



OUTLINE OF RESEARCH PRIORITIES FOR RESEARCH IN THE COFFEE SECTOR

Based on Input from the Geneva Brainstorming Workshop and Following Consultations under the Sustainable Commodity Initiative

Introduction

The brainstorming workshop “Sustainability in the Coffee Sector: Exploring Opportunities for International Cooperation Towards and Integrated Approach” was organized by the United Nations Conference on Trade and Development (UNCTAD) and the International Institute for Sustainable Development (IISD) with the support of the International Development Research Centre (IDRC) and the Commission for Environmental Cooperation (CEC). The objective of the workshop was to identify specific areas and proposals for action at the international level that deserve further feasibility and impact analysis. The meeting was also designed to be a starting position for eventual action at the international level. The workshop had representation from consumer governments, producer governments as well as producer organizations and major players from both the private sector and civil society.

Background to the meeting

The rationale for the meeting was based on the call for an integrated approach to sustainable development formally put forth through the Agenda 21 process. A variety of factors were identified as currently threatening the sustainability of the coffee sector including:

- The persistent volatility and long-term decline in coffee prices on world markets, and especially, the conditions of the current “coffee crisis”.
- The growth in use of modern mono-culture practices for coffee production and the corresponding effects of such practices on a number of environmental variables including biodiversity, soil conservation, water contamination.
- The absence of opportunities for the development of social infrastructure and the enforcement of basic labour rights within the existing coffee supply chain structure.

On the basis of previous initiatives to improve and define the requisite inputs for improving sustainability within the coffee sector, the following principles for sustainable development in the coffee sector were proposed in a background paper to the workshop:

Principle 1: Producers should be paid a price/wage that covers production, living and environmental costs within a competitive framework and which displays a measured degree of stability.

Principle 2: Employment relationships should be maintained in accordance with core ILO conventions and local law.

Principle 3: Production practices should be environmentally sustainable.

Principle 4: Producers should have enhanced access to credit and opportunities for diversification.

Principle 5: Producers should have enhanced access to trade information and trade channels.

One of the key aims of the workshop was to identify promising instruments, tools or mechanisms for integrating these principles within the mainstream coffee sector on a widespread basis. The fact that the challenges to sustainability as well as the principles for addressing them, invoke large and complex issues intimately connected with the international market for coffee provided a specific rationale for action at an international level. Moreover, the fact that there has been a wide range of initiatives adopted on a project-by-project, stakeholder specific and/or regional basis, suggested the potential and need for further collaboration and cooperation at the international level.

Results of Meeting and Consultations

Through the brainstorming process more than 20 proposals for action at the international level were raised. Through separate consultations held following the workshop, participants were invited to select the most promising proposals raised at the workshop and worthy of further research. In making their selections, participants were requested to take the following issues into consideration:

1. does the proposed idea effectively promote an “integrated approach to sustainability” (eg. does the idea have the potential to improve the underlying conditions for sustainability along the social, environmental and/or economic sustainability within the coffee sector in an integrated manner?)
2. does the proposed idea have the possibility of eventual buy-in from important stakeholders
3. does the proposal address an area where international cooperation has a significant role to play in moving the discussion and action forward?
4. does the proposal address one or more of the three main challenges facing the coffee sector identified at the workshop (eg.1. supply and demand mismatch 2. problems related to unequal market power and 3. problems related to public goods such as environment, labour standards and information provision)?

On the basis of the consultations eight proposals were identified as holding particular promise as means for improving sustainability in the sector. These were:

- A marketing campaign designed to increase consumer demand for socially/environmentally friendly coffees.
- The development of a schema for sustainable contracting practices, such as long term contracts and more flexible contract provisions (perhaps including the development of a “sustainable contract” system).
- Pricing system whereby social and environmental costs are calculated as part of a price differential on the open market
- The establishment of a sustainable coffee credit facility to provide reasonable and perhaps guaranteed loans to producers of sustainable coffee
- Systemic support for producer organizations based on sustainable production practices and sustainable markets
- The development of an information system for all stakeholders of the coffee industry, with emphasis on clear, practical, downloadable information for all, including farmers and extensionists
- The identification of a clear and balanced definition of sustainability recognized at the international level for stimulating demand for products produced under sustainable production practices.
- The establishment of a multi-stakeholder process (eg. Coffee Stewardship Council) for developing a broad-based international strategy (and possibly standards or standards administration) for sustainability across the coffee sector.

Another six proposals were identified as holding moderate promise:

- A quality-based labeling, monitoring and distribution system similar to that used by the wine industry
- Purchasing system whereby preferential supply and pricing arrangements are tied to sustainable production practices
- The establishment of a sustainable coffee fund drawing from revenues higher up the supply chain (through a tax or other compensation mechanism) and directed towards technical assistance towards the development of sustainable production and trading relationships for producers
- Systemic support to “non-bank” organizations, such as coffee cooperatives and producer organizations, as instruments for improving small producer access to credit and finance
- Adaptation of an integrated supply chain model (such as that used in certain cases by Nestle) on a broader (international or systemic) scale whereby direct purchases and extension services are tied to existing markets higher up the supply chain.
- Development of sustainability standards and/or a global approach to broad sustainability issues within the structure of the International Coffee Organization—using the idea of and history surrounding International Commodity Related Environmental Agreements as a reference point

Given the inherent overlap between certain proposals and the non-exclusivity between others, it was decided that the treatment of specific proposals in further research should be undertaken on the basis of shared themes. Drawing from the workshop discussions and following consultations, the following three research themes have been selected for further feasibility research within the context of the Sustainable Commodity Initiative.

