 tonnes, and there were signs that Jamaican producers were set to sign up to Starbucks’ CAFE Practices programme, joining fellow ACP suppliers in Ethiopia, Kenya, Tanzania, Rwanda, Burundi, Zambia and PNG. This scheme rewards producers for the attainment of specified performance criteria, with a 60% rating (‘preferred supplier status’) securing ‘enhanced pricing and contract terms’, and an 80% rating (‘strategic supplier status’) securing

an additional US\$0.05/lb premium payment. Company figures suggest that the average price paid by Starbucks for its coffee supplies is around 37% higher than the industry average (2006 figures). In addition, Starbucks has established an investment fund under the CAFE programme to offer concrete assistance to farmers (see *Agritrade* article ‘[Corporate support for sustainable high-quality coffee production in Jamaica](#)’, 30 April 2012).

Other ACP coffee product differentiation initiatives (2010–12)

The consumption trend towards single-origin coffees represents another area where ACP suppliers are seeking to gain price premiums. The Tanzanian Coffee Board, for example, is looking to increase exports of single-origin coffee. However, to secure price premiums for single-origin coffees, it is not enough simply to place them on the market. Strategies need to be designed and implemented to develop brand identity and then brand loyalty, so that end-consumers and wholesale buyers become increasingly willing to pay a price premium. This requires investment, the cost

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of which may be considerable and the benefits of which may only be effectively recouped if the volumes marketed are expanded. Investment in selection and packaging of single-origin coffees needs to be complemented by investment in marketing and production expansion. If countries are opting to develop geographic indications, then other measures, including the setting-up of an

appropriate legal framework, need to be taken into account. Different strategies have been adopted by other African ACP countries (Ethiopia and Kenya) and other global coffee suppliers (e.g. Colombia, where geographical indicators are being used), with the specific strategy adopted being linked to the scale of production and the specificities of the product being marketed (see *Agritrade* article '[Tanzania to increase its focus on single-origin coffee](#)', 10 June 2011).

3. Implications for the ACP

Strengthening the ACP presence in certified coffees

Certified coffees are likely to account for an increasing share of coffee sales in established western markets. Demand for certified coffee is also likely to expand in emerging markets, although probably at a slower rate than overall coffee consumption. Currently, two-thirds of the supply of certified coffee comes from Latin American producers (State of Sustainability Initiatives/SSI, 2010). This suggests that ACP coffee sector operators and their organisations still have a way to go in improving organisational structures and financial instruments that can facilitate obtaining sustainability certification. Accordingly, it would be advisable for ACP governments do more to facilitate sustainability certification by ACP producers.

In addition, given the many sustainability schemes in existence, ACP producers may need assistance in identifying the certification schemes which not only ensure access to key outlets but also secure price premiums.

This could potentially form part of a redefined role for coffee boards (where

these exist) in ACP countries. It could also constitute an area for expanded 'aid for trade' support.

Reducing the costs of compliance and certification

Compliance with sustainability standards raises operational costs through farm-level interventions (e.g. agronomic, social, organisational), chain of custody requirements (certified coffees need to be handled separately from 'regular' coffee), the establishment of separate storage for certified batches, etc.

■ In ACP countries, collective action in getting to grips with compliance requirements could be taken at the level of cooperatives, industry bodies coordinated by governments, coffee associations and public-private sector partnerships. This could serve to reduce the costs of compliance, verification and certification (i.e. via pooling of auditing and certification services, group certification systems, and/or collective storage and shipping of certified coffee).

■ In addition, collective action by ACP governments should be targeted at promoting the harmonisation and simplification of certification processes (especially for initiatives that are members of the ISEAL Alliance, the global alliance for social and environmental standards), thereby reducing the costs and enhancing the net benefits to producers of such schemes. This could help enhance the competitiveness of ACP exports of certified coffee. It could take the form of the promotion of mutual recognition protocols, 'modular standards' (where there is a common base for everyone and then specialist modules on social issues, labour, shade, IPM practices etc) and common audits.

Rebalancing the focus of sustainability concerns

Most existing sustainability initiatives place great emphasis on environmental and social issues and criteria and a sub-set of social criteria. Far less emphasis is placed on economic criteria. Where economic criteria do exist they are largely focused on product quality. Criteria that demand living wages (rather than minimum wages), price premiums and written enforceable contracts are rare. ACP governments and coffee producer organisations should consider lobbying the main coffee standards initiatives to increasingly get to grips with the economic dimensions of sustainability, particularly with regard to the distribution of costs and revenues along supply chains.

Closely linked to this, ACP governments, with the assistance of international donors, should also seek to promote a better understanding of the costs of compliance with these standards at the farm level, and the use of better assessment tools on their economic, social and environmental impacts.

The issue of carbon sequestration

ACP countries should consider carefully whether a sustainability agenda that extends into carbon sequestration is in their interest. The conversion of sun- to shade-coffee, for example, should not only be rewarded via sustainability certification but also in relation to carbon sequestration. But given the uncertain features of the carbon market and the current cost of carbon emission calculations in ACP countries, such a strategic choice first requires further analysis and evaluation.

Main sources

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About this update

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