



3 July 2026

Original: English, Portuguese and Spanish

**Comments from Members on proposed
initiatives for coffee year 2026/27**

1. The Executive Director wishes to remind Members that, in accordance with the procedures set out in document [JC-13/25 Rev.2](#), as approved by the International Coffee Council (ICC) at its 140th Session held in Honduras in October 2025, Members were invited to submit proposals for initiatives to be implemented by the ICO (documents [ED-2496/25](#) and [ED-2496/25 Rev. 1](#).)
2. A total of 21 proposals were received, as circulated in document [ED-2505/26](#), and Members were invited to submit comments by 29 May 2026.
3. Comments on the proposals have been received from three Members and are reproduced in the annexes exactly as submitted:
 - (a) Colombia (**Annex I**);
 - (b) El Salvador (**Annex II**); and
 - (c) Brazil (**Annex III**).
4. In addition, two Members have provided further information about their respective proposals, and are reproduced in the annexes exactly as submitted:
 - (a) El Salvador (**Annex IV**); and
 - (b) Mexico (**Annex V**).
5. In accordance with the established procedures, the Joint Committee is now requested to reach consensus on the proposed initiatives, with a view to submitting recommendations to the Council for consideration and approval no later than three weeks prior to its Autumn Session.

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WORK PLAN ANALYSIS
INTERNATIONAL COFFEE ORGANIZATION (ICO) 2026–2027

Document ED-2505/26, issued by the International Coffee Organization (ICO) on 17 April 2026, is an official call for Members to submit comments on 21 proposed initiatives for the 2026/27 coffee year.

Background:

In document ED-2495/25, dated 28 November 2025, the ICO invited Members to submit proposals for initiatives to be considered for inclusion in the Programme of Activities (PoA) for the 2026/27 coffee year. The proposals were received on 27 February 2026.

As agreed by the Council, initiatives may address issues relating to projects, statistics, promotion and market development, and coffee sector finance. Budgetary availability is subject to the approval of the 2026/27 Administrative Budget; it is anticipated that approximately GBP 30,000 will be available to support the proposals submitted.

Brazil: (14 Proposals)

Brazil submitted 14 project proposals for the ICO Work Plan. In a Note Verbale (Rebraslon-003/2026), the country rejected the use of the form in 'Annex II' and the hiring of external consultants, requesting that the ICO carry out these studies using its permanent staff and regular budget.

This country's proposals are not presented in the format provided by the ICO, but can be grouped into three areas:

- Market and Trade:
 - (i-iii) Expansion of international coffee trade: exploring the potential of emerging markets: the cases of China, South-East Asia and the Middle East;
 - (iv) *Analyses of successful national strategies for promoting and encouraging coffee consumption.*
 - (v) *The African Continental Free Trade Area (AfCFTA) and opportunities for coffee trading on the African continent.*
 - (vi) *The challenges and outlook of the international soluble coffee trade up to 2030.*
 - (vii) *Inventory of tariff treatment of coffee products in recent trade agreements between different free trade areas.*
 - (viii) *Update on foreign direct investment (FDI), mergers or acquisitions in the global coffee industry.*
 - (vii) *Tariff and non-tariff barriers to coffee trade: new challenges.*

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- *Sustainability and Technology:*
 - (x) Preservation of water resources for coffee growing: the example of the Brazilian 'WATER-PRODUCING COFFEE' programme for other producing countries.
 - (xi) The mechanization of coffee farming - a path to greater productivity and income for producers.
- *Producers' health and capabilities:*
 - (xii) The positive health impacts of coffee consumption.
 - (xiii) Inventory of good practices in coffee storage and gains for coffee farmers.
 - (xiv) New by-products of coffee cultivation: additional ways to increase coffee farmers' incomes.

Analysis of Brazil's proposals:

In consideration of the proposals submitted by Brazil, the Colombian Ministry of Agriculture and Rural Development is unable to take a position on the individual projects, given that, whilst the issues are of national interest, the information provided does not allow for a more detailed analysis.

The 14 proposals submitted by Brazil demonstrate a markedly commercial, expansive orientation aimed at positioning coffee internationally as a global mass-consumption product. However, from Colombia's perspective, it is necessary to analyse them with caution, given that Brazil has a production, commercial and industrial structure that is substantially different from Colombia's.

Therefore, the Colombian Ministry of Agriculture and Rural Development suggests that Brazil's proposals incorporate a differentiated approach based on species, quality, origin, production system and producer size, in order to prevent the studies from promoting a homogeneous view of coffee that primarily benefits large-scale, mechanized production models or those associated with Robusta and industrial coffee.

Furthermore, Colombia proposes that the studies include a specific assessment of the impacts of the expansion of soluble coffee, trade liberalization and mechanization on price differentials for Arabica milds, the economic sustainability of smallholder coffee farmers, value distribution within the chain, and the preservation of quality and origin attributes. In this way, Colombia's participation would help to balance the market agenda with a focus on rural development, sustainability and commercial differentiation.

Analysis data: Brazil is the world's leading coffee producer and produces both Arabica and Robusta coffee, with the latter accounting for a significant share of its export supply and being widely used in the processing industry.

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In contrast, Colombia occupies a distinct position in the international market due to its washed Arabica coffee, which is recognized for its quality and for commanding a premium or price differential versus other types of coffee. The ICO reports on price differentials between Colombian Milds, Brazilian Naturals and Robustas, demonstrating that not all coffees compete under the same conditions nor are they valued equally in the international market.

Consequently, an ICO agenda overly focused on commercial expansion, soluble coffee, the reduction of barriers and the generic promotion of consumption could disproportionately benefit countries with large-scale production, higher levels of mechanization, Robusta production and a consolidated processing industry, such as Brazil. This would not necessarily serve the interests of countries such as Colombia, where coffee farming is characterized by a small-scale, labour-intensive, smallholder production model associated with a distinctive mild coffee, the value of which depends largely on the recognition of its quality, origin and specific attributes.

El Salvador (2 proposals)

- **Roadmap for a national carbon capture fund, monetizing the ecosystem services of coffee forests**

Summary of the proposal: The initiative seeks to formalize and strengthen the role of coffee farmers as strategic allies in the fight against climate change, by recognizing the environmental services provided by coffee farming under agroforestry systems. El Salvador estimates that one hectare of coffee farmland with large trees can capture between 70 and 80 tonnes of carbon. In addition to carbon sequestration in above-ground biomass and in the soil, these systems help to reduce deforestation, preserve biodiversity and strengthen the environmental resilience of rural areas.

In this context, the fund is proposed as a national trust mechanism aimed at: i) increasing and diversifying producers' incomes in the long term through the economic recognition of their environmental services; ii) financing more farms' transition towards sustainable agroforestry systems; and iii) contributing to the fulfilment of national climate commitments by strengthening the coffee sector as a tool for climate change mitigation and adaptation.

Analysis of proposals from El Salvador:

Although El Salvador submitted two proposals, there was no annex for the project entitled "Validation of low-risk coffee farming for deforestation regulation frameworks" that would allow for a technical analysis of its scope, feasibility and implications for producing countries.

As for the project "Roadmap for a national climate fund for the capture of carbon", Colombia considers that the work carried out by the coffee sector under agroforestry systems constitutes a high-impact climate mitigation strategy with great potential for accessing green financing mechanisms.

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However, to ensure the viability and sustainability of this mechanism, Colombia considers it essential that the ICO ensures the inclusion of a technical analysis of the direct economic return for coffee farmers. In this regard, the transition to sustainable practices and carbon measurement, certification and verification processes must not become an additional financial or administrative burden for smallholders. On the contrary, the mechanism should help to strengthen the productive resilience of coffee farming in the face of climate change, promote agroforestry systems, encourage soil conservation and restoration, improve environmental and production traceability, and generate additional income through payment schemes for ecosystem services, climate incentives or access to differentiated markets.

It is also considered pertinent that the roadmap incorporate technical analyses that go beyond carbon sequestration in coffee cultivation, and also assess alternatives for agricultural transition and support for the use of bio-inputs, with the aim of progressively reducing dependence on conventional nitrogen fertilizers and mitigating the greenhouse gas emissions associated with their current use. In this way, the climate fund could become an effective tool for mobilizing resources towards low-carbon, resilient, traceable and socially inclusive coffee farming, ensuring that the economic and environmental benefits effectively reach smallholder coffee farmers.

Gabon (1 proposal)

- **Strengthening the operational capacities of CAISTAB for access to finance and invigoration of the coffee sector in Gabon.**

Summary of the proposal: National coffee production in Gabon has seen a significant decline, falling from approximately 2,000 tonnes in the 1960s to less than 50 tonnes today. This situation is mainly attributed to the ageing of plantations, the exodus of the young rural population to sectors such as oil and forestry, as well as the absence of sustained research, innovation and development programmes for the coffee sector.

With the aim of reversing this trend, CAISTAB (Directorate General of Stabilization and Equalization Funds) has designed a strategy aimed at achieving a production of 1,093 tonnes of commercial coffee over a five-year period, through the institutional and productive strengthening of the sector.

Within this framework, the initiative requests technical support from the ICO to consolidate CAISTAB as a financially attractive entity for foreign investment. To this end, support is envisaged in the structuring of business plans, the identification of funding sources and the design of a resource mobilization strategy that contributes to the sustainable revival of coffee farming in Gabon.

Analysis of Gabon's proposals:

Colombia reinforces a vision of South-South cooperation within the ICO; it is recognized that Gabon's initiative is a proposal for institutional recovery that seeks to transform CAISTAB into a

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technically sound and financially robust entity capable of implementing its 12 billion CFA franc rescue plan. Colombia therefore supports this project, bearing in mind that Article 1 of the ICA highlights the objective of encouraging Members to create an economically, socially and environmentally sustainable coffee sector.

Furthermore, the proposal is relevant insofar as it promotes institutional strengthening, the development of business plans, the identification of funding sources and the mobilization of resources for smallholders and rural stakeholders – elements that can contribute to the revival of production, the retention of young people in rural areas, the renewal of plantations and the building of national capacities in coffee research, innovation and development.

