



International Coffee Organization  
Organización Internacional del Café  
Organização Internacional do Café  
Organisation Internationale du Café

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Executive Board/  
International Coffee Council  
27 – 29 September 2005  
Salvador, Brazil

**Project proposal**

**The Coffee Guide Website 2006/07**

## **Background**

1. This document has been submitted by the International Trade Centre (ITC) UNCTAD/WTO and contains a project proposal for the operation of the Coffee Guide Website for 2006/07 and identification of funding for 2007 and 2008. The website ([www.thecoffeeguide.org](http://www.thecoffeeguide.org)) was launched in March 2005 and contains the contents of the ITC's 330-page publication "Coffee – an exporter's guide" in English, French and Spanish. Selected questions and answers are posted on the website free of charge.
2. Plans for the development of the website were outlined in documents WP-Board No. 950/04 and WP-Board No. 956/04 which were presented to the Executive Board in May and September 2004, respectively. A live presentation of the new website was made at the Board meeting in May 2005.
3. Financing of US\$120,000 is sought from the Fast-Track facility of the Common Fund for Commodities (CFC).
4. The proposal will be circulated to the Virtual Screening Committee for assessment and considered by the Executive Board in September 2005.

## **Action**

The Executive Board is requested to consider this proposal and the comments of the Virtual Screening Committee and, if appropriate, to recommend approval by the Council.

**PROJECT PROPOSAL FOR GRANT FINANCING FROM  
THE COMMON FUND FOR COMMODITIES (CFC),  
(FAST-TRACK PROCEDURE)**

**THE COFFEE GUIDE WEBSITE 2006/07**

**[www.thecoffeeguide.org](http://www.thecoffeeguide.org)**

**PROJECT PROPOSAL**

**JULY 2005**

## I. Logical framework

### Project title: The Coffee Guide Website

Estimated project starting date: 1 March 2006

Estimated completion date: 28 February 2007

Narrative summary	Objectively verifiable indicators	Means of verification	Important assumptions
<p><b>Broad goal</b> To answer coffee trade questions from coffee producing countries.</p>	<p>Number of website hits and visits; Number of questions raised and answered.</p>	<p>Counting the website hits and visits; Counting the questions and answers.</p>	<p>Coffee industry in producing countries have questions re coffee trade issues.</p>
<p><b>Project Purpose</b> Operate the Coffee Guide Website for one year;  Identify funding for two years of operation (2007-2008).</p>	<p>Website operational for one year;  Website adapted to demand from users;  Funding raised for two years of operation.</p>	<p>Website can be read and responds to questions raised;  Donor(s) confirm commitments.</p>	<p>Questions continue to be raised from coffee industry in producing countries;  Donors will show interest and be forthcoming.</p>
<p><b>Outputs</b> Website with: - ITC's Coffee Guide in English, French, Spanish;  - Q&amp;A archive expanding;  - Inter-active expert panel maintained.</p>	<p>Website accessible at all times;  Expert panel updating contents and providing answers to questions raised.</p>	<p>Visit website, read content and ask questions;  Quality of answers, response time, etc.  Ask users of the website.</p>	<p>Website can continue as established (technically, legally, practically,...);  Expert panel still available;  Experts can answer most questions.</p>
<p><b>Inputs and activities</b> - Update the website continuously;  - Add new topics;  - Answer questions;  - Translate all new text into English, French and Spanish;  - Promote the website in producing countries.</p>	<p>Contents updated and new topics introduced;  Answers given to questions raised in three languages;  Website promoted in producing countries.</p>	<p>Visit website, read content and ask questions;  Quality of answers, response time, etc.;  Ask users of the website;  Promotions made (presentations, articles).</p>	<p>Funds will be available for the relevant period (March 2006 – February 2007);  Expert panel still available and able to provide answers to most questions.</p>

## II. Project Summary

1. The International Coffee Organization (ICO) hereby submits the following project proposal with its recommendation for financing by the Common Fund for Commodities (CFC) through its fast-track procedure.

