

Conselho Internacional do Café  
136ª Sessão  
28 e 29 setembro 2023  
Bengaluru, Índia

**Reflexões iniciais sobre o  
estabelecimento de um mecanismo  
global de financiamento do café**

### **Antecedentes**

1. O ICA 2007 inclui como objetivos: (8) desenvolver, avaliar e buscar financiamento para projetos que beneficiem os Membros e a economia cafeeira mundial; e (13) facilitar a disponibilização de informações sobre instrumentos e serviços financeiros capazes de ajudar os produtores de café, inclusive com respeito a acesso ao crédito e métodos para de gestão de risco.

2. A Declaração de Londres "sobre os níveis de preços, a volatilidade dos preços e a sustentabilidade a longo prazo do setor cafeeiro" (2019) apelou à Organização Internacional do Café (OIC), inter-alia, para "[explorar] a criação de um mecanismo global de financiamento multilateral com os objetivos de:

- alavancar o investimento no setor cafeeiro através da combinação de financiamento do setor público e privado,
- incentivar a gestão ambiental e social,
- promover o desenvolvimento de regiões cafeeiras sustentáveis,
- apoiar os esforços de transparência e a reforma das políticas,
- desenvolver capacidades adicionais para o desenvolvimento e aplicação de políticas relevantes nos países produtores e
- redução da pobreza”

e “de acordo com os resultados da exploração, mobilizar apoio político e recursos mais fortes<sup>1</sup> para a criação de um mecanismo global de financiamento de múltiplas partes interessadas para abordar a sustentabilidade de curto e longo prazo do setor cafeeiro”.

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<sup>1</sup> De mecanismos multilaterais como o G7, G20 e a Assembleia Geral das Nações Unidas, organizações internacionais, bem como instituições financeiras multilaterais e regionais e o setor privado.

3. Na 135ª Sessão do Conselho Internacional do Café, em março de 2023, a Diretora Executiva, conforme documento ICC-135-6, indicou que a “criação de um fundo de sustentabilidade e resiliência do café, bem como ações para o estabelecimento de um centro com foco na economia circular do café estavam entre as prioridades identificadas e a serem desenvolvidas por meio de parcerias” como parte do Programa de Atividades 2022/23.

4. O **Anexo I**, portanto, apresenta um breve relatório<sup>2</sup> sobre as reflexões iniciais sobre a necessidade de investimento em sustentabilidade e resiliência no setor cafeeiro, bem como opções para a criação de um veículo financeiro focado no café.

### **Ação**

Solicita-se ao Conselho que tome nota deste relatório.

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<sup>2</sup> As reflexões preliminares da equipe de especialistas foram recolhidas e são apresentadas a seguir como referência para as discussões a serem realizadas na 136ª sessão do Conselho Internacional do Café, no 5º Fórum de CEOs e Líderes Globais e na 5ª Conferência Mundial do Café. O documento não foi editado.

## Reflexões iniciais sobre o estabelecimento de um mecanismo global de financiamento do café

### 1. Fundamentos

Na 134ª sessão do Conselho Internacional do Café e no 4º Fórum de CEOs e Líderes Globais, bem como na Força-Tarefa Público-Privada do Café (FTPPC), em Bogotá, Colômbia, de 3 a 7 de outubro de 2022, os participantes reiteraram a necessidade de explorar opções para aumentar o acesso ao financiamento para cafeicultores e financiamento adicional para investir na sustentabilidade e resiliência atuais/de longo prazo do setor cafeeiro.

Como resultado, de outubro de 2022 a setembro de 2023, a Secretaria da OIC e a FTPPC:

- Engajaram muitos potenciais parceiros privados e institucionais e realizaram duas reuniões informais com algumas das partes interessadas (FIDA, FAO, Centro de Investimentos da FAO, UNIDO, ITC, Banco Mundial, Comissão Europeia e membros da FTPPC);
- Capitalizaram no conhecimento gerado pelo FTPPC (banco de dados de projetos de sustentabilidade do café, custo de produção, benchmarks de renda digna e próspera e paisagens resilientes);
- Forneceram uma atualização sobre o progresso desde a 135ª sessão do CIC e das reuniões de 2023 da FTPPC;
- Mobilizaram recursos extraorçamentários em dinheiro e em espécie (investimento inicial) da UNIDO, ITC e FTPPC e criaram uma equipe de especialistas de alto nível para realizar uma avaliação de pré-viabilidade das necessidades de investimento em sustentabilidade e mecanismos financeiros para um futuro sustentável e resiliente para o setor cafeeiro (julho a dezembro de 2023).