Honduras (1 proposal)

- **Market Statistics: Development of a technical methodology to accurately measure domestic consumption, addressing the volatility of external prices by strengthening the local market.**

Summary of the proposal: Honduras has one of the lowest rates of domestic coffee consumption in the region, with per capita consumption estimated at less than 2 kilograms per year. Currently, the domestic market absorbs less than 10% of national production, forcing the country to export more than 90% of the coffee produced and leaving it highly dependent on the volatility of international prices.

In response to this situation, the Honduran Coffee Institute (IHCAFE) proposes the initiative entitled “Development of a methodology to measure domestic coffee consumption in Honduras”, which aims to design a regular, standardized tool to generate reliable statistics on the quantity and quality of coffee consumed in the local market.

By consolidating technical and statistical information, the initiative seeks to strengthen the formulation of public policies, education programmes and quality standards aimed at encouraging domestic coffee consumption. It is hoped that this will help to reduce the gap in producers’ living incomes by strengthening domestic marketing and diversifying markets for the Honduran coffee sector.

Analysis of Honduras’ proposal:

Colombia could follow the methodology developed by Honduras in collaboration with the ICO, with a view to validating or strengthening its own systems for promoting coffee consumption in households and institutional channels. Although Colombia is one of the world’s leading producers of Arabica coffee, domestic consumption stands at 2.2 kilograms per capita per year for 2025, which is lower than the figures recorded in countries such as Brazil and Costa Rica, where consumption reaches 5.9 kg and 4 kg per capita, respectively.

Similarly, the initiative presented by Honduras highlights the lack of statistics regarding the quality of the coffee consumed in domestic markets. In this regard, it is suggested that analyses

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of domestic consumption should not be limited to estimating volumes, but also incorporate variables such as the quality of the coffee consumed, origin, price, purchasing power, consumption habits and possible substitution effects between Arabica, Robusta and industrial blends.

Analysis data: The analysis carried out highlights that Colombia is one of the leading producers of mild washed Arabica coffee, a factor that must be taken into account when assessing domestic consumption dynamics and strategies to promote consumption.

In the case of countries such as Colombia and Honduras, one of the factors that may influence the levels and characteristics of domestic consumption relates to access, price and the quality of coffee available on the local market. In Colombia, for example, a significant proportion of domestic consumption may be associated with lower-quality coffees or blends imported from countries such as Brazil, which is due, among other factors, to price-driven substitution in demand. For this reason, it is suggested that analyses of domestic consumption should not be limited to estimating volumes, but should incorporate variables such as the quality of the coffee consumed, origin, price, purchasing power, consumption habits and possible substitution effects between Arabica, Robusta and industrial blends.

India (1 proposal)

- **Strengthening traceability and smallholder capacity in the Indian coffee sector to support compliance with the EU Deforestation Regulation (EUDR).**

Summary of the proposal: The initiative aims to strengthen the capacities of smallholders and tribal coffee-growing communities in India to comply with the European Union Deforestation Regulation (EUDR). To this end, it proposes improving digital traceability systems through geolocation tools, polygon mapping and specialized training programmes for producers.

The proposal includes strengthening ground truthing processes for geospatial information through the India Coffee app, as well as developing a digital infrastructure designed to ensure more robust and efficient traceability. Similarly, it promotes the adoption of sustainable coffee production practices aligned with the Indian Coffee Sustainability Standard and its INDICOF certification scheme.

With the support of the ICO, the initiative aims to protect the livelihoods of smallholders, strengthen sustainable coffee supply chains and ensure the continued presence and competitiveness of Indian coffee in international markets, particularly in the face of the European Union's new regulatory requirements regarding the environment.

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Analysis of India's proposal:

Colombia welcomes the fact that this initiative is targeted at smallholders and tribal communities, recognizing that coffee farming is a key socio-economic driver for rural regions both in India and in other producing countries.

However, when implementing the initiative, the ICO must ensure that the operational and technical burdens associated with truthing processes do not become ~~hidden~~ costs or additional unpaid administrative tasks for the receiving coffee farmers, especially in a context marked by volatile international prices and rising production costs.

In this regard, the Colombian Ministry of Agriculture and Rural Development proposes that the ICO facilitate an exchange of best practices between India's INDICOF system and the traceability systems implemented in Colombia. The objective should be geared towards data interoperability, so that producing countries can adopt a common technical language when dealing with the authorities of the European Union, thereby helping to reduce individual compliance costs.

Mexico (1 proposal)

- **Design of a methodology for defining fair reference prices for quality Mexican coffee to improve the profitability of coffee-growing activity in accordance with the mandate of the new Law on the Sustainable Development of Coffee Farming**

Summary of the proposal: The Law on the Sustainable Development of Coffee Farming in Mexico aims to regulate, promote and protect the production, processing and marketing of domestic coffee in accordance with the principles of sustainability, social justice and food sovereignty. To this end, it provides for the creation of the National Commission for the Development of Coffee Farming and a Price Monitoring Committee, aimed at strengthening governance and transparency in the Mexican coffee sector.

Mexico maintains that the New York Stock Exchange reference price (KC Contract) does not adequately reflect the actual costs associated with the production, processing, transport and storage of coffee, a situation that limits the ability of more than 500,000 coffee-growing families to achieve a fair and sustainable return.

In this context, the initiative proposes developing a methodological framework to generate technical information for defining cost ranges and weighted averages differentiated by region and by stage of the value chain. The methodology would aim to cover at least 70% of national production and incorporate variables such as futures prices, differentials and coffee grades.

Among the main expected outcomes are the development of technical notes with updated production costs, an analysis of marketing costs, and a methodology aimed at strengthening the sector's competitiveness through greater transparency in the coffee market.

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Analysis of Mexico's proposal:

Colombia supports the initiative presented by Mexico. It is considered appropriate for Mexico to move forward with the development of methodologies to estimate reference prices and production costs, given that such instruments are essential for activating mechanisms to protect producers against significant fluctuations in coffee prices and/or production costs. These tools provide technical, periodic and comparable information to guide public policy decisions, design stabilization instruments and reduce coffee growers' exposure to market volatility.

Furthermore, within the framework of Mexico's development of a methodology to estimate domestic reference prices and costs, and under a South-South cooperation approach, Colombia considers it appropriate for the proposed methodology to draw on the developments undertaken by the country, as well as the lessons learnt and experience accumulated in estimating the domestic reference price and the average cost of coffee production. This would help to strengthen the methodological design, promote technical exchange between producing countries and advance tools that contribute to protecting coffee farmers' incomes against market volatility, production costs and climate variability.

Analysis data:

It is important to note that coffee is a **commodity**, in that it is traded on international markets under relatively standardized conditions. Although there are differences associated with quality, origin, variety and processing, green coffee is traded globally as a raw material whose price is heavily influenced by factors such as international supply and demand, harvests in the main producing countries, inventories, exchange rates, financial speculation and stock market prices.

Given this characteristic, Colombia already has a domestic reference price, estimated and published by the National Federation of Coffee Growers (FNC). This role stems from the institutional framework of Colombia's coffee policy, under which the FNC, in its capacity as administrator of the National Coffee Fund (FoNC), implements coffee policy instruments such as the purchase guarantee. The FoNC is a parafiscal account comprising public resources derived mainly from the coffee levy, administered by the FNC under a contract signed with the national government. In this context, the domestic reference price operates as a market guide and as an instrument linked to the purchase guarantee.

Furthermore, in 2024 and 2025, Colombia developed a methodology to estimate the average cost of coffee production. This methodology was drawn up by the Technical Secretariat of FEPCafé, the body to which Law 2294 of 2023 assigned this function. Consequently, the country now has a tool that allows the average production cost to be updated monthly, information that is essential for the functioning of the Coffee Price Stabilization Fund.

This is because the purpose of FEPCafé is to contribute to the stabilization of coffee growers' incomes. To this end, it is essential to understand the behaviour of production costs and their

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relationship with the domestic coffee reference price, so that stabilization mechanisms can be activated when rising costs or falling prices significantly affect producers' incomes.

Peru (1 Proposal)

- **National coffee transformation programme: sustainable productivity, climate resilience and dignified incomes across 13 regions of Peru.**

Summary of the proposal: Peru faces significant structural challenges in its coffee sector, as reflected by low levels of productivity, with estimated yields of just 14.5 quintals per hectare, mainly due to the ageing of plantations. Furthermore, the country faces the risk that around 45% of its coffee exports may be affected by the requirements of the European Union Deforestation Regulation (EUDR).

To address these challenges, the proposal sets out to renew 50,000 hectares of coffee plantations using high-quality, climate-resilient genetic material. It also promotes the implementation of agroforestry systems that integrate coffee cultivation with timber and fruit species, with the aim of diversifying producers' income sources and contributing to the capture of between 25 and 40 tonnes of CO₂ equivalent per hectare.

The initiative also includes the development of a georeferenced platform with satellite monitoring to ensure compliance with 'zero deforestation' criteria, as well as the enhancement of coffee quality, aiming to achieve cupping scores of over 84 points under the standards of the Specialty Coffee Association (SCA).

To implement this strategy, Peru is requesting a seed fund of USD 30,000 for the technical validation of the initiative, with the aim of catalysing a total estimated investment of USD 180 million, co-financed by the Peruvian government and international cooperation funds.

Analysis of Peru's proposal:

Colombia expresses its support for the proposal submitted by Peru, recognizing that climate resilience and digital traceability are fundamental elements for the sustainability and competitiveness of coffee on the global market. In this regard, it is proposed that the digital platform developed by Peru be shared as a best practice within the ICO framework, promoting the harmonization of traceability standards to prevent the application of differing criteria among producing countries.

Furthermore, given that in March 2026 Colombia recorded a 29.1% drop in coffee production due to climate-related factors, as well as a 42.6% reduction in the value of the harvest, the country fully recognizes the need to guarantee a living income for producers through agroforestry diversification strategies and the strengthening of resilient production.

Finally, it is positively noted that Peru is requesting a minimum seed fund to co-finance the initiative, bearing in mind that it already benefits from contributions from the State and

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international cooperation, which demonstrates an institutional and financial commitment aimed at ensuring its sustainability and scalability.

