International Coffee Organization
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**Sustainable coffee development
in Eastern Africa**

Executive Summary

Background

1.   This document contains the Executive Summary of the final report for the project entitled "Sustainable coffee development in Eastern Africa", addressing options for setting up a fine coffees certification programme, prepared by Independent Fine Coffees Consultants.

2.   In view of the length of the document, the full version is being sent to Members electronically, and only this Executive Summary will be circulated at the Council Session in May. Hard copies of the full report will be available at the Session on request from the Secretariat.

Action

The Council is requested <u>to note</u> this report.

EXECUTIVE SUMMARY

The current International coffee Agreement [ICA'2001] calls upon members to develop a worldwide sustainable coffee economy based on the principles enshrined in Agenda 21 of the Rio Protocol as approved by United Nation Conference on Environment and Development. The concept oscillates around the assertion that ***"It is the hands of humanity to make development sustainable, that is to say, seek to meet the needs and aspirations of the present generation without comprising the ability of future generations to meet their own"***

Coffee produced, processed, consumed and exported from the Eastern Africa [EA] sub-region of Africa has distinctive cupping and other characteristics. Arabicas and Robusta of the region under reference on average fetch premium prices as measured at the main coffee markets based in London [LIFFE] and New York [NYBOT]. The countries under reference are Burundi, DR Congo, Ethiopia, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe. The vast majority of these countries export coffee through the Indian Ocean. Further, the main destination of EA coffees is Europe. New and emerging markets for niche and main markets are evident. The advent of mainstream coffee certification initiatives may change the above scenario especially towards markets of North America [Canada and USA], and Japan.

Coffee certifications are increasingly required by buyers and consumers in the main markets of North America, Europe and Japan. Also because food safety and traceability requirements other important consumer concerns include environmental, social and economic dimensions, the so called "pillars of Sustainability" Coffee certification may therefore be regarded as an important tool for a sustainable coffee economy globally. Each and every coffee certification programme or initiative therefore, must of necessity embrace a "three-legged stool" mentioned above. It may however be noted that coffee certification and other such initiatives have been developed in industrialized and highly developed countries. For this and other reasons knowledge of coffee certification is low in the Eastern African [EA] sub-region. This partly explains why Alliances are being formed by promoters of coffee certification and other initiatives in order to kick-start these initiatives within the EA sub-region. There are two types of locally based certification bodies found within the EA sub-region. These includes local offices of international companies and they include SGS, BSC, Bureau Veritas, Taylors of Harrogate and the other type is the fully locally owned companies and they include newly formed UgoCert [Uganda], TanCert [Tanzania] and AfriCert [Kenya] of the locally owned certification bodies only AfriCert is internationally accredited for Eurepgap certification. Except for Africert, TanCert and Ugocert which are incorporated locally, all the other certification bodies are foreign owned and operate through offices located in the cities and ports of the EA.

Information available shows that most if not all of the coffee Certification schemes [Organic, Fair-trade, Eurepgap] are funded by donors and/or other strategic development partners. It may further be noted that all coffee certification system schemes in the EA are basically systems-based and not necessarily coffee-based. For example, Africert in Kenya certifies Horticultural crops, Flowers, Exotic fruits and have recently started certifying Coffee via the Utz Kapeh initiative. The region also lacks a pool of skilled manpower in the field of consultations, auditing of management systems and inspections. Well intended certifications of quality of operational systems based.

It may be noted that the vast majority of coffee trade and industry in the EA sub-region are either direct or indirect members of Eastern African Fine Coffees Association [EAFCA] or Coffee Research Network [CORNET] or both. All or nearly all of these eleven EA coffee exporting countries are also members of the International Coffee Organization [ICO] and the Common Fund for Commodities [CFC].