### 2. Resultados preliminares

O processo para identificar desafios, oportunidades, necessidades e soluções está atualmente em andamento, incluindo a avaliação da justificativa para tais intervenções e a necessidade de aumentar os esforços atuais dos países produtores, da indústria e dos parceiros de desenvolvimento para aumentar o acesso do setor cafeeiro ao financiamento. A análise avaliou como expandir/melhorar os mecanismos de financiamento existentes<sup>3</sup> versus a criação de novos esquemas/veículos. O trabalho da equipe e dos especialistas da OIC foi orientado pela necessidade de pensar fora da caixa, identificando opções e fontes de financiamento novas e inovadoras.

Além disso, a análise em andamento visa determinar os potenciais beneficiários e parceiros para estabelecer um esquema ou veículo financeiro focado no café e se seria viável

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<sup>3</sup> O acesso a financiamento para o setor cafeeiro reduziu devido às mudanças nas regras do Fundo Comum de Commodities, mesmo que novos financiamentos verdes, como o GEF e o GCF, tenham criado novas oportunidades.

estabelecer um esquema ad-hoc apenas para o café ou se ele também deve ser expandido para incluir outras commodities.

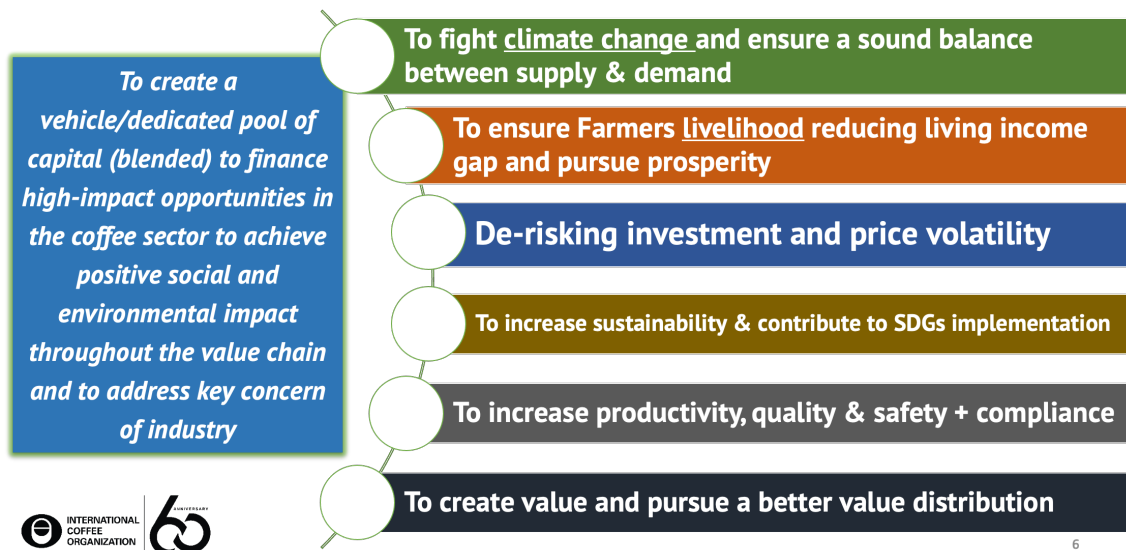
Em relação aos cafeicultores, o aumento da pressão pela eficiência, qualidade e sustentabilidade se deve principalmente a:

- Envelhecimento das plantações e dos agricultores;
- Redução do tamanho médio da fazenda;
- Regulamentações rigorosas sobre sustentabilidade e uso de agroquímicos;
- Aumento do custo dos insumos;
- Níveis de preços e volatilidade;
- Demanda do consumidor por qualidade/acessibilidade/sustentabilidade; e
- Acesso limitado e estrutural a financiamento e know-how.

No que diz respeito a toda a cadeia de valor global do café, novamente questões estruturais como o equilíbrio de oferta e demanda, mudanças climáticas, regulamentos rigorosos sobre sustentabilidade e uso de agroquímicos, altos custos de transação, o diferencial de taxa de juros entre países exportadores e importadores, demanda do consumidor e risco de concentração em algumas origens, entre outros, exigem um grande e consistente fluxo de capital para investir na sustentabilidade de longo prazo do setor.

