



Organización Internacional del Café Organization  
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London, England

**The Development of an innovative grower-owned coffee marketing system based on coffee produced in an economically viable and environmentally sustainable manner.**

**Project proposal submitted  
by Papua New Guinea**

## **Background**

1. This document contains an outline of the project proposal submitted by Papua New Guinea to develop an innovative coffee marketing system for small village grower-based groups and cooperatives, which will allow them to achieve greater market access and maximise the benefits of their participation in growing coffee.
2. The proposal will be examined by the Virtual Screening Committee (VSC) and the VSC's recommendations will be considered by the Executive Board in January 2007.

## **Action**

The Executive Board is requested to note this proposal.

## PROJECT PROFILE

<b>Project Title:</b>	The Development of an innovative grower-owned coffee marketing system based on coffee produced in an economically viable and environmentally sustainable manner.
<b>Duration:</b>	3 years
<b>Location:</b>	Papua New Guinea
<b>Brief description:</b>	<p>The project aims to develop an innovative coffee marketing system for small village grower-based groups and cooperatives, which will allow them to achieve greater market access and maximise the benefits of their participation in growing coffee. The project will integrate key strategic components such as: i) building into the supply chain model a quality enhancement programme based on environmentally sustainable methods of production which are economically viable; ii) registration with appropriate certification agencies; iii) improving post farm handling, processing and logistics applicable to these small farmer groups; iv) providing comprehensive training in quality control methodology including sensory evaluation techniques such as cupping; v) the formation of grades and qualities of coffee which have been developed as a result of strategic partnerships with roasters and other end users; vi) developing greater awareness of the coffee market and in particular market demand by instigating a formal process of feedback on the group's ongoing performance; vii) the development and registration of unique trademark/brand names; viii) the further development of a clearing house or non-aligned middleman agency to supervise, coordinate and implement shipments to buyers on behalf of the groups; and ix) the development and implementation of a comprehensive marketing plan for these group produced coffees.</p>
<b>Estimated total cost:</b>	US\$982,000

**Financing sought from the Fund:** US\$832,000

**Mode of financing:** Financing sought as grant

**Co-financing:** tbd

**Mode of co-financing:** tbd

**Counterpart contribution:** US\$150,000

**Project Executing Agency:** tbd

**Supervisory Body:** International Coffee Organization

**Estimated starting date:** 1 April 2007

## **Background**

1. Acting as an individual, a coffee-grower has little voice in the marketplace. The very small quantity he has available to sell inevitably means that he has very little power when negotiating prices with buyers, especially those buyers who operate on the roadside or travel between the more isolated villages. Furthermore, the way the industry is structured and financed, means that even when the grower manages to take his coffee to the factory to sell, very few actually reward the grower with a premium for good coffee, instead they tend to concentrate on volume rather than quality. As a result there are quite large numbers of growers who are very frustrated with this situation and there is a perceptible level of interest in grower-managed co-ordinated marketing systems emerging among coffee-growers, especially in Papua New Guinea.

2. Past efforts to centralize the marketing of coffee for the benefit of small growers in Papua New Guinea have for the most part failed or at best, have met with fairly mixed results. The reasons for this are manifold but essentially the common theme appears to be that the growers failed to see any real long term benefits from this type of association; i.e. they failed to identify with the coffee they were producing seeing it merely as a commodity which, regardless of quality, was to be sold to the highest bidder. However, more recent attempts to cooperate are showing signs of promise and it is clear that the time is ripe for a well-planned and professionally-implemented attempt at developing a group or cooperative based marketing system which is centred on developing a strategic alliance and partnership with roasters and other end users through the branding of the coffee produced by the group or groups. This coffee would need to be of the highest quality possible and produced in an economically viable and environmentally sustainable manner.

## **Project Overview**

3. This pilot project will involve a small number of self-sufficient groups. Six groups, which have a strong interest in participating, have been identified. It is proposed to give assistance in planning, training and implementation with a view to establishing these groups as known entities in the coffee trade, creating strategic partnerships with overseas buyers and developing their own unique trademarks. This will involve:

- drawing up firm rules conducive to producing a good quality, economically viable and environmentally sustainable product with full accountability at every stage of the process;
- the provision of appropriate training and policy-formation services;
- the creation of an alternative marketing channel; and
- introductions to prospective buyers/strategic partners. In this respect the project will also incorporate a limited number of incentives aimed at securing the active participation of buyers and roasters.

4. The groups under consideration include Tribal Aromas Cooperatives Ltd and Finschhafen Organic Coffee Growers Association. [Other groups to be confirmed].

5. Once functioning as planned, the groups, working as registered co-operative entities, will trade, using contacts made during the project, shipping coffee which conforms to set trade-descriptions backed by trademarks. These groups will target the “specialty coffee sector” where premiums are available for good quality and traceability to origin, as well as for what may be described as a “novelty factor.” They will constitute a central matrix from which grower-owned coffee marketing may be expanded according to demand. By acting in a concerted manner using well-founded rules and expert guidance the groups will achieve the project purpose of maximising the benefits available to them from coffee-growing activities. The project will be important as an example and a guide for other smallholder-based industries not only in Papua New Guinea, but also in many other coffee producing countries.

**Costs and Financing**  
(in US\$)

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
<b>Activity 1 – Upgrading production</b>				
Base study	7,500			7,500
Agronomist advisor	25,000	25,000	15,000	65,000
– transport and other incidentals	2,000	2,000	1,000	5,000
Wet processing - hand pulpers	30,000			30,000
– Central Wet factory(ies)	75,000			75,000
Improving market access/logistics	100,000			100,000
<b>Activity 2 – Training</b>				
Initial training workshops x 6	30,000			30,000
Sample roasters and other cupping equipment	18,000			18,000
Sensory evaluation trainer (coffee corps)	10,000			10,000
General workshops	12,000	12,000	12,000	36,000
<b>Activity 3 – Certification</b>				
Assessment by certification agency		60,000	20,000	80,000
On-going administration	3,000	3,500	4,000	10,500
<b>Activity 4 – Strategic partnerships with buyers</b>				
Marketing consultant	12,500			12,500
Collection and despatch of samples	1,500	1,500		3,000
<b>Activity 5 – Product specification</b>				
Marketing consultant		7,500		7,500
<b>Activity 6 – Familiarisation programme</b>				
Travel & accommodation		45,000	45,000	90,000
<b>Activity 7 – Trade-marking</b>				
Design		12,000	4,000	16,000
Legal work		12,000	4,000	16,000
<b>Activity 8 – Clearing house agency</b>				
Infrastructure	10,000			10,000
Personnel	10,000	20,000	20,000	50,000
Initial Working capital		150,000		150,000*
<b>Activity 9 – Marketing plan</b>				
Marketing consultant		10,000	5,000	15,000
Design and Production of promotional material		25,000	10,000	35,000
Other Promotional initiatives		10,000	25,000	35,000
<b>Activity 10 – Administration, etc.</b>				
Project Coordinator	20,000	20,000	20,000	60,000
Mid-term evaluation		15,000		15,000
<b>Total</b>	<b>366,500</b>	<b>430,500</b>	<b>185,000</b>	<b>982,000</b>

\* denotes counterpart contribution