To enable marketing of such EA certified coffees special products it is necessary to develop and establish an internationally acceptable platform for coffee certification systems which provide an assurance to buyers overseas, and the final consumer of the authenticity, consistent tastes, transparency, trust and traceability of the coffee. It is proposed in this study that a Central Certification Unit [CCU] be established in the EA region with the main intention of building capacity and most importantly to help establish an Association of Sustainable Coffee Accredited Certifiers [ASAC]. Within three years, a reputable professional body [ASAC] based in Africa shall be a "ONE STOP SHOP" coffee centre of intellectual leadership and information within the EA sub-region ASAC shall be composed of trained coffee certifiers, auditors, inspectors and consultants. In itself it shall be accredited to the International forum for Certifiers. The body shall develop links and effective working relationships with National Bureau of standards, private and public sectors coffee operators, and in so doing develop long term working relationships that are beneficial to the coffee trade and industry in the EA region and beyond

It is proposed that funds allowing the CCU be established as soon as possible, and at any rate not later than 1st.October 2005. A budget proposal [not exceeding 120,000 USA dollars per annum] is suggested for running the CCU for a period of three years. A separate budget is also proposed for ASAC operation for a similar period. A training budget is also proposed for the purpose of initial training programmes of 70 or so coffee certifiers, auditors and inspectors to cover all the eleven EA countries and coffee types within the period under reference. Minimum qualifications and experience for ASAC trainees shall be clearly spelled out before selection.

Within three years, a regional coffee certification capacity would have been created in each country, which in turn would enable Coffee producers, traders, processors, warehousemen and other stakeholders market certified coffees based on a neutral, professional and all inclusive regional certification movement. Assessment of, and accreditation agencies shall all operate in conformity of coffees and specified sustainability characteristics.

With time, the CCU shall withdraw from this capacity-building and regionalization practice and give way for the private sector to run an Association of Sustainable-Coffee Accredited Certifiers [ASAC] the same way architects, doctors or surveyors operate, for professional decency and orderliness. For this and other reasons ASAC shall be a not for profit Association. Trainees shall be identified from graduates of universities and colleges of higher education within the EA region and shall cover such subjects as General Agriculture, Environmental Science, Agronomy, Law, Commerce and Engineering. The association may co-opt representatives of coffee Traders the coffee Growers organizations, Non-Governmental Organizations [NGOs], civil society, service providers, private legal entities with interest in the region's Sustainable Coffee Economy. The Association and other stakeholders shall hold at least one annual general assembly and participate in regional and international symposia, conferences and exhibitions involving "sustainable coffee".

This study elaborates the general principles of coffee certification programmes operating within and outside the EA coffee producing region. It suggests criteria and new and innovative ways for the management of certification and/or verification coordination unit that has potential for long term survival. The study spells out existing bodies within the EA region; covering their responsibilities, access to services, scope of certification, procedures for applications and inspections. Because of the proliferation and confusing nature of these programmes, suggestions are also made on such aspects the harmonization of the training for standard qualification of old and emerging certifiers and the procedure for their accreditation to the countries where they operate and where they shall potentially operate. It is made clear that the "Coffee-sustainability" training syllabus require to be harmonized so that certifiers, auditors, inspectors and consultants "read from the same page". In this way growers and other stakeholders shall be less confused and the regional sustainable-coffee certification programme shall be "user friendly"

 Special attention has been paid to requirements of the main coffee markets of Europe, North America and Japan. Cost effectiveness to coffee growers has also been highlighted in relation to the region under study. In principle, although environmental and social cost dimensions of existing certification programmes can be justified, the same is not true yet on economic costs dimensions. Understandably therefore, coffee growers and other stakeholders at origin are apprehensive about these initiatives.

Finally a budget and business plan is provide so as to provide guidance to EA countries and strategic development partners to support a regional "Coffee Certification-Coordination Unit [CCU]", which in turn will facilitate the formation of a private sector driven "Association of Sustainable-Coffee Certifiers [ASAC]" An all inclusive, professional and well coordinated EA coffee certification programmes shall be the desired outcome. This would, of necessity embrace all new and emerging coffee certification initiative. The role of the private sector, NGO, and existing legal entities is to be encouraged from the onset of the CCU and ASAC.