Comparative Analysis of Strategic Approaches and Budgets

Country	Key Initiative(s)	(AIC 2022)		Requested Budget
		Principles (Article 1 Objectives)	Strategic Approach	
Brazil	14 proposals: Emerging markets (China, Southeast Asia), health, mechanization and by-products.	Paragraph 5: Expansion and transparency of trade. Paragraph 7: Development of consumption and markets. Paragraph 9: Promotion of quality.	Article 26: Removal of obstacles to trade and consumption. Article 27: promotion and Market development. Article 32: Studies, surveys and reports.	0 USD (Use of permanent ICO staff).
El Salvador	Carbon fund and low-risk deforestation validation.	Paragraph 13: Facilitating access to financial instruments and climate risk management.	Art. 40: Sustainable management of resources	Not specified in the initiative
Gabon	Strengthening of CAISTAB to access international finance.	Paragraph 8: Support for the management of financial resources for sustainable initiatives.	Art. 38: Coffee sector finance	Not specified in the initiative
Honduras	Methodology for measuring	Paragraph 7: Promoting the	Art. 27: Information,	USD 20,000.

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Country	Key Initiative(s)	(AIC 2022)		Requested Budget
		Principles (Article 1 Objectives)	Strategic Approach	
	domestic coffee consumption.	development of consumption in producing countries.	promotion and research campaigns.	
India	Digital traceability and training for regulatory compliance (EUDR).	Paragraph 14: Addressing traceability challenges and production costs.	Art. 32: Technical studies and reports. Art. 40: Sustainable coffee sector	USD 200,000.
Mexico	Methodology for defining fair reference prices based on costs.	Paragraph 4: Forum to address price volatility and distortion. Paragraph 15: Market-based solutions for value addition.	Art. 26: Removal of barriers to trade and consumption. Article 32: Value chain analysis.	Resources for specialized technical consultancy.
Peru	Sustainable productivity, resilience and living incomes.	Paragraph 3: Development of a sustainable sector. Paragraph 12: Strategies for securing a living income.	Article 40: Sustainable coffee sector. Art. 41: Improving standard of living and working conditions.	USD 30,000 (Seed fund).

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Colombia's strategic recommendations:

- Colombia must adopt a comprehensive stance regarding the 21 initiatives proposed for the 2026/27 coffee year, based on constructive leadership and technical advocacy for producers, with an emphasis on mitigating the profitability crisis reflected in the figures recorded as of March 2026.
- Given that Colombia did not submit any initiatives of its own, and in accordance with this request, it recommends supporting proposals that generate replicable tools with regional impact, such as those presented by India, Peru, and Honduras, ensuring that investments benefit all producing countries.
- Furthermore, given that 83.5% of Colombian exports consist of Excelso green coffee, the country should support India's initiative aimed at facilitating compliance with the European Union Deforestation Regulation. In this regard, Colombia must insist that geolocation and traceability tools are accessible and low-cost for small producers, in line with the need to address the sector's traceability challenges.
- Colombia has made significant progress in developing methodologies for estimating domestic reference prices and coffee production costs, and can therefore serve as a technical benchmark for the region. Therefore, with regard to Mexico's proposal, a forum for the exchange of experiences and technical knowledge between Colombia and Mexico could be promoted, within the framework of South-South cooperation, with the aim of supporting the development of the proposed methodologies for estimating domestic reference prices and coffee production costs.
- This exchange could facilitate the development of the methodologies proposed by Mexico and, in turn, allow for feedback and the strengthening of the tools already implemented in Colombia.
- In the context of meeting the requirements of the European Green Deal, Colombia recommends that Peru's request for the ICO to act as an international validating body be supported. This would provide Colombian producers with greater institutional backing vis-à-vis European importers and mitigate the risk of unjustified non-tariff barriers being imposed.
- Similarly, Peru's proposal on living income is relevant, insofar as it seeks to ensure that ICO initiatives help to offset the economic impacts on the sector, such as the 42.6% drop in the value of the harvest recorded in Colombia in March 2026. Finally, the proposals put forward by Brazil demonstrate significant work aimed at promoting international trade. However, the Colombian Ministry of Agriculture and Rural Development considers it necessary to request further information to enable a more detailed analysis of these

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initiatives, particularly given the structural differences between the Brazilian and Colombian coffee models.

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EMBASSY OF EL SALVADOR IN THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND

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The Embassy of El Salvador in the United Kingdom of Great Britain and Northern Ireland presents its compliments to the International Coffee Organization (ICO) and has the honour of referring to document ED 2505/26, which sets out the proposals and comments of ICO Member countries regarding the Organization's Programme of Activities for coffee year 2026/27.

In this regard, this Embassy wishes to convey the following comments:

- In principle, the proposals regarding the expansion of international coffee trade to new destinations are considered important. In this regard, the Secretariat is also requested to provide the results of various recent outreach initiatives in these markets, for example, regarding the promotion of coffee in China and Saudi Arabia.
- As for the proposals relating to the exchange of best practices, it is considered that a forum for exchange could be organized among ICO Members, creating a platform for each Member to share their challenges and solutions on various priority issues affecting the sector.
- The diversification of coffee growers' incomes should be one of the priority issues for the ICO to consider, taking into account the climatic and commercial challenges facing the sector. Among these, consideration should be given to a roadmap for a national-level climate fund for carbon sequestration in coffee cultivation.
- Another priority issue for the sector has been the implementation of the EUDR, and given its imminent application, it is essential that the ICO plays an active role in validating coffee farming as a low-risk model for regulatory frameworks on deforestation.

The Embassy of El Salvador in the United Kingdom of Great Britain and Northern Ireland takes this opportunity to renew to the International Coffee Organization the assurances of its highest consideration.

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London, 29 March 2026

**To the
International Coffee Organization**
London.

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PERMANENT REPRESENTATION OF BRAZIL
TO INTERNATIONAL ORGANISATIONS IN LONDON

Rebraslon – 015/2026

The Permanent Representation of Brazil to International Organisations in London presents its compliments to the International Coffee Organization (ICO) and, in addition to Note Verbale 003/2026, which set out suggestions for initiatives for the programme of activities for the next coffee year, has the honour to highlight, in order of priority, the following topics of greatest interest:

- “Preservation of water resources for coffee growing: the example of the Brazilian ‘WATER-PRODUCING COFFEE’ programme for other producing countries”;
- Expansion of the international coffee trade: exploring the potential of emerging markets - the case of China”;
- “The challenges and outlook of the international soluble coffee trade up to 2030”;
- “Analyses of successful national strategies for promoting and encouraging coffee consumption”;
- “Tariff and non-tariff barriers to coffee trade: new challenges”; and
- “The positive health impacts of coffee consumption”.

2. The Representation of Brazil appreciates the good offices of the ICO Secretariat in circulating this note verbale to the other Member countries of the Organization.

3. The Permanent Mission of Brazil to International Organizations in London avails itself of the opportunity to renew to the International Coffee Organization (ICO) the assurances of its highest consideration.

London, 12 June 2026

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**TEMPLATE FOR SUBMISSION OF PROPOSALS FOR
INITIATIVES FOR COFFEE YEAR 2026/27**

	Item	Information
1	Proposing Member	El Salvador
2	Title of initiative	Low-Risk Validation for the European Union's Deforestation Regulation for Member States.
3	Stakeholders involved in the proposal of the Member country	A. Producers of shade-grown Arabica coffee varieties Small, medium and large-scale coffee producers operating under Agroforestry Systems (AFS). Small-scale producers, highly vulnerable to technical barriers and EUDR compliance costs. B. Coffee exporters Export companies, cooperatives and producer associations. C. European coffee importers and roasters EU companies that import coffee from countries producing shade-grown Arabica coffee varieties. D. National public institutions linked to the coffee sector and the environment Indirect beneficiaries: ✓ Rural coffee-growing communities. ✓ Ecosystems and natural resources. ✓ Countries producing shade-grown Arabica coffee varieties (strategic beneficiary). Cross-cutting beneficiaries: ✓ Women producers and rural youth. ✓ Cooperatives and associations. ✓ European consumers.
4	JC Domain: Projects / Statistics / Promotion and	Project

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	Market Development / Coffee Sector Finance	
5	Thematic focus and rationale	Thematic focus Technical, geospatial, legal and institutional validation to support the 'Low Risk' classification in accordance with Article 29 of Regulation (EU) 2023/1115 (EUDR), through: ✓ Geospatial monitoring and multi-temporal analysis. ✓ Validation of Agroforestry Systems (AFS). ✓ Assessment of agricultural expansion. ✓ Legal and governance analysis. ✓ Methodological alignment with European Union standards. RATIONALE In many countries producing shade-grown Arabica coffee varieties, particularly in Latin America, East Africa and certain regions in Asia, coffee is predominantly grown within agroforestry systems (AFS), where it is integrated with species of shade trees and creates producing landscapes that maintain significant vegetation cover. Although technically classified as agricultural land use according to the definitions adopted by FAO and the European Union, these systems perform ecological functions comparable to those of forest ecosystems, acting as anthropogenic forests that contribute to biodiversity conservation, water regulation and climate change mitigation. In the context of the entry into force of Regulation (EU) 2023/1115 (EUDR), the ability to objectively and verifiably demonstrate that coffee production is not linked to deforestation or forest degradation occurring after 31 December 2020 has become a critical requirement for access to the European market. This requirement represents a structural challenge for producing countries. In many countries producing shade-grown Arabica coffee varieties, particularly in Latin America, East Africa and certain regions