As principais reflexões preliminares da equipe de especialistas foram recolhidas e são apresentadas aqui como referência para as discussões a serem realizadas na 136ª sessão do Conselho Internacional do Café, no 5º Fórum de CEOs e Líderes Globais e na 5ª Conferência Mundial do Café. O documento não foi editado.

## Coffee Sustainability & Resilience Vehicle (C-SR Fund) - OBJECTIVES



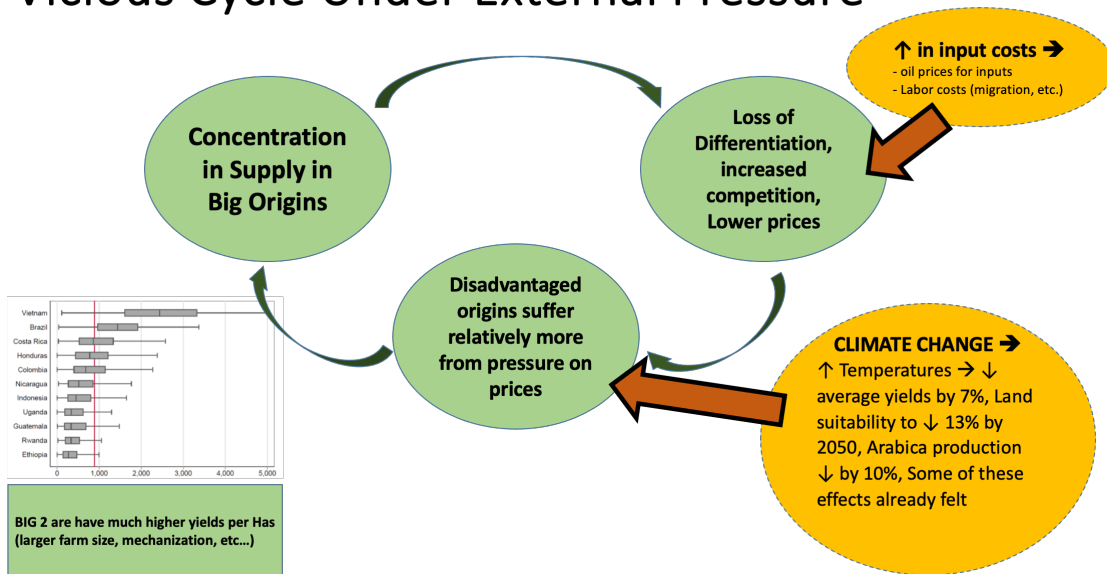
### Demand

- Current: 3 billion cups daily
- Future: projected to grow over the next two decades

### Challenges on the supply side:

- Climate Change
- New Regulatory Regimes
- Structural issues
- (Very) Smallholders in many origins
- Mechanization is difficult/impossible in many origins
- In the short-run, supply insensitive to prices → price volatility → challenges to long-term contracts/commercial relationships & to medium and long-term planning and investment
- Poor access to credit, insurance, etc.
- Price levels/volatility...

# Vicious Cycle Under External Pressure



## What to do or not to do?

- (Leaving aside estimates) Is there a case for intervention?
- Market concentrates supply in most efficient origins → no efficiency-based rationale
- “The cure for low prices is ... low prices”!
- Countries with market power have incentives to ↓ supply
- Sachs report: annual financing gap of \$9bn to achieve SDG goals. Provisionally suggests \$2.5bn contribution from private sector to be matched by donors.
- → Intervention should be limited to support public goods
  - Markets do not provide (enough) public goods
  - R&D is probably the main one
  - WCR estimates 250-450\$ million needed for R&D
  - (still based on Sachs’s model)

## Rational for some kind of intervention?

- “**On the other hand** ...” markets yield efficient outcomes only under certain (idealized) conditions from which coffee sector deviates substantially ...
- (e.g., structure of supply, differentiation, diversification
- & resilience, externalities, market power, R&D)
- Macro/Aggregate models unlikely to provide accurate guidance:
  - Enormous heterogeneity *within* countries
  - Devil’s in the details: the problem is often not what to do,
  - but **how** to do it effectively!
- We must be (very) **humble!**
- Conservative bottom-up estimates (**in progress**) suggest that **hundreds of millions** per year are needed to fill part of the investment gap globally.