A. A Global System (Coffee Stewardship Council) for the Identification of a Sustainability Standard and/or Strategy within the Coffee Sector

There was an overwhelming sense among participants that greater collaboration and cooperation across the various stakeholders to the coffee sector, including standards making bodies, would play an essential role in improving sustainability across the sector on a widespread basis. A first priority for such collaboration should be the identification of a global definition of sustainability for the coffee sector including coordinated strategies for its implementation. The SCI will commission research on this theme taking special note of the following questions:

- What is the relationship between voluntary standards and the various sustainability challenges facing the coffee sector?
- What are the specific challenges facing the development, implementation and administration of sustainability standards in the coffee sector at present?
- What different models exist for defining sustainability standards at the global level for the coffee sector?
- What advantages and disadvantages are associated with using certain key institutions already in existence as institutional homes for a global sustainability standards process (ICO, ISO, CODEX etc)?
- Is there a role for direct government involvement in the development/implementation of such a global system and if so what might it be?
- What are the potential economic, social and environmental impacts of different possible models?
- What is the relationship between the different possible models and existing legal systems (particularly the GATT, Agreement on Agriculture, Agreement on Technical Barriers to Trade and national competition policy)?
- What are the relevant political challenges and expected political acceptance with respect to the different possible models?

B. Standardized Sustainable Contract Guidelines, Systems or Contracts (S-contracts)

Imperfect information and imperfect competition were identified as critical challenges to sustainability in the coffee sector. As a focal point where the imperfections of the market manifest themselves, contractual formation and terms (such as price, length, production practices and trading relationships) were repeatedly identified as crucial components in

determining the sustainability of the existing trading system. The SCI will commission research on this theme taking special note of the following considerations:

- What forms of contracts are currently in use?
- What is the relationship between contract formation, specific contract clauses (as well as formats) and the three pillars of sustainability?
- What different modalities exist for treating price within contracts (differentials, fixed price, fixed band, etc.)
- How could existing contracts be improved to so as to promote sustainability? Are there any model contracts?
- What are the possible relationships between sustainability standards and S-contracts?
- What institutions exist for the implementation of a system of model contracts at the international level?
- What is the social, environmental and economic potential of different possible models of S-contracts?
- Is there a role for direct government involvement in the development/implementation of such a global system and if so what might it be?
- What is the relationship between the different possible S-contract models and existing legal systems?
- What are the relevant political challenges and opportunities with respect to the different possible models?

C. Support Mechanisms for Producers and Producer Organizations Committed to Sustainable Production Practices

Producers are faced with substantial hurdles in accessing markets and financing, key components to pursuing strategies for sustainable development. Meanwhile producer organizations are regarded as playing a critical role in bringing both financing and markets to producers and, as such, an area where external developmental support needs to be focused. The consultation process identified support for producer organizations as an area of major importance and promise for improving the sustainability of the sector on the whole. Two possible mechanisms raised in the course of the workshop could serve as instruments for bringing such support to producers and producer organizations:

- A Sustainable Coffee Credit Facility
- A Sustainable Coffee Fund

The SCI will commission research on the potential of these two different instruments as tools for providing support to producer organizations committed to sustainable production practices, the formation of such groups and/or the producers that form a part of such organizations. The research will take special note of the following considerations:

- What forms of credit/funding are available to coffee producer organizations at present?
- What institutions are currently involved in the provision of credit/funding to producers and producer organizations?
- What are the specific credit/fund related needs of producers and producer organizations?
- What is the relationship between sustainability standards and a potential sustainable credit/fund scheme?
- What institutions could/would be involved in the provision of credit/funds to sustainable producers?
- What is the social, environmental and economic potential of different models of credit/funds facilities?
- What is the role of government in the development and administration of such a system? Is there a role for compensation payments to farmers/organizations involved in sustainable practices?
- What are the legal issues facing the different credit/fund instruments?
- What are the relevant political challenges and opportunities with respect to the different possible models?

D. Other Research Areas

Given the limited resources under the SCI, we will be limited to conducting research on the above three themes for the time being. On the basis of the workshop and consultations however, there is an interest in locating resources for and/or establishing partnerships with other institutions such that other pertinent research areas might be pursued as a complement to the above research programme. Some of the more obvious areas for conducting such research include:

- Research on the potential of a large scale, global, generic consumer marketing campaign on sustainable coffee
- Research on the potential of a select range of global information systems in promoting overall sustainability in the coffee sector
- Research on the potential for modified trading relations along the supply chain such as those exhibited by Nestle's direct trading relationships in certain cases and that based on the QualicafeX model
- Research on the potential of quality-based labeling, monitoring and distribution system similar to that used by the wine industry

Should you or your organization be either carrying out or interested in carrying out research in any of these or other related areas, please contact us as we are eager to explore potential modalities for collaborative research in these areas.

NEXT STEPS

We invite comments on the chosen themes including any suggestions you may have for ensuring that they provide value added to sustainability discussions within the sector (specific systems and perspectives for consideration). We also welcome information on any expert resource people working in areas directly related to the identified research topics. Between now and September, the SCI will oversee research on the various topics outlined above. The results of this research will provide a basis for discussions under the context of an international conference in the fall of 2003.

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