

**Report of the Core Group on the
Consultative Forum on the meeting
held on 12 September 2013**

1. The Core Group, chaired by the Executive Director, Mr Robério Oliveira Silva, in the absence of the Chairperson and Vice-Chairperson, met in Belo Horizonte, Brazil for the fourth time under the International Coffee Agreement 2007.

Item 1: Adoption of the Agenda

2. The Group adopted the draft Agenda contained in document [CG-11/13 Rev. 1](#) and took note of document [CG-13/13](#) containing a communication from the Finance Alliance for Sustainable Trade (FAST) with contributions for the meeting.

Item 2: Report of the last meeting of the Core Group

3. The Group took note of the report on the 3rd meeting of the Core Group contained in document [CG-10/13](#).

Item 3: 3rd Consultative Forum on Coffee Sector Finance

4. The facilitator of the Forum, Mr Robert Nelson of the National Coffee Association of the USA (NCA), reported on the 3rd Forum which took place in Belo Horizonte on 10 September 2013 on the topic of farmer aggregation. He expressed his appreciation to the All Japan Coffee Association (AJCA) and the World Bank for their generous sponsorship of the event. The ICO had adopted a different methodology for the event, which had involved 22 experts in the field working with 12 small groups considering case studies prepared by the United States Agency for International Development (USAID) and the NCBA Clusa International on topics ranging from the pre-cooperative phase to mature cooperatives. In the first part of the Forum, the small groups had discussed questions on the case studies

and collated information arising from their discussions. The second part of the Forum had involved a brainstorming session on the vision of involving all producers in farmer organizations. Delegates had identified over 100 driving forces to facilitate the realization of this vision, and over 80 restraining forces. Three priority driving forces and four priority restraining forces had then been identified. The priority driving forces included market incentives for organizing farmers, including common buyers; examples of successful farmer organizations which could be used to stimulate the development of farmer organizations; and information on management and leadership skills. Restraining forces had included the lack of female participation, lack of education about cooperatives, poor legal frameworks and corruption, and risk aversion. If programmes could be developed to strengthen the driving forces and weaken the restraining forces, this could facilitate the development of farmer organizations. The Secretariat would prepare the proceedings of the Forum and would highlight the driving and restraining forces to assist the Core Group in deciding on appropriate strategies which could be implemented either by the ICO or by relevant institutions, with the ICO acting as a catalyst in encouraging their engagement in this area. The proceedings would also enable the Core Group to identify areas which should be further explored and to consider the next Forum and topic.

5. The Group took note of this information and expressed its appreciation to Mr Nelson for his role both in coordinating the preparation of the 3rd Forum and facilitating it, and further expressed its appreciation to the experts who had participated, and the AJCA and the World Bank for their generous sponsorship which had made it possible to hold the event.

Item 4: Studies on risk and finance in the coffee sector

6. The representative of the World Bank, Mr Roy Parizat, introduced document [CG-12/13](#) containing a progress report on the preparation of studies on risk and finance in the coffee sector to identify how improvements in risk management could facilitate access to finance for the coffee sector and how improvements in finance could assist producers to manage risks. By providing information about best practices from around the world, innovative programmes could be replicated in other countries and help to increase finance for the global coffee sector. A team was working with the ICO and Members to collate information for the studies from a range of sources. Some innovative programmes had been developed by non-governmental organizations (NGOs) and the private sector which had potential for scaling up. Preliminary findings indicated that risk was a major factor in limiting access to finance and increasing costs. Institutional lenders did not always fully understand the sector and the risks involved and erred on the side of caution by either not lending or lending insufficient amounts. Work was needed on both the supply and demand sides to

overcome some of the barriers to accessing finance. The initial findings had also identified the need for funding across the value chain for processors, traders, exporters as well as producers. Finance was more available at the less risky end of the supply chain, specifically on the import side, with higher values and more means of reducing risks to lenders by using collateral etc. There was a need to identify ways to reduce risks at the production end of the chain in order to increase access to finance. Producers also needed support to understand how to access sources of finance that were under-utilized. While short-term seasonal finance was often available, there was a shortage of finance for medium and longer-term loans for investing in infrastructure, replanting and other areas that could improve yields and quality. If improvements were to be achieved in these areas, there was a need to increase the volume of medium and longer-term financing, which was perceived as higher risk. Aggregation was key to facilitating loans to producers, as it could reduce transaction costs and increase opportunities for producers to access collateral by moving up the value chain and decreasing risk. However, the barriers which had been highlighted in the 3rd Consultative Forum prevented it from being used as an effective mechanism to improving access to finance. Another finding involved the role of the alternative finance community and socially oriented lenders who were using new methodologies which were increasing finance to producers. Their experience could be extended to the formal sector to help to improve access to finance. The final report would focus on how some programmes might be scaled up with support from government and other actors.

7. Mr Parizat highlighted the need for data and information from Members on finance and risk management activities and programmes in their countries, particularly in areas such as regulation, to ensure the report was as comprehensive as possible. Rather than three separate studies, there would now be a single report, which would focus on around 20 – 30 innovative case studies demonstrating best practices in finance and risk management which could be adapted for use in other countries. Finally, he welcomed feedback on the progress report and the appendices and urged Members to assist with the preparation of the final report by identifying and sharing innovative programmes in their countries for the case studies.

8. The Group took note of this report and further noted the importance of the study in providing information to assist Members in developing strategies and accessing finance for the coffee sector. Finally, the Group noted that the ICO would continue to encourage Members to provide data and information for the studies.

Item 5: Dissemination

9. The Group noted that document [CG-13/13](#) contained a communication from FAST. It included an offer to assist with disseminating the report of the 3rd Forum to FAST members in 31 countries and to partners around the world through its website and newsletters. The Group welcomed this offer, which would enable the findings of the Forum to reach financial institutions, producer organizations, certification bodies and other key stakeholders in the coffee sector and the sustainable industry. The Group further noted that the results of the Forum were relevant to the development, agricultural and financial sectors and it would be useful to consider how to ensure the Forum results reached them.

Item 6: Considerations for future Forum events

10. The Group noted that Members would consider issues such as the format of the next Forum, possible topics, presenters, participants, sponsorship and materials and information at its next meeting, once the proceedings of the 3rd Forum had been finalized.

Item 7: Core Group

11. The Group noted that the Executive Director would organize conference calls with the Chairperson and Core Group experts.

Item 8: Next steps

12. The Group noted that it would consider next steps once the proceedings of the Forum had been circulated.

Item 9: Other business

13. There was no other business to discuss.

Item 10: Date of next meeting

14. The Group noted that its next meeting would take place in London at the time of the 112th Council in March 2014.