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		in Asia, coffee is predominantly grown within agroforestry systems (AFS), where it is integrated with species of shade trees and creates producing landscapes that maintain significant vegetation cover. Although technically classified as agricultural land use according to the definitions adopted by FAO and the European Union, these systems perform ecological functions comparable to those of forest ecosystems, acting as anthropogenic forests that contribute to biodiversity conservation, water regulation and climate change mitigation. In the context of the entry into force of Regulation (EU) 2023/1115 (EUDR), the ability to objectively and verifiably demonstrate that coffee production is not linked to deforestation or forest degradation occurring after 31 December 2020 has become a critical requirement for access to the European market. This requirement poses a structural challenge for countries producing shade-grown Arabica coffee varieties, whose production systems, despite their positive environmental contribution, may be misjudged if assessed exclusively through remote monitoring approaches without adequate local contextualization. The European Union is one of the main destinations for high-quality, shade-grown Arabica coffee. In the absence of a ‘Low Risk’ classification under Article 29 of the EUDR, exporters from these countries, as well as European importers and roasters, will face stricter, higher-cost and longer due diligence procedures. This situation increases technical trade barriers and risks losing competitiveness versus other origins, thus disproportionately affecting small producers and cooperatives that lack the resources to bear high individual compliance costs. Unlike full-sun coffee systems, which are characteristic of other production models, shade-grown Arabica coffee varieties maintain a permanent tree canopy that reduces pressure on natural forests and limits expansion of the agricultural frontier. However, under current technical definitions, these systems may not be fully recognized as
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		contributing to forest conservation unless there is geospatial, legal and production evidence demonstrating their long-term stability and non-deforestation nature. In this regard, the project is justified as a strategic intervention that can be replicated at the regional level, and which is aimed at generating, systematizing and validating comparable technical information among countries producing shade-grown Arabica coffee varieties. The initiative will enable governments and value chain stakeholders to access robust evidence that is methodologically aligned with European Union standards in order to uphold risk classification processes based on official data and local knowledge, rather than relying exclusively on external assessments that may lack territorial and productive sensitivity. Furthermore, the project strengthens the capacity of participating countries to develop public policies, monitoring systems and regulatory frameworks that recognize the environmental value of coffee agroforestry systems, contributing not only to EUDR compliance, but also to the climate commitments undertaken under the Paris Agreement, Nationally Determined Contributions (NDCs) and the Sustainable Development Goals. In strategic terms, the implementation of this project will help protect the competitiveness of shade-grown Arabica coffee in the European market, safeguard the livelihoods of millions of smallholders, and promote a sustainable production model that balances environmental conservation, economic development and legal certainty within global supply chains, whose production systems, despite their positive environmental contribution, may be misjudged if analysed exclusively through remote monitoring approaches without adequate local contextualization. The European Union is one of the main destinations for high-quality, shade-grown Arabica coffee. In the absence of a ‘Low Risk’ classification under Article 29 of the EUDR, exporters
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		from these countries, as well as European importers and roasters, will face stricter, higher-cost and longer due diligence procedures. This situation increases technical trade barriers and risks losing competitiveness versus other origins, thus disproportionately affecting small producers and cooperatives that lack the resources to bear high individual compliance costs. Unlike full-sun coffee systems, which are characteristic of other production models, shade-grown Arabica coffee varieties maintain a permanent tree canopy that reduces pressure on natural forests and limits expansion of the agricultural frontier. However, under current technical definitions, these systems may not be fully recognized as contributing to forest conservation unless there is geospatial, legal and production evidence demonstrating their long-term stability and non-deforestation nature. In this regard, the project is justified as a strategic intervention that can be replicated at the regional level, and which is aimed at generating, systematizing and validating comparable technical information among countries producing shade-grown Arabica coffee varieties. The initiative will enable governments and value chain stakeholders to access robust evidence that is methodologically aligned with European Union standards in order to uphold risk classification processes based on official data and local knowledge, rather than relying exclusively on external assessments that may lack territorial and productive sensitivity. Furthermore, the project strengthens the capacity of participating countries to develop public policies, monitoring systems and regulatory frameworks that recognize the environmental value of coffee agroforestry systems, contributing not only to EUDR compliance, but also to the climate commitments undertaken under the Paris Agreement, Nationally Determined Contributions (NDCs) and the Sustainable Development Goals.
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		In strategic terms, the implementation of this project will help protect the competitiveness of shade-grown Arabica coffee in the European market, safeguard the livelihoods of millions of smallholders, and promote a sustainable production model that balances environmental conservation, economic development and legal certainty within global supply chains.
6	Expected deliverables (study, survey, technical note, methodological review, etc.)	✓ National technical report documenting and demonstrating the rate of deforestation and forest degradation in accordance with the methodology used by the European Union. ✓ Official geospatial maps of coffee cultivation for the years 2020 and 2025. ✓ Interoperable GIS databases. ✓ Analysis of coffee production trends. ✓ Country-specific legality matrix for compliance with the EUDR. ✓ Systematized national legal compendium. ✓ Legal reports and compliance matrices for regulatory compliance. ✓ Institutionally validated country profiles. ✓ Report on governance and land tenure.
7	Short description of focus	The project “Validation of Agroforestry Systems (AFS) for Shade-Grown Arabica Coffee” is a strategic initiative aimed at generating, systematizing and presenting robust, internationally comparable technical evidence to the European Commission, in order to demonstrate that countries producing shade-grown Arabica coffee present a low risk of deforestation and that their coffee production is not only deforestation-free, but that the Agroforestry Systems (AFS) associated with Arabica coffee act as protective barriers for forest ecosystems, contributing significantly to the

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	conservation of biodiversity, the protection of water resources and the sustainability of the land. The project recognizes that, in numerous producing countries, Arabica coffee has historically been grown under shade systems that maintain permanent tree cover and that, although classified as agricultural land use in accordance with the technical definitions adopted by the FAO and the European Union, these systems function in practice as anthropogenic forests. However, the lack of systematic evidence that is methodologically aligned with European Union standards may limit the recognition of these systems in the assessment processes under Regulation (EU) 2023/1115 (EUDR). In this context, the intervention is structured around two key axes, designed to complement one another in order to comprehensively address the criteria set out in Regulation (EU) 2023/1115, strengthen the position of countries producing shade-grown Arabica coffee within risk classification processes, and safeguard their competitive and sustainable access to the European market. A. Geospatial Analysis and Monitoring Axis: This axis constitutes the central technical-scientific component of the project and aims to generate objective, verifiable evidence that is comparable with the standards used by the European Union for assessing deforestation risk. To this end, the official EU methodology based on the Copernicus/Sentinel system is applied, ensuring the technical compatibility of the results with the analysis mechanisms employed by the European Commission. The analysis covers the entire national territory of the countries producing shade-grown Arabica coffee with significant forest cover, as well as historical and current coffee-growing areas, incorporating geospatial information from official sources. These layers of information will enable the precise delineation of coffee plots, their temporal
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		evolution and their relationship with the surrounding forest cover. A baseline will be established with a cut-off date of 31 December 2020, in accordance with the provisions of the EUDR, in order to clearly distinguish pre-existing coffee-growing areas from any subsequent changes in land use. The temporal analysis will enable the identification of trends in the expansion, contraction or stability of the coffee-growing area, as well as possible changes in associated forest cover. The expected deliverables of this component include demonstrating that the expansion of agricultural land used for coffee is zero, negative or stable, and that current coffee production originates mainly from plots established decades ago, ruling out the recent conversion of forest areas. Furthermore, the role of coffee agroforestry systems as permanent tree cover structures will be analysed, as these contribute to ecological connectivity, soil conservation and the protection of water resources, reinforcing the argument against deforestation and forest degradation. This axis will generate key technical outputs, such as thematic maps, multi-temporal analyses, geospatial reports and interoperable databases, which will serve as direct input for the European Commission's assessment and as a reference for European operators and importers. B. Legal Compliance and Transparency Axis The aim of this axis is to demonstrate the robustness of the regulatory, institutional and governance framework of countries producing shade-grown Arabica coffee varieties in relation to the prevention of deforestation, environmental compliance and the legality of coffee production, in line with the criteria set out in Article 29 of the EUDR. The approach is geared towards strengthening the country's narrative through legal and technical evidence supporting the low-risk classification. This component will involve the preparation of a Country Analysis that systematizes information relating to public
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		policies, current legislation and enforcement and control mechanisms linked to land use, forest conservation and agricultural activity. Priority actions include documenting the contribution of the agricultural sector, and in particular of coffee farming under AFS, to the Nationally Determined Contributions (NDCs) submitted to the UNFCCC, including information on emissions, carbon sinks and ecosystem services associated with shaded production systems. Likewise, the effectiveness of relevant national regulations, such as Forestry Laws, Wildlife Conservation Laws, and applicable environmental and agricultural legislation, will be assessed to ensure their consistency with the international commitments undertaken by the country, particularly those related to Article 5 of the Paris Agreement, which promotes the conservation and enhancement of forest carbon sinks. Furthermore, this axis will incorporate the systematization of information regarding respect for human rights, property rights and legal land tenure, as well as existing conflict resolution mechanisms and official registers. This will demonstrate that coffee produced under the shade-grown Arabica variety is not only environmentally sustainable but also legally and socially responsible, in accordance with the requirements of the EUDR. The deliverables of this axis will include legal and technical reports, regulatory compliance matrices, country profiles and institutionally validated documentation, which will strengthen the position of countries producing shade-grown Arabica coffee varieties vis-à-vis the European Commission and reduce reliance on external sources of information.
8	Indicative resource needs (optional)	✓ GIS/remote sensing specialists ✓ Processing of Copernicus/Sentinel imagery (multitemporal) ✓ Official maps, analysis of agricultural expansion

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		✓ Methodological validation aligned with EU ✓ Technical reports and interoperable datasets References: EUDR monitoring projects/deforestation in Central America 20% of the total: ✓ Country analysis ✓ Support from legal and agricultural experts for the review of NDCs, UNFCCC, forestry, environmental and land legislation, legal reports and compliance matrices 20% of the total: ✓ Project Implementation Unit (Coordinator or Lead Technician) ✓ Technical workshops with European importers ✓ Technical roundtables with European importers and producers ✓ Technical and policy validation of results 20% of the total: ✓ Audit ✓ External evaluation ✓ Technical communications ✓ Document translation ✓ Methodological and legal contingencies It is important to note that failure to implement this project may result in: ✓ Millions in losses due to delays for both buyers and producers ✓ Exclusion of small-scale producers ✓ Deforestation in the country due to a loss of interest in the conservation of coffee farming where small
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		producers do not earn the profits necessary to ensure sustainability ✓ Damage to the ecosystem caused by land-use change ✓ Regional changes in biodiversity Duration: 18 months. Beneficiaries Producers, exporters, European importers, national public institutions, rural communities, ecosystems. Technical resources required ✓ GIS and remote sensing specialists. ✓ Environmental and agricultural legal experts. ✓ Technical team for statistical analysis. ✓ Implementing unit. ✓ External audit
9	Possible partners (optional)	✓ European Commission / European Union. ✓ FAO and international technical cooperation agencies. ✓ National public institutions linked to the coffee and environment sectors. ✓ European Commission (under Article 29 of the EUDR). ✓ European importers and roasters. ✓ Producer cooperatives and associations. ✓ Technical entities specializing in geospatial monitoring and regulatory compliance.