1. **Project title:** The Coffee Guide Website 2006/07
2. **Duration:** 12 months
3. **Location:** Geneva, Switzerland; dialogue with all coffee producing countries
4. **Nature of Project:** Offer answers to coffee trade questions raised by the coffee industry in producing countries.
5. **Brief description:** ITC's publication "Coffee – An exporter's guide" (330 pages) was made accessible on a new website, [www.thecoffeeguide.org](http://www.thecoffeeguide.org) in English, French and Spanish in March 2005.

Users who do not find what they are looking for can post a question and expect a tailor-made answer from a panel of coffee experts within approximately one week. Contributing experts are listed on [www.thecoffeeguide.org](http://www.thecoffeeguide.org).

Selected questions and answers are posted in a Q&A archive on the website. The service is free of charge.

It is planned to use the contents of the website in a publication in the form of "Coffee trade – 200 questions and answers" (or 100 or 365?) around 2008.

Websites of this kind are known in other sectors, e.g. medical or legal advice. [www.thecoffeeguide.org](http://www.thecoffeeguide.org) is the first of its kind in the coffee sector.

6. **Estimated costs:** US\$120,000

7. **Financing sought from the Fund:** US\$120,000 (fast-track procedure)
8. **Mode of financing:** Grant
9. **Co-financing:** None for the period requested (March 2006 – Feb. 2007)
- The Government of Denmark financed the Coffee Guide (book) and development of the Coffee Guide Website with a total of US\$345,000.  
A private company in the coffee sector financed the translation of the guide in 2003.
- The Government of Switzerland finance the first year of operation of the website (March 2005 – Feb. 2006).
10. **Mode of co-financing:** All funding received so far was in the form of grants.
11. **Counterpart contribution:**
12. **Project Executing Agency:** International Trade Centre (ITC)
13. **Supervisory Body:** International Coffee Organization.
14. **Estimated starting date:** 1 March 2006
15. **Est. date of completion:** 28 February 2007

### III. Overview of the commodity

#### III.1. Market development in recent years

Coffee provides a large part of the export earnings of many developing countries. In some countries this can reach more than half of the total export earnings. Coffee has experienced a significant market imbalance in the last five years, resulting in a drastic reduction in prices, albeit with a modest recovery from early 2005. Annual earnings by coffee producing countries were in the magnitude of US\$10-12 billion in most years during the 1990s, but have been around US\$5-6 billion in recent years.

Around 65% of supply is Arabica coffee, the fine-flavoured aromatic type which usually fetches the highest prices. Robusta coffees, which make up around 35% of the market, are easier to grow, more resistant and are usually traded at about half the price of Arabica. Robusta made up only 25% of the market in volume 20 years ago. Robusta is often used as a filler in blends and in soluble coffee.

### **III.2 Reasons for the market imbalance**

The market imbalance is related to both quantity issues (1 and 2 below) and quality/price issues (3 below):

#### **1. Increased supply:**

- rapid expansion of production in Viet Nam (up from 1% to 10% of world production since late 1980s);
- new plantations in Brazil;
- higher yields;
- increased efficiency; and
- incentives to expand production, such as the price rise caused by frost in Brazil in 1994 which led to an increase in coffee farmers' incomes at the time in the context of generalised market liberalisation.

#### **2. Stagnated demand:**

- competition from other beverages (soft drinks etc.);
- increased out-of-home consumption which means (i) higher cup price and (ii) professional brewing with less waste, i.e. two factors that reduce demand;
- new technology (roasting, blending, grinding, brewing) makes it possible to extract more coffee out of a gram of green beans – thereby reducing demand.