## What?

Any successful organization should know the answer to three questions:

1. What do we do?

2. Why we do it?
3. How we do it?

The “**what**” is the proposal to be discussed:

- Create a **new investment vehicle (IV)** dedicated to **coffee, blended** with direct engagement of the largest private companies to mobilize further investment
- **Must overcome competitive issues for a common goal**
- A clear rationale for coordinated action must be properly articulated (this afternoon)

#### **WHY?**

- Let's suppose we have agreed on the rationale. Why is a **new IV dedicated to coffee, blended** with direct engagement of the largest private companies needed?
- Why would *this* be better than the *alternatives*?

#### **Alternative 1: Continue with business as usual.**

- Private companies already support many sustainability programs at origin independently.
- Perhaps they can scale up their own programs as needed, leveraging detailed knowledge of their supply chains and their scale in key origins.

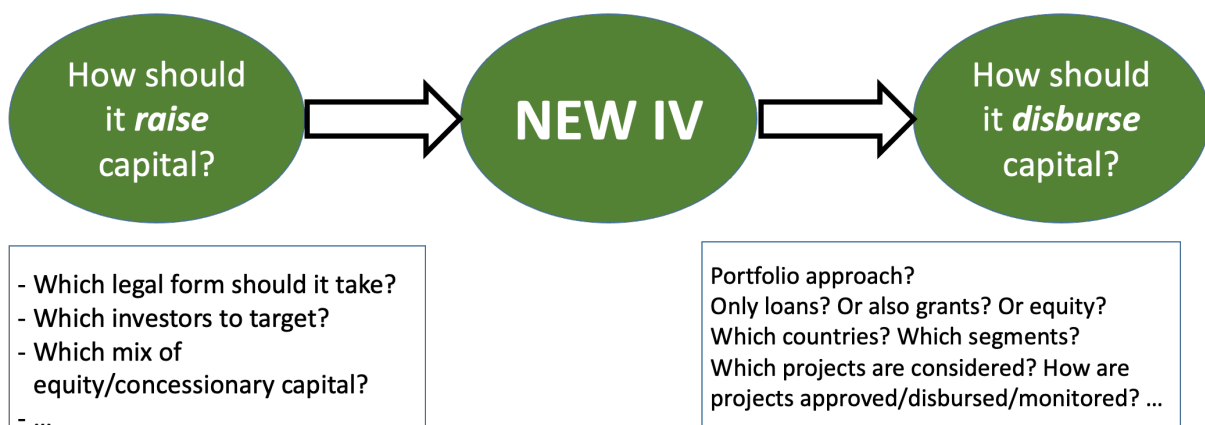
## Alternative 2: Scaling up investment in [other] existing facilities.

- Setting up a new IV is costly.
- There is no shortage of existing initiatives that could be used to focus on specific investments.

**How** exactly would a **new IV create value** for the industry (farmers, consumers and anyone in between)? We need to discuss *value capture* separately.

### HOW?

- Let's suppose we have agreed that the investment gap and the need for intervention are clear
- And we have also agreed that the **new IV** has the potential to **create value**. Then, how should it work?





## What to look into in order to defining Investment Vehicle options

- Coffee farming **major source of livelihood** for millions of people in developing countries
- **Access to finance persistent challenges, as investment in smallholder production is seen as increasingly risky, with returns not able to compensate commercial investors for this perceived risk.**
- Many farmers, especially smallholders, are at risk of abandoning coffee cultivation due to **low income, climate change, and market volatility.**
- This shift away from coffee could **jeopardize future production** and income for the entire coffee industry
- Need for a **dedicated global tool** involving all key stakeholders to be part of the solution.