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PROJECT PROFILE

LOW-RISK VALIDATION FOR THE EUROPEAN UNION DEFORESTATION REGULATION FOR MEMBER STATES

Santa Tecla, 26 February 2026

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Table of Contents

1. Project name	3
2. Background and Justification for the Project	3
a. Background	3
b. Justification	4
3. Project Objectives	7
• Overall objective	7
• Specific objectives	7
4. Project description	1
5. Components	10
6. Duration	13
7. Geographical location	13
8. Beneficiaries	13
9. Project cost	13

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PROJECT PROFILE.

LOW-RISK VALIDATION FOR THE EUROPEAN UNION DEFORESTATION REGULATION FOR MEMBER STATES.

1. Project name

Low-Risk Validation for the European Union Deforestation Regulation for Member States.

2. Background and Rationale of the Project

a. Background

In 2023, the European Union adopted Regulation (EU) 2023/1115 (EUDR), which aims to prevent and reduce the European Union's contribution to global deforestation and forest degradation. This Regulation prohibits the introduction, marketing and export to the European market of products and raw materials linked to deforestation or forest degradation occurring after 31 December 2020. To this end, the EUDR establishes a mandatory framework for due diligence, traceability and verification of the legal and sustainable origin of supply chains, representing a structural change in the requirements for access to the European market.

The Regulation is particularly relevant for countries that produce agricultural and forestry raw materials, as it makes their access to the European market conditional upon compliance with increasingly stringent environmental, production and governance standards. In this context, the EUDR not only imposes obligations on economic operators but also has direct implications for Member States, particularly with regard to strengthening national information systems, land-use monitoring, spatial planning, deforestation control and inter-institutional coordination.

In accordance with Article 29 of the Regulation, the European Commission will implement a country-of-origin classification system, under which countries will be categorized into three risk levels: high, standard or low. This classification will determine the level of control requirements, the intensity of due diligence processes and the frequency of checks applicable to products originating from each country, which will have a direct impact on compliance costs, the competitiveness of exports and continued access to the European market.

The criteria underpinning this classification include, amongst others, historical and current rates of deforestation and forest degradation, the expansion of the agricultural frontier, production trends for regulated raw materials, as well as the effectiveness of the regulatory, institutional and control frameworks implemented by producer countries. Consequently, the assessment goes

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beyond the individual performance of operators and is structurally linked to public policies, environmental management capacity and the territorial governance systems of each country.

It should be noted that Article 29 of the Regulation explicitly states that the European Commission may take into account the information submitted by the country concerned during the classification process. This aspect is of particular strategic importance, as it enables Member States to submit technical, statistical and regulatory evidence demonstrating progress in sustainability, the reduction of deforestation, institutional strengthening, production traceability and the monitoring of land-use change. The quality, consistency and credibility of such information will be decisive in influencing the assigned risk level.

In this regard, a window of opportunity opens for the design and implementation of strategic interventions aimed at strengthening national geospatial information systems, supply chain traceability mechanisms, regulatory compliance schemes and coordination between the public and private sectors. These actions would not only contribute to effective compliance with the EUDR, but would also improve the country's position within the risk classification system, reduce technical barriers to trade and protect the competitiveness of productive sectors linked to the European market.

The EUDR provides an enabling framework for structuring technical and financial cooperation initiatives aimed at sustainable production, regulatory adaptation, the digitalization of traceability, and the strengthening of institutional and business capacities. These interventions should be viewed as strategic medium- and long-term investments, with impacts on both access to international markets and the conservation of natural resources and the resilience of production systems.

b. Justification.

In many countries producing shade-grown Arabica coffee varieties, particularly in Latin America, East Africa and certain regions in Asia, coffee is predominantly grown within agroforestry systems (AFS), where it is integrated with species of shade trees and creates producing landscapes that maintain significant vegetation cover. Although technically classified as agricultural land use according to the definitions adopted by FAO and the European Union, these systems perform ecological functions comparable to those of forest ecosystems, acting as anthropogenic forests that contribute to biodiversity conservation, water regulation and climate change mitigation.

In the context of the entry into force of Regulation (EU) 2023/1115 (EUDR), the ability to objectively and verifiably demonstrate that coffee production is not linked to deforestation or forest degradation occurring after 31 December 2020 has become a critical requirement for

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access to the European market. This requirement represents a structural challenge for producing countries. In many countries producing shade-grown Arabica coffee varieties, particularly in Latin America, East Africa and certain regions in Asia, coffee is predominantly grown within agroforestry systems (AFS), where it is integrated with species of shade trees and creates producing landscapes that maintain significant vegetation cover. Although technically classified as agricultural land use according to the definitions adopted by FAO and the European Union, these systems perform ecological functions comparable to those of forest ecosystems, acting as anthropogenic forests that contribute to biodiversity conservation, water regulation and climate change mitigation.

In the context of the entry into force of Regulation (EU) 2023/1115 (EUDR), the ability to objectively and verifiably demonstrate that coffee production is not linked to deforestation or forest degradation occurring after 31 December 2020 has become a critical requirement for access to the European market. This requirement poses a structural challenge for countries producing shade-grown Arabica coffee varieties, whose production systems, despite their positive environmental contribution, may be misjudged if assessed exclusively through remote monitoring approaches without adequate local contextualization.

The European Union is one of the main destinations for high-quality, shade-grown Arabica coffee. In the absence of a 'Low Risk' classification under Article 29 of the EUDR, exporters from these countries, as well as European importers and roasters, will face stricter, higher-cost and longer due diligence procedures. This situation increases technical trade barriers and risks losing competitiveness versus other origins, thus disproportionately affecting small producers and cooperatives that lack the resources to bear high individual compliance costs.

Unlike full-sun coffee systems, which are characteristic of other production models, shade-grown Arabica coffee varieties maintain a permanent tree canopy that reduces pressure on natural forests and limits expansion of the agricultural frontier. However, under current technical definitions, these systems may not be fully recognized as contributing to forest conservation unless there is geospatial, legal and production evidence demonstrating their long-term stability and non-deforestation nature.

In this regard, the project is justified as a strategic intervention that can be replicated at the regional level, and which is aimed at generating, systematizing and validating comparable technical information among countries producing shade-grown Arabica coffee varieties. The initiative will enable governments and value chain stakeholders to access robust evidence that is methodologically aligned with European Union standards in order to uphold risk classification

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processes based on official data and local knowledge, rather than relying exclusively on external assessments that may lack territorial and productive sensitivity.

Furthermore, the project strengthens the capacity of participating countries to develop public policies, monitoring systems and regulatory frameworks that recognize the environmental value of coffee Agroforestry Systems, contributing not only to EUDR compliance, but also to the climate commitments undertaken under the Paris Agreement, Nationally Determined Contributions (NDCs) and the Sustainable Development Goals.

In strategic terms, the implementation of this project will help protect the competitiveness of shade-grown Arabica coffee in the European market, safeguard the livelihoods of millions of smallholders, and promote a sustainable production model that balances environmental conservation, economic development and legal certainty within global supply chains.

3. Objectives of the Project

- **General objective**

To systematize and validate the technical, legal and institutional information of Arabica coffee-producing countries in order to facilitate their classification as 'Low Risk' countries by the European Commission, ensuring the competitiveness of the coffee sector within the framework of the EUDR.

- **Specific objectives**

- ✓ To generate a geospatial baseline on forest cover and the agricultural coffee frontier.
- ✓ To document compliance with the national legal framework regarding the Paris Agreement and human rights.
- ✓ To align national measurement methodologies with the technical standards required by the European Union.

4. Description of the project

The project "Validation of Agroforestry Systems (AFS) for Shade-Grown Arabica Coffee" is a strategic initiative aimed at generating, systematizing and presenting robust, internationally comparable technical evidence to the European Commission, in order to demonstrate that countries producing shade-grown Arabica coffee present a low risk of deforestation and that their coffee production is not only deforestation-free, but that the Agroforestry Systems (AFS) associated with Arabica coffee act as protective barriers for forest ecosystems, contributing

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significantly to the conservation of biodiversity, the protection of water resources and the sustainability of the land.

The project recognizes that, in many producing countries, Arabica coffee has historically been grown under shade systems that maintain permanent tree cover and that, although classified as agricultural land use in accordance with the technical definitions adopted by the FAO and the European Union, they function in practice as anthropogenic forests. However, the lack of systematic evidence that is methodologically aligned with European Union standards may limit the recognition of these systems in the assessment processes under Regulation (EU) 2023/1115 (EUDR).

In this context, the initiative is structured around two key axes, designed to complement one another in order to comprehensively address the criteria set out in Regulation (EU) 2023/1115, strengthen the position of countries producing shade-grown Arabica coffee in risk classification processes, and safeguard their competitive and sustainable access to the European market.

A. Geospatial Analysis and Monitoring Axis:

This axis constitutes the central technical and scientific component of the project and aims to generate objective, verifiable evidence that is comparable with the standards used by the European Union for assessing deforestation risk. To this end, the official EU methodology based on the Copernicus/Sentinel system is applied, ensuring the technical compatibility of the results with the analysis mechanisms employed by the European Commission.