#### **3. Use of cheaper beans in mainstream market:**

- roasters use more and more Robusta in blends as technology (e.g. steam-cleaning) has made it possible to reduce undesirable flavours although at the expense of the character of the cup;
- the growing use of flavours such as vanilla, hazelnut and raspberry, in particular in the United States, which also means that such flavoured coffees can be made from cheaper beans;
- the increased use of milk, cream and ice in coffees, requiring darker roasts which again allows for cheaper beans to be used.

### III.3 Some proposals for solutions

Several parties have suggested possible solutions to the imbalance.

In a submission to the G8 Summit in July 2005 the ICO proposed action to increase awareness of the danger of encouraging production without corresponding growth in demand, to promote value-added products and secure access to finance for diversification, bearing in mind that in many cases there are a number of constraints to diversification such as ecology and infrastructure conditions and problems of market access. The ICO also stressed the value of support to its Coffee Quality-Improvement Programme, action to increase consumption in producing countries and large emerging markets and disseminating positive information related to health issues, all with a view to increasing demand.

A non-profit organization, TechnoServe ([www.technoserve.org](http://www.technoserve.org)), with support from McKinsey & Company also issued a report entitled *Business Solutions to the Coffee Crisis* in late 2003 which reviews a range of possible measures of which three were ranked as holding the highest potential to achieve a sustainable impact:

- Promotion of coffee consumption in producing countries and emerging markets;
- Support to specialty coffee producers to secure market premiums;
- Diversification for marginal producers without potential to supply “specialty” coffees.

The World Bank also published a detailed report in March 2004, *Coffee markets: new paradigms in global supply and demand*. It concluded that there is no “silver bullet” solution. It recommends that producers organize themselves and, with support from the international community, find ways to diversify their coffee production or enter a different trade.

These suggestions are important although a number of them is likely to be available only to some of the many affected producers and exporters. An example: Niche markets with a range of specialties cover 8-10% of the total production. This includes organic certified coffees (less than 1% of world production) and fairtrade certified coffees (less than 0.5%, half of it also organic certified). Even if production in these niches is doubled or tripled in a number of years, the impact will still be relatively small whereas growing availability may even result in lower premia.

#### **IV. Institutions involved and responsibilities**

The Coffee Guide Website receives valuable support from the International Coffee Organization in the form of statistics, use of the library service and general advice and promotion.

The ITC hosts the website at its headquarters in Geneva and has contracts with four coffee experts, a web designer and two translators. Several coffee organizations offer ad hoc assistance e.g. the European Coffee Federation, the National Coffee Association of the USA, different specialty coffee associations, the New York Board of Trade, Euronext-Liffe, and others. To this comes a strong support from around 25 coffee industry personalities at origin and in importing countries. Most of them are among the 100 plus people who provided valuable assistance free of charge during the preparation of the Coffee Guide (book) in 2002/03.

#### **V. Project objectives – broad and specific**

##### **V.1 Broad project objectives**

The website provides information and practical guidance on how to optimise the trade at all stages in producing countries. The focus is on mainstream coffee (more than 90% of the trade) with some coverage of specialty niches such as organic and fairtrade production. The focus is on trade practices of relevance for exporters, but the contents are also of interest to coffee producers, coffee authorities, commercial banks, customs authorities, shipping companies, educational institutions and others.

##### **V.2 Specific project objectives**

The trade environment and conditions have become more and more difficult for producers and exporters in recent years. For many years the trade parameters were primarily product quality, sales price, production costs and relations with international partners. Competition has sharpened after four years of over-supply, low prices and very small margins and new parameters have come about. They include demand for even higher quality; consistency (same quality for repeat deliveries); traceability of origin; transparency (economic, social and environmental); ability to tailor delivery on demand; and capacity for long-term partnerships directly between producer and roaster.

To this comes that the contractual and logistic elements of the trade itself have become more complex with introduction of various standards and certifications, greater price transparency and volatility requiring new types of risk management, a changed pattern of dispute resolutions, different avenues in electronic commerce, etc.