Thus the bulk of the coffee produced by the EA countries is exported to the main market of Europe. Some countries in the region are making in- roads into new destinations such as Japan [Ethiopia, Tanzania and Burundi], The Arab countries of North Africa [Uganda] and to USA and Saudi Arabia [Kenya].

Central to the above mentioned results is the ongoing establishment of private public sector partnerships and market linkages. There is need too, to strengthen human and physical resources within the EA region. For this and others reasons, the countries of the EA region, and indeed most of Africa, attaches considerable importance not only to coffee production *per se*, but more so to the development and enhancement of global trade in coffee amongst other agricultural crops.

Several countries of the EA sub region countries that export coffee have followed a liberal external coffee trade policy, since the end of the cold-war period. However, with increasing costs of production, galloping inflation, increased levels of poverty, there are still pockets of slow/gradual liberalization and privatization efforts in the coffee trade and industry sectors.

According to ICO classification, all types and forms of coffee are grown, processed, and exported from the EA member countries. These include Colombian Mild Arabicas [Kenya & Tanzania] Other Mild Arabicas [Rwanda, Burundi, Eastern Uganda, & Eastern DR Congo, Malawi, Zambia and Zimbabwe], Brazilian and Other Arabicas [Ethiopia & Southern

Tanzania] and Robusta [DR Congo, Madagascar and Uganda]. One unique reality in the EA coffee producing region is that, all things being equal, both Arabica and Robusta coffees tend to fetch premium prices, compared to other world coffee origins.

There is no doubt that, the future economic growth and regional prosperity is irrevocably bound up with EA's success in the export field, coffee included. That success is arguably as dependent on government policy and incentives as is on the efforts and initiatives of individual agricultural producers and processors.

Countries of the EA region depend on coffee exports earnings to a greater or larger degree. Specifically, these are Burundi [78%], DR Congo [6%], Ethiopia [55%], Kenya [11%], Madagascar [14%], Rwanda [68%], Tanzania [15%] and Uganda [53%]. Malawi, though a relatively small producer has many smallholders depending on Coffee earnings. Zambia and Zimbabwe are relatively small producers too, and do depend relatively less on coffee exports for their foreign exchange earnings.

This study focuses on the coffee certification/verification systems in eleven EA member countries and attempts to contribute ideas that are intended to chart a new way forward. Their efficiency is related to coffee quality and the premium prices that they attract in the coffee market. We suggest ways of harnessing and exploiting new initiatives that are sustainable, responsive to the quality of coffee, quality of the environment throughout the value chain, quality of life of farmers, farm workers and their families, and that is concerned with conservation of biodiversity.

The study focuses at the topical subject of "coffee certification as a marketing tool" and suggests ways and means of setting up a regional certification system that is cost effective and within the limits of Good Agricultural Practices and the realms of international trade in the field of coffee.

The superiority of Eastern and Southern African [EA] sub-regional coffees, compared to major growths from Latin America and Asia, in terms of cup quality, is reflected in the premium prices at NYBOT and LIFFE markets. Even those that are not quoted at the two commodity exchanges do attract good premiums, as reported from Spot Markets. In some EA countries, efforts are going on to improve coffee quality and market accessibility. Further this study reports pockets of potentially top cupping coffees within the entire region spatially distributed in rare ecosystems.

It may be noted that EA's Auction practicing countries also tend to be major regional Arabica coffee producers. These also tend to fetch higher prices as measured again NYBOT. There is also a relationship between presence of auctions and internal market liberalisation. Thus, free and liberalized internal coffee market systems are mainly found in EA countries that produce Robusta coffee. These latter category also tend also do fetch good premiums as measured against LIFFE.

New and emerging markets related to coffee certification programmes are reported within the EA region. These are gaining currency in the certification of coffees [both Arabica and Robusta] in programmes such as Organic, Fair Trade, Rainforest, Starbucks C.A.F.E practices, and Eurepgap/Utz Kapeh. Pilots are also observed in the new initiative referred to as the Common Code for the Coffee Community [4Cs or CCCC].