The analysis covers the entire national territories of the countries producing shade-grown Arabica coffee with significant forest cover, as well as historical and current coffee-growing areas, incorporating geospatial information from official sources. These layers of information will enable the precise delineation of coffee plots, their temporal evolution and their relationship with the surrounding forest cover.

A baseline will be established with a cut-off date of 31 December 2020, in accordance with the provisions of the EUDR, in order to clearly distinguish pre-existing coffee-growing areas from any subsequent changes in land use. The temporal analysis will enable the identification of trends in the expansion, contraction or stability of the coffee-growing area, as well as possible changes in associated forest cover.

The expected deliverables of this component include demonstrating that the expansion of agricultural land used for coffee is zero, negative or stable, and that current coffee production originates mainly from plots established decades ago, ruling out the recent conversion of forest

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areas. Furthermore, the role of coffee Agroforestry Systems as permanent tree cover structures will be analysed; these contribute to ecological connectivity, soil conservation and the protection of water resources, reinforcing the argument regarding zero deforestation and forest degradation.

This axis will generate key technical outputs, such as thematic maps, multi-temporal analyses, geospatial reports and interoperable databases, which will serve as direct input for the European Commission's assessment and as a reference for European operators and importers.

B. Legal Compliance and Transparency Axis

The aim of this axis is to demonstrate the robustness of the regulatory, institutional and governance framework in countries producing shade-grown Arabica coffee varieties in relation to the prevention of deforestation, environmental compliance and the legality of coffee production, in line with the criteria set out in Article 29 of the EUDR. The approach is geared towards strengthening the country narrative through legal and technical evidence supporting the low-risk classification.

This component will involve the preparation of a Country Analysis that systematizes information relating to public policies, current legislation and enforcement and control mechanisms linked to land use, forest conservation and agricultural activity.

Priority actions include documenting the contribution of the agricultural sector, and in particular of coffee farming under AFS, to the Nationally Determined Contributions (NDCs) submitted to the UNFCCC, including information on emissions, carbon sinks and ecosystem services associated with shade-grown production systems.

Furthermore, the effectiveness of relevant national regulations, such as Forestry Laws, Wildlife Conservation Laws, and applicable environmental and agrarian legislation, will be assessed to ensure their consistency with the international commitments undertaken by the country, particularly those related to Article 5 of the Paris Agreement, which promotes the conservation and enhancement of forest carbon sinks.

Furthermore, this axis will incorporate the systematization of information regarding respect for human rights, property rights and legal land tenure, as well as existing conflict resolution mechanisms and official registers. This will demonstrate that coffee produced under the shade-grown Arabica variety is not only environmentally sustainable but also legally and socially responsible, in accordance with the requirements of the EUDR.

The deliverables of this axis will include legal and technical reports, regulatory compliance matrices, country profiles and institutionally validated documentation, which will strengthen the

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position of countries producing shade-grown Arabica coffee varieties vis-à-vis the European Commission and reduce reliance on external sources of information.

5. Components

Component	Main objectives	Expected results	Suggested indicator	Means of verification
Monitoring of Deforestation and Land Use	Conduct a multi-temporal analysis of land use and land cover change for the period 2020–2025, applying the technical definitions of forest, deforestation and forest degradation established by the FAO and adopted by the European Union under Regulation (EU) 2023/1115 (EUDR). In addition, carry out ground-truthing of the results obtained from the analysis of satellite imagery, in order to validate the accuracy of the data and strengthen the technical credibility	National technical report documenting and demonstrating the rate of deforestation and forest degradation in Arabica coffee-producing countries for the period analysed, prepared in accordance with the monitoring methodology used by the European Union, and suitable for submission as an official input to the European Commission. Official geospatial maps	Net change (%) in forest cover and coffee-growing area between 2020 and 2025.	- Geospatial technical reports. - Validated thematic maps. - Field verification records. - Interoperable GIS databases. - Interoperable GIS databases.

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	of the information generated.	of coffee cultivation for the years 2020 and 2025, identifying the location, extent and stability of coffee-growing areas, thereby demonstrating the absence of expansion of cultivation into forested areas after 31 December 2020.		
Analysis of expansion and trends.	Assess the rate of expansion of agricultural land associated with coffee cultivation, as well as coffee production trends over the last five years, in order to determine whether production growth has occurred without the conversion of forested areas, in line with the no-deforestation criteria set out in	- National technical report documenting the rate of expansion (or stability) of agricultural land associated with relevant raw materials, specifically coffee, demonstrating that coffee production has not required the conversion of forest areas	- Percentage change (%) in the area under coffee between 2020 and 2025. - Total coffee production vs. area under cultivation during the period analysed. - Production per hectare (yield) as an indicator of sustainable intensification.	- Technical reports on geospatial and statistical analysis. - Thematic and multi-temporal maps (2020–2025). - Official databases for the coffee sector. - National agricultural production statistics.

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	Regulation (EU) 2023/1115 (EUDR).	after 31 December 2020. - Analysis of production trends for coffee and relevant products, demonstrating that increases (or variations) in production are due to improvements in productivity, the rehabilitation of coffee plantations and sustainable practices, and not to the expansion of the agricultural frontier.		- Reports validated by competent institutions.
Legal framework and governance.	Compile and analyse current national legislation on forestry, the environment, agriculture and human rights, ensuring its alignment with	Comprehensive legal analysis validating the existence and applicability of effective sanctions against deforestation	- Number of legal instruments in force applicable to the prevention of deforestation. - Existence of administrative and criminal	- Systematized national legal compendium. - Legal reports and regulatory compliance matrices.

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	Article 5 of the Paris Agreement and international human rights treaties, with the aim of demonstrating the existence of an effective legal and institutional framework to prevent and penalize deforestation, as well as to guarantee the legality of land tenure and use in coffee production.	and forest degradation, in accordance with national legislation and the international commitments undertaken by Arabica coffee-producing countries. Report on land governance and tenure, demonstrating the legal protection of property rights, land use and access, as well as the institutional mechanisms for registration or control and the resolution of conflicts related to coffee production.	penalties for illegal deforestation. - Percentage of coffee farms with documented legal tenure. - Number of institutions with formal competence in forest control and land use. - Country-specific legality matrix for compliance with the EUDR.	- Official registers of state institutions. - Institutional reports from competent authorities. - Documentation of cases, sanctions and administrative proceedings.
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6. Duration

18 months

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7. Geographical Location

Countries producing shade-grown Arabica coffee varieties, particularly in Latin America, East Africa and certain regions in Asia.

8. Beneficiaries

Direct Beneficiaries

A. Producers of shade-grown Arabica coffee varieties

- Small, medium and large coffee producers operating under agroforestry systems (AFS).
- Small-scale producers, highly vulnerable to technical barriers and EUDR compliance costs.

Direct benefits:

- Reduced risk of exclusion from the European market.
- Reduction in individual due diligence costs.
- Recognition of AFS as a sustainable production model.
- Greater legal and commercial security.
- Protection of rural incomes and livelihoods.

B. Coffee exporters

- Export companies, cooperatives and producer associations.

Direct benefits:

- Reduction in administrative burdens and regulatory costs.
- Greater predictability and efficiency in trade with the EU.
- Reduced reputational and commercial risk.
- Continuous access to European buyers.

C. European coffee importers and roasters

- EU companies that import coffee from countries producing shade-grown Arabica coffee varieties.

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Direct benefits:

- Simplification of due diligence processes.
- Reduced exposure to sanctions and legal risks.
- Greater regulatory certainty under the EUDR.
- Continuity of trade relations with the country of origin.

D. National public institutions linked to the coffee and environment sectors

Benefits:

- Strengthening of technical and analytical capacities.
- Improved and harmonized information systems.
- Official evidence for dialogue with the EU.
- Improved governance of land use and traceability.

Indirect beneficiaries

A. Rural coffee-growing communities

- Producer families and agricultural workers.

Benefits:

- Local economic stability.
- Protection of rural employment.
- Conservation of ecosystem services (forest cover, water recharge and carbon sequestration).
- Greater resilience to climate change.

B. Ecosystems and natural resources

- Forests, biodiversity and aquifers.

Benefits:

- Effective protection of tree cover under AFS.
- Conservation of biodiversity.
- Reduced pressure on natural forests.

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- Contribution to national climate commitments.

C. Countries producing varieties of Arabica coffee grown under shade (strategic beneficiary)

Benefits:

- Improved country image in the EU.
- Positioning as a low-risk EUDR origin.
- Protection of strategic exports.
- Future savings on regulatory costs and litigation.
- A technical framework that can be replicated for other products (cocoa, sugar, livestock).

Cross-cutting beneficiaries

- Women producers and rural youth, by reducing barriers to market access.
- Cooperatives and associations, by strengthening collective compliance schemes.
- European consumers, by providing access to sustainable and traceable coffee.

9. Project cost

Estimated total project cost

40% of the total:

- GJS/remote sensing specialists
- Processing of Copernicus/Sentinel images (multi-temporal)
- Official maps, analysis of agricultural expansion
- Methodological validation in line with EU standards
- Technical reports and interoperable datasets

References: EUDR monitoring/deforestation projects in Central America

20% of the total:

- Country analysis
- Support from legal and agricultural experts for the review of NDCs, UNFCCC, forestry, environmental and land legislation, legal reports and compliance matrices

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20% of the total:

- Project Implementation Unit (Coordinator or Lead Technician)
- Technical workshops with European importers
- Technical roundtables with European importers and producers
- Technical and policy validation of results

20% of the total:

- Audit
- External evaluation
- Technical communications
- Document translation
- Methodological and legal contingencies

It is important to note that failure to implement this project may result in:

- Millions in losses due to delays for both buyers and producers
- The exclusion of small-scale producers
- Deforestation in the country due to a loss of interest in the conservation of coffee farming, where small-scale producers do not earn the profits necessary to ensure sustainability
- Damage to the ecosystem due to changes in land use
- Regional changes in biodiversity

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Embassy of Mexico in the
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The Embassy of Mexico to the United Kingdom of Great Britain and Northern Ireland presents its compliments to the International Coffee Organization (ICO) and has the honour to refer to its Note Verbale GBR00403, dated 20 February 2026, in which it presented the initiative, for inclusion in the Programme of Activities for coffee year 2026/2027, relating to the design of a methodology for defining reference prices based on costs and productivity, with a view to improving the profitability of the coffee sector.