## Mapping of Initiatives

Initiative	☑	✗
Global Coffee Fund (Columbia University)	Focus on coffee, linkages with local National Sustainability Plans	Governance, too political, too ambitious. Never took off
Farm Fit Fund (IDH)	Global, Involvement of multinationals as investor and pipeline generation, adaptable funding strategies	Limited focus on coffee,
ABC Fund (IFAD)	Global, Well-designed blended finance structure, integration of Technical Assistance, Funding through local banks	Public sector driven governance, limited focus on coffee
Aceli (CSAF)	Incentive mechanism to commercial lenders, Innovation Facility, Industry led	Limited country coverage, limited focus on coffee, No direct investments
Coffee Resilience Fund (Root Capital)	Coffee focus, Linkages with other initiatives notably TA	Focused on Latin America only, direct lending only
Aroma Program (Conservation International)	Evidence based grant, Technical Assistance. Linkage with ecosystem players	Limited country coverage, Limited to direct funding, Grant focus (phase 1)
Inspire (KCL)	Impact focused Corporate Structure attracting large PE, Diversified	Caribbean focus only, Limited focus on coffee. Limited track record

## Unique valued proposition

- Global initiative focused on coffee, with local subsidiaries
- Built around leadership of private actors shared responsibility of public and private actors
- Leveraging and catalyzing public and private resources, with a multiplier effect
- Realistic with a phased approach with unlimited potential for growth

- Private sector focused governance structure geared towards autonomy and attractive to investors
- Leveraging coffee companies for pipeline generation as a de-risking and business alignment tool
- Built upon learning and demonstration of value of collecting action.

**Key Parameters for investing in the Sustainability and Livelihoods of Smallholder Coffee Farmers:**

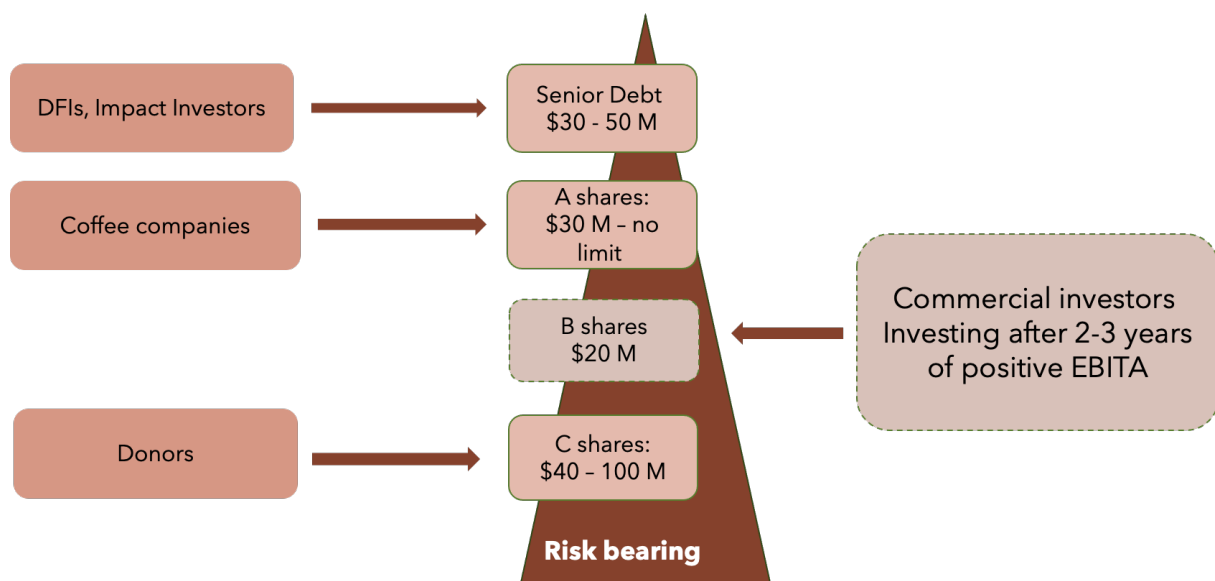
- Improving productivity of coffee farms and viability of coffee farming
- Mitigate price volatility
- Financing resilience to climate change
- Broaden access to finance for rejuvenation and new plantations.

**Components**

- Direct catalytic funding to cooperatives, farmer organizations and SMEs in underfinanced yet profitable segments of agricultural and agribusiness value chains.
- Preference given to producers working in the value chain of coffee rosters investors in the fund
- Indirect funding through financial intermediaries to further improve access to financial services for smallholders, cooperatives and farmer organizations, as well as agribusiness SMEs
- Technical assistance facility providing advisory services to cooperatives and farmer organizations, SMEs and financial intermediaries.

**A Blended finance vehicle?**

For example, it could be capitalized as a Fund or Holding Company (HoldCo).