Due to consumer food safety concerns, and other market-type demands, certified organic coffee and Fair-Trade certified coffee have tended to provide the base for most of the other sustainable certifications/verifications. For example, a small holder region or large plantation that is organically certified most easily qualifies for Fair-Trade, Organic Coffee, or Rainforest Alliance has provided fertile ground via addition of social dimensions for Eurepgap/Utz Kapeh certification.

Table 1: Certification system commonalities and differences

Characteristics	Organic	Fairtrade	Rainforest	Starbucks	Utz Kapeh	4Cs
Environmental sustainability	Yes	Yes	Yes	Yes	Yes	Yes
Social equity	Yes	Yes	Yes	Yes	Yes	Yes
Good agricultural practice	Yes	No	Yes	Yes	Yes	Yes
Health and safety of workers	Yes	No	No	Yes	Yes	Yes
Third party certification	Yes	No?	No	Yes	Yes	No
Self evaluation	No	No	No	No	No	Yes

The new initiatives involving Sustainability [SCI/iiSD/UNCTAD] and the "Common Code for the Coffee Community" may as well encompass all the above certifications and initiatives in after 2006. What is most unique with the 4Cs in particular, is that the verification/certification has the support of leading world coffee traders, roasters and retailers. Further, although driven initially by the German Technical Cooperation Agency [GTZ], there are indications that the code has the support of the European Coffee Trade Federation, the European Union, and Switzerland. Proponents of the 4C programme have difficulties persuading a majority of producing countries that the project be ICO-based. This also was true with the Eurepgap/Utz Kapeh programme. It may therefore be a matter of time before these main stream programmes operate outside the ICO sphere as indeed do the rest of the niche market initiatives.

For some decades now, coffee growers, processors, warehousemen and other State and Industry stakeholders have been aware of certification in terms of niche markets such as Organic, Fair trade, Starbucks, birds' friendly and so on and so forth. The main motivation has been and continues to be, that of enhancing financial returns for their limited resources which have competing needs. These initiatives though small, have provided and continue to provide a unique market access with increasing demand for certified coffees. Apart from the quality of coffee, niche markets have spearheaded the way forward for environmental concerns, conservation of biodiversity, food safety, workers rights, workers health and living conditions and other social concerns. The global Speciality Coffee movement has also demonstrated that the better the cup quality, the better the premiums.

In the recent past, UNCTAD and other bodies such as GTZ have initiated new approaches to Coffee Certification targeted at the mainstream coffee market. The most practical initiative operating within the EA sub-region involves Eurepgap/Utz Kapeh. This initiative has already attracted attention of large-scale farmers in Eastern Africa and is being piloted in the smallholder cooperative sector. It may therefore be a matter of time before coffee certification moves along the path from the old niche market approach into the mainstream coffee market.

Despite the very many standards, and codes of conduct, sustainability and other criteria that have proliferated the coffee producing world during the past decades or so, experiences and application to Eastern African coffees, are few and far between. It is necessary therefore, to develop general indicators and measures of tendency in coffee certification within the EA region so as not only establish an regional certification system which provides an assurance to the buyers and consumers of the authenticity and traceability of any parcel of coffee, but also to demonstrate such market desirable attributes as better land use, fair labour prices, and responsible use of chemicals so as to improve the quality of the environment and by so doing, the quality of life.

Such internationally recognised certification systems, when applied throughout the EA sub-region of Africa, would enable growers and traders of coffee to produce, process, and store and market their coffee based on independent assessment from accredited agency or agencies in conformity of specified coffee market requirements and characteristics. Such certification systems could be in private and/or public sector, based on growers' organisations, NGOs or purely within the commercial domain.

There are efforts in Eastern Africa that are addressing several of these initiatives. These are concentrated in two or so countries out of the eleven that are under review. For this and other reasons and with increasing regionalisation and global trading blocks, it is critical to harmonise all these well meaning initiatives so as to create a critical mass of certified or verified coffees.