Following up on that communication, the Mexican delegation has the honour of forwarding additional documents shared by the Mexican Ministry of Agriculture and Rural Development, which detail the process of developing the formula for determining reference prices for Mexican coffee.

The Mexican delegation would appreciate the ICO Secretariat's assistance in distributing this additional documentation to Member States for their information.

The Embassy of Mexico to the United Kingdom of Great Britain and Northern Ireland takes this opportunity to reiterate to the International Coffee Organization the assurances of its highest and most distinguished consideration.

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[Signature]

EMBASSY OF MEXICO
UNITED KINGDOM

International Coffee Organization

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General Coordination of Production, Marketing,
Sustainability and Innovation

Official Ref. No 900.0192.2026

Mexico City, 29 May 2026

**MR. SANTIAGO RUY SÁNCHEZ DE ORELLANA
COORDINATOR OF INTERNATIONAL AFFAIRS**

I refer to my previous letter 900.-0062-2026 dated 9 April of this year, through which the proposed initiative entitled 'Design of a methodology for defining fair reference prices for quality Mexican coffee to improve the profitability of coffee-growing activity in accordance with the mandate of the new Law on the Sustainable Development of Coffee Farming' was submitted, with a view to its possible inclusion in the International Coffee Organization's (ICO) Programme of Activities for coffee year 2026/27.

In this regard, I would like to inform you that we have received a second invitation to submit initiatives, and I would therefore ask you to inform the International Coffee Organization accordingly. I have attached the initiative and supporting documents for this purpose:

- Presentation on the formula for determining the reference price of Mexican coffee.
- Excel® file
- User manual for the formula.

Yours faithfully

THE GENERAL COORDINATOR

[Signature]

DR HÉCTOR ARRONTE CALDERÓN

Prepared by: MVZ. Mirna Y. Aragón Sánchez.

Reviewed by: Dr Ismael Hernández Hernández

CC Eng. Columbj Jazmín López Gutiérrez – Secretary of Agriculture and Rural Development.

International Coffee Organisation

Dr Ismael Hernández Hernández – Head of the DGPA Office.

Mirna Yadira Aragón Sanchez, MVZ. • Director.



Formula for determining Coffee Reference Price

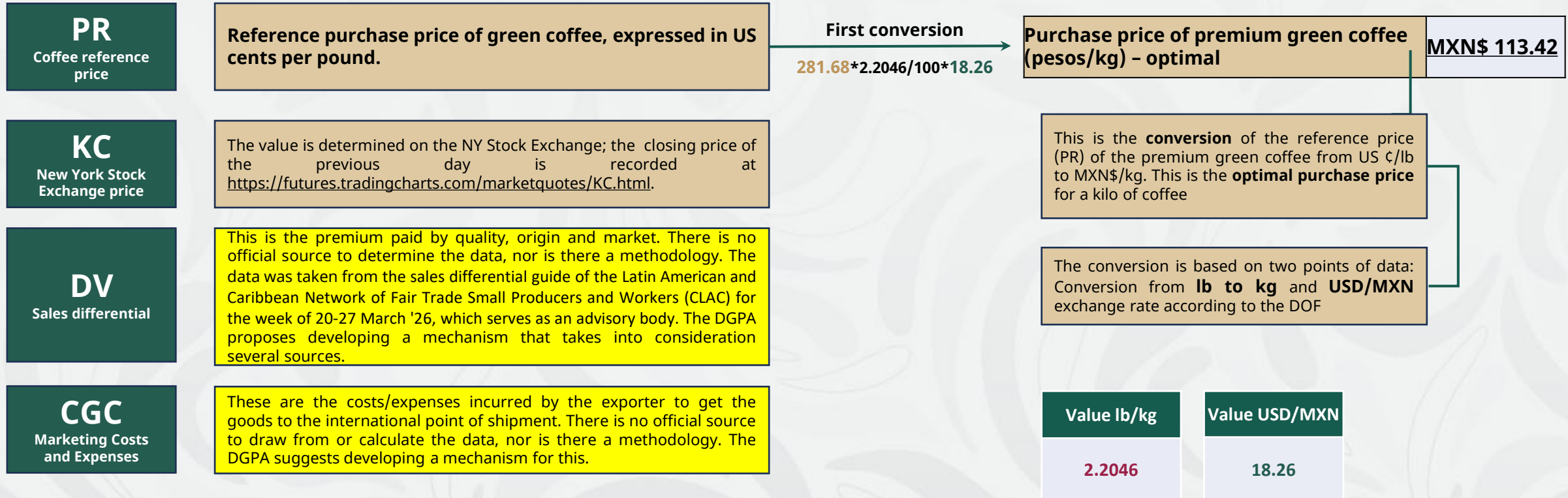
9 March 2026



2026
año de
Margarita
Maza

Formula for determining Coffee Reference Price

Reference purchase price for green coffee (US ¢/lb)	Coffee Reference Price (PR) =	New York Stock Exchange Price (KC) +	Sales differential (DV)	Marketing Costs and Expenses - (CGC)
	281.68	294.05	30.00	42.37

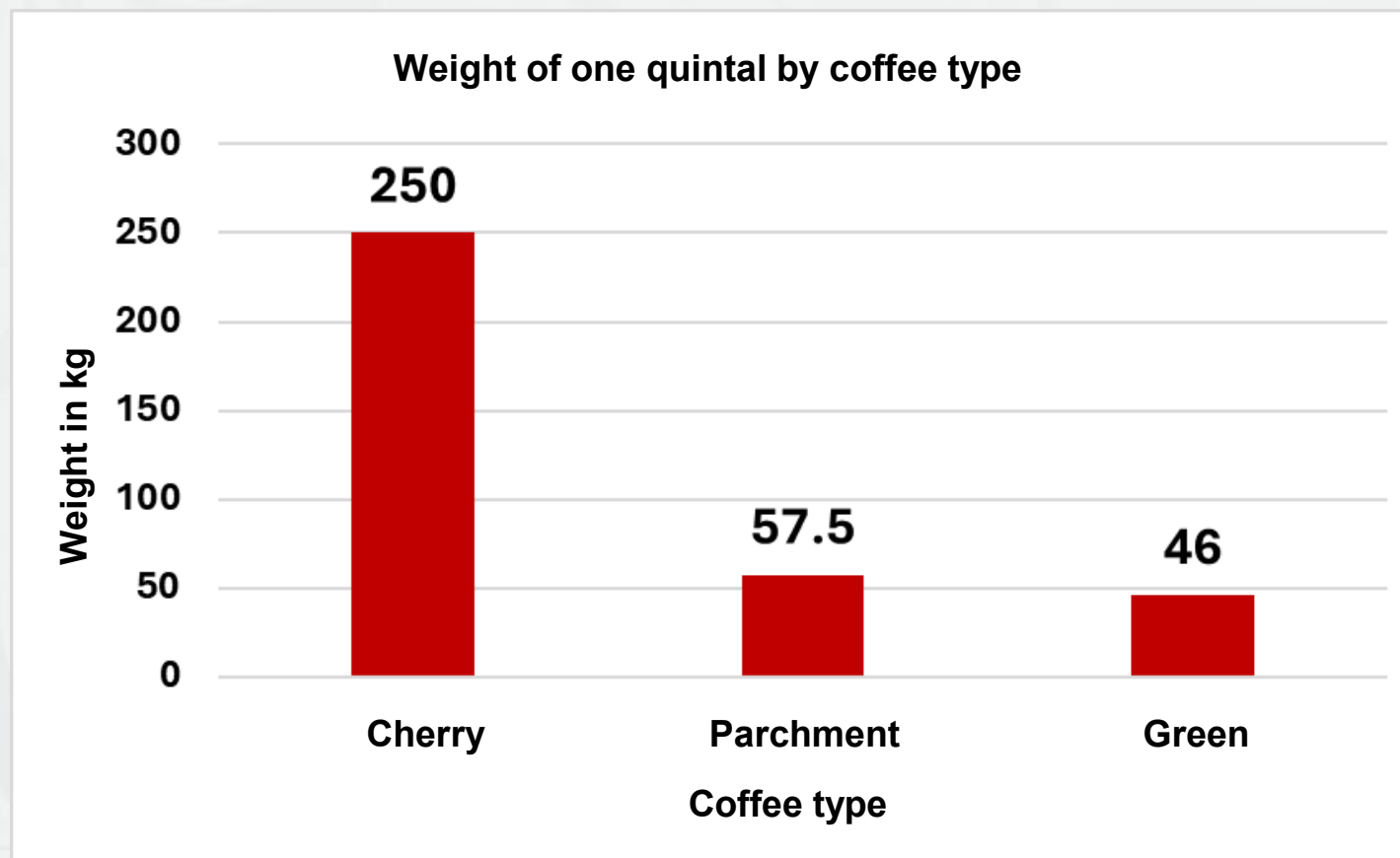


Purchase price of premium green coffee (pesos/kg)	113.42	Optimal purchase price for a kilo of premium coffee
Price of low-grade coffee (pesos/kg)	79.39	For this exercise, the DGPA estimated that the price of low-grade coffee is 70% of that of premium green coffee. There is no official source and methodology to currently determine the data. This is based on the indications of the Product Value Chain.
Cost of low-grade coffee (pesos/Kg)	1.00	There is no official source and no methodology to determine the official data; the DGPA proposes developing a calculation mechanism.
Purchase price of low-grade coffee (pesos/Kg)	78.39	Estimated final price of low-grade coffee
Purchase price qq parchment coffee (pesos)	5,150.54	The price per qq of parchment coffee is equal to the volume (42.82) * premium price (113.42) + volume (3.75) * low-grade price (78.39). This price subtracts waste.
Purchase price kg parchment coffee (pesos)	89.57	The purchase price is expressed in kilos of parchment coffee, determined by dividing the purchase price qq of parchment coffee by one quintal of parchment coffee (5,150.54/57.5). This is the final price on parchment coffee paid to the producer selling it.
Kg qq of coffee cherry (Yield)	250	These are the kilos of coffee cherry required to obtain qq of parchment coffee; for this fiscal year, the DGPA uses the conventional figure of 250.
Price of coffee cherry (pesos/Kg)	20.60	The price of coffee cherry is calculated by dividing the price of qq of parchment coffee by kg of coffee cherry needed to make qq of parchment coffee.
Coffee cherry to parchment coffee costs and expenses (pesos/Kg)	6.43	There is no official source and no methodology to determine the official data; the DGPA proposes developing a calculation mechanism.
FINAL price of coffee cherry (pesos/Kg)	14.17	The final price is calculated by subtracting the coffee cherry price, costs and expenses from the price of the parchment coffee. This is the final price on coffee cherry paid to the producer selling it.