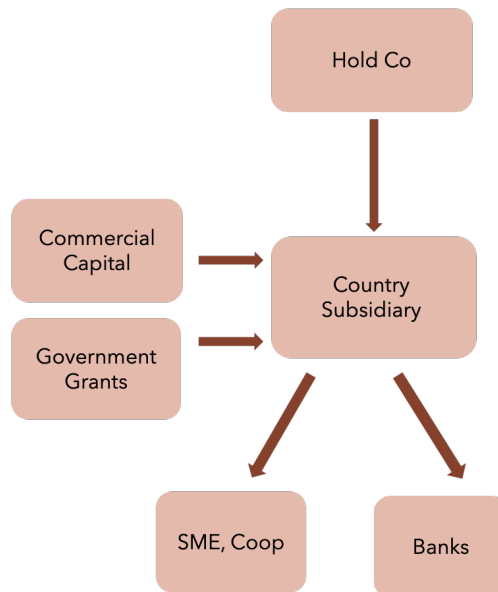


**Holding Co option**

- HoldCo to capitalise subsidiaries in countries of interest or countries expressing interest
- Subsidiaries to be geared with domestically sourced commercial capital co-invested with public finance from those countries
- Subsidiary level debt secured against local collateral (receivables etc.) and subsidised where possible with public funds remains senior to HoldCo debt to mitigate risks associated with structural subordination.

### Key advantages:

- ☑ Unlimited potential for growth
- ☑ Higher capacity to attract investors



### Governance?

- Investment Vehicle to be managed by professional staff with full P&L responsibility and incentivised to deliver clearly defined C-SR results as identified in Phase I
- Investment Vehicle to be governed by an elected Board of Directors comprising representatives of LPs (fund) or A and B Shareholders (HoldCo) under an Independent Chair in accordance with the terms of the original SPA or Investment Agreements
- All investment decisions pertaining to instrument, C-GVC segment and investment amounts to be made at country level subject to ratification by a centralised Risk Committee to ensure portfolio balance and avoid mission drift
- In-country boards to comprise elected local representatives

### Phase 1: Grant Facility

- Repayable Grants to known suppliers in the global coffee value chain in order to quantify outcomes which constitute success.
- Target: \$50 million of public money.
- Duration 1 – 3 years. Outcome: detailed investment strategy

### Phase 2: Holding Company

- Holding Company or 5-year closed end SME debt fund.
- Target : Initial capitalisation \$30 million of Industry & DFI commitments plus \$40 million of public finance including reflows from Phase 1 (assuming 20% loss of principal). Total c. \$70 million.
- Expected single digit net financial return.
- Important to demonstrate successful investment track record.
- Anchor investors ideally an industrial coffee company foundation with DFIs

### Phase 3: Listed Hold Co

- Listed HoldCo or 10-year closed end fund investing variety of instruments throughout the value chain.
- Target first close \$150 million; final close \$300 million. Expected to attract commercial and institutional capital.
- Expected net financial returns exceeding 15%

**Subsequent phases:**

- to grow AUM to \$1+ billion.
- No fixed timeline

**Additional Remarks on feasibility for a coffee-focused vehicle**

- There is a significant SDG financing gap for developing countries. Private capital is crucial to closing this gap; however, less than 5% of global private assets are invested in developing countries. Public and private investments in developing economies are often fragmented, crowding out instead of reinforcing.
- Deeper collaboration among all stakeholders is crucial to ensure success – recognizing the limits of public investment and the increasing appetite among private investors and corporates to engage in interesting opportunities in fast-growing emerging markets, especially in impact investing, blended finance, ESG, and other purpose-driven investing sectors.
- ESG does not guarantee impact; impact requires a level of investment often unavailable to agri-SMEs and smallholder farmers. Bridging this gap requires public-private investment and collaboration.
- The time is NOW! The climate is ripe for this type of intervention, given increased regulation worldwide, particularly in Europe, rising corporate ESG/Sustainability initiatives, and increasing interest in impact investing. Planet, People, and Profit!
- Producer country and farmer requirements should be a starting point for building any new investment solution.
- The coffee industry's financial participation in an innovative investment mechanism (s) is vital to encouraging impact investment from the private sector. Key 'cornerstone commitments' from the industry would increase the chances significantly for successful fundraising of any investment vehicle (s).