Ratio of raw Green Coffee and low-grade beans in one quintal of parchment coffee (57.5 kg)		
Product	% Content	Kg
qq Parchment coffee	100.00%	57.5
qq premium green	74.47%	42.82
qq low-quality coffee	6.53%	3.75
qq waste	19.00%	10.93

The % of 74.47 is based on the yield factor of Colombian coffee, which has a base factor of 94 kg; that is, 94 kg of parchment coffee yields one 70-kg bag of premium coffee, which is equivalent to saying that 57.5 kg of parchment coffee yields 42.82 kg of premium green coffee. The ratio of premium and low-grade coffee depends on the quality of the coffee bean.

Equivalent weights of a quintal of coffee



No The circled numbers correspond to the stages of the User Manual.

Green Coffee reference purchase price (US ¢/lb)	PR = KC + DV - CGC			
	281.68	294.05	30.00	42.37

PR: Reference purchase price of green coffee, expressed in US cents per pound

KC: Price of contract C on the NY Stock Exchange; the position will be based on the month of harvesting: KCZ (Dec), KCH (Mar), KCM (May), expressed in US cents per pound.

DV: Sales differential, expressed in US cents per pound

CGC: FOB marketing costs and expenses at point of purchase, expressed in US cents per pound

These are the costs/expenses incurred by the exporter to get the goods to the international point of shipment until they are loaded onto the vessel. The DGPA, together with AMECAFE, will determine the mechanism. The amount is for illustrative purposes only.

1 Used to **convert** the PR of premium green coffee from US c/lb to pesos/kg

This is a technical indicator that calculates the number of lb of premium green coffee obtained from 1 qq of parchment coffee.

②

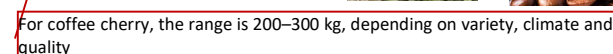
The % of 74.47 is based on the yield factor of Colombian coffee, which has a base factor of 94 kg; that is, 94 kg of parchment coffee yields one 70-kg bag of premium coffee, which is equivalent to saying that 57.5 kg of parchment coffee yields 42.82 kg of premium green coffee.

merchandising costs and expenses at point of purchase

Note. For reference, these costs and expenses are typically between 15-25% of final export value.

Weight of one quintal by coffee type

Coffee type	Weight in kg
Cherry	250
Parchment	57.5
Green	46
Roasted	37



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USER MANUAL FOR THE SPREADSHEET CONTAINING THE FORMULA FOR DETERMINING A REFERENCE PRICE FOR THE PURCHASE OF CHERRY OR PARCHMENT COFFEE

Note 1. There are locked cells corresponding to values determined by the formula. If you wish to modify them, the password is: 1.

Note 2. The formula is for the purchase of cherry coffee; however, due to the way it is calculated, it can also be used for the price of parchment coffee.

No.	Stage	Description	Explanation	Source
1.	Determination of the US dollar-Mexican peso exchange rate	- Go to the Exchange Rates and Rates section of the Official Gazette of the Federation. - Under 'Currency', select 'Dollar'. - Under "From date", enter today's date. - Under "To date", enter today's date. - Run the query and copy the value. - In the "Conversions" section, enter the exchange rate.	As Arabica coffee futures contracts on the New York Stock Exchange are quoted in US cents per pound (US cts/lb), the price must be converted into Mexican pesos. To do this, the exchange rate must be checked against an official source: the Official Gazette of the Federation, which publishes the exchange rate daily.	DOF link: https://diariooficial.gob.mx/indicadores.php#gsc.tab=0

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No.	Stage	Description	Explanation	Source
2.	Proportion of premium and low-grade green coffee in a quintal of parchment	In the section “ <i>Proportion of premium and low-grade green coffee in a quintal of parchment</i> ”, standard proportions are provided, which will vary depending on the quality of the coffee.	In a quintal of parchment coffee (57.5 kg), there are beans of varying quality. E.g. • Premium: 42.82 kg (74.47%) • Low-grade: 3.75 kg • Waste: 10.93 kg Consequently, different prices are paid and the waste is deducted, and the final price per quintal is a weighted average.	The 74.47% is based on the yield factor for Colombian coffee, which has a base factor of 94 kg. In other words, 94 kg of parchment yields one 70 kg bag of premium coffee. This is equivalent to: 57.5 kg of parchment yields 42.82 kg of premium green coffee.
3.	Futures position	1. Go to https://futures.tradingcharts.com/marketquotes/KC.html 2. Select the relevant futures contract (December, March or June)	This page displays the price of Arabica coffee futures contracts on the New York Stock Exchange. It is recommended that you use the closing price from the day prior to the day on which the reference price is to be published.	Arabica coffee futures contracts on the New York Stock Exchange. https://futures.tradingcharts.com/marketquotes/KC.html On the New York Stock Exchange, international reference prices for

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No.	Stage	Description	Explanation	Source
		3. Copy the previous day's closing price into the formula. Alternatively, use as agreed: 'open', 'High', 'Low' or 'Last' for the current day.	The futures contract will depend on the time of the query, with the nearest contract being the most common. E.g. for a query in October, the December contract (KCZ) is used. The harvest period in Mexico runs from September to May.	coffee are set through futures contracts.
4.	Sales differential	In the "Sales differential" section, enter the value of the premium.	This is the additional price based on quality, origin and market; there is no single or official source. The value 30.0 corresponds to the minimum in the sales differential guide of the Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC) for the week of 20–27 March 2026. The General Directorate of Agricultural Production (DGPA) will	There is no official source, as it depends on supply and demand; prices are negotiated between exporters and buyers based on quality, certifications, logistics and the region's reputation.

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No.	Stage	Description	Explanation	Source
			develop the mechanism. E.g. option: with value and volume of exports – exchange price	
5.	Marketing costs and expenses	In the 'Marketing costs and expenses' section, enter the value of each marketing cost and expense in dollars/qq. The spreadsheet converts this to US cents/green pound. It is recommended that each cost and expense be itemized.	These are the costs and expenses covered by the exporter to get the goods to the international point of shipment on a free on board (FOB) basis, i.e. until they are loaded onto the vessel. After that, the expenses are borne by the buyer. It is also a variable cost, depending on the region, logistics, etc.	The value of the formula is a standard for the purposes of the exercise. The cost of marketing from FOB to the point of purchase is not included.
6.	Purchase price of premium green coffee from US cents/lb to pesos/kg	The formula calculates the purchase price of green coffee in pesos/kg.	Once the values for the above variables have been entered, the formula calculates the price of green coffee in pesos per kilo.	This value is derived directly from the formula, but the fields must first be filled in correctly.

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No.	Stage	Description	Explanation	Source
7.	Price of low-grade coffee	Enter the price (pesos/kg) of the low-grade coffee, as well as its respective cost.	As standard, this is recorded as 70% of the price of premium green coffee (Source: DGPA).	It is not set by unilateral decision; it depends on supply and demand and must be agreed upon. There are even different levels of quality for low-grade coffee.
8.	Cost of low-grade coffee	Record the value of the costs or expenses (pesos/kg) involved in marketing the low-grade beans	These are the costs or expenses involved in marketing this coffee on the domestic market, which is generally used for soluble coffee, blends, etc.	Source: DGPA. As no reference is available, 1 peso has been used as an indicative figure.
9.	Purchase price of low-grade coffee	The formula calculates the purchase price of low-grade coffee (\$/kg)	Once the values for the above variables have been entered, the formula calculates the purchase price of low-grade green coffee in pesos per kilo.	This value is derived directly from the formula, but the fields must first be filled in correctly.

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No.	Stage	Description	Explanation	Source
10.	Purchase price qq parchment coffee	The formula calculates the purchase price in pesos for a quintal of parchment, which is the sum of the price of each bean category (premium and low-grade green) multiplied by its respective proportion.	This is the weighted price of parchment coffee, taking into account the proportions of premium and low-grade coffee. For producers selling parchment, the formula would be used up to this stage.	This value is derived directly from the formula, but the fields must first be filled in correctly.
11.	Conversion to cherry	1. Select the cherry coffee yield, for which an average of 250 is proposed. This refers to the kilograms of cherry coffee that make up a quintal of coffee, with lower values indicating a higher yield (the yield may be determined and agreed upon depending on the harvest period).	This part of the formula applies to producers who sell coffee as cherries. This is the number of kilos of cherry required to obtain one qq of parchment. Conventionally, 250 is used, but this may also vary depending on variety, climate and quality; therefore, if necessary, a method for determining	The cost of processing cherries into parchment is not included. The DGPA will determine the mechanism for calculating this.

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No.	Stage	Description	Explanation	Source
		2. The formula calculates the price of cherry coffee based on the yield and the purchase price of parchment. 3. Enter the value of the costs or expenses (pesos/kg) for processing cherry to parchment. If this is specified in pesos/qq, it must be converted to pesos/kg (value in pesos/qq divided by 57.5). 4. The formula gives the final price of cherry in pesos/kg.	this must be established (within a range of 200 to 300). To determine the price of cherries, the price of a qq of parchment is divided by the number of kg of cherries required to produce that qq of parchment.	

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cherry	parchment	green
		
1 qq = 250 kg (range 200–300 kg, depending on variety, climate and quality)	1 qq = 57.5 kg	1 qq = 46 kg

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MYAS/IHH