All parties in the trade are therefore confronted with frequent questions. The ITC's Coffee Guide and in particular the Internet offer an overwhelming amount of information, but in many cases not necessarily the exact answer needed to a specific question. An analysis made by the ITC of the content at almost 100 coffee related websites showed, inter alia, that:

1. The English language dominates almost completely whereas for most users in producing countries English is not their mother tongue and many do not use English at all.
2. Many websites are difficult to navigate for several reasons, including too much non-coffee information and large volumes of illustrations, pictures, advertising etc. This makes it difficult to download the sites for many users with modest infrastructure or limited Internet experience.
3. A few websites include very small sections with Frequently Asked Questions (FAQ) or debate forums, but they are not very active and none offer an Inter-active Question & Answer service.

The Coffee Guide Website remedies these shortcomings. The website is in English, French and Spanish. It is very simple in structure and contains only two types of information:

1. The ITC's Coffee Guide (500 text boxes in three languages, adapted and continuously up-dated), and
2. A Q&A archive (also in three languages) which grows on the basis of questions raised by users.

The website deliberately has a minimum of illustrations and contains no elements that hamper downloading for users with modest facilities or limited Internet knowledge.

Answers are also offered to questions from importing countries on two conditions: (1) they are relevant for users in producing countries and (2) they do not delay answers to questions from producing countries.

It is a supplementary long-term objective to use the gradually developed Q&A library for a publication in the form of "*Coffee trade – 200 questions and answers*" (or 100 or 365 or....?). However, this is for consideration in around 2008 and is not part of this project.

The new website has been promoted at several conferences and seminars and in articles in 2005. The presentations have also served the purpose of learning-by-doing, i.e. adapting the website content and structure to suggestions from users.

Use of the website, including the Q&A service is free of charge wherefore operational financing is required. The cost of operation depends largely on the service provided (number of answers given, response time, frequency of up-date of content, promotion etc.). It is part of this project (2006/07) to identify financial support for 2007-2008.

## **VI Related projects and previous work**

ITC released its first version of “*Coffee – An exporter’s guide*” in 1992. The guide was in high demand for almost a decade and the version from late 2002 (French/Spanish, 2003) is equally in high demand.

The Coffee Guide (book) has 12 chapters covering these topics of the trade:

1. World coffee trade – an overview
2. The mainstream market
3. Niche markets, environment and social aspects
4. Contracts – concluding and executing
5. Logistics and insurance
6. E-commerce and supply chain management
7. Dispute resolution – arbitration
8. Futures markets
9. Hedging and other operations
10. Risk and the relation to trade credit
11. Coffee quality
12. Marketing systems and country profiles.

As for other ITC publications, the Coffee Guide (book) is sold at US\$70 + US\$10. However, coffee associations, producers, exporters and others in the coffee industry in developing countries can request copies free of charge in limited numbers. The website is an obvious way of disseminating the contents of the Coffee Guide to a wider audience – and in a continuously updated version.

The ICO, the ITC and the Fund also worked together on the Gourmet Coffee Project (1997-2000) in Brazil, Burundi, Ethiopia, Papua New Guinea and Uganda. The project tested many new methods of producing, processing and marketing gourmet coffees. The project included the world’s first Internet coffee auction which took place in Brazil in 1999 and led to the Cup of Excellence ® competition and auction programme, [www.cupofexcellence](http://www.cupofexcellence), now used in several countries. The total cost of the Gourmet Coffee Project was US\$1.4 million of which the Fund financed US\$1,018,000 (73%).

## VII. Budget

Budget for the period 1 March 2006 – 28 February 2007 (12 months).  
Budget line codes are those used by the ITC for trust fund projects.

<b>Budget line</b>	<b>Description</b>	<b>Work-months</b>	<b>US\$</b>
11.51	International consultants (four coffee experts, translation, travel...)	10	83,000
16.01	Travel, ITC staff (presentations, promotion,...)		10,000
21.01	Sub-contracts (technical website support, translation,...)		7,200
41.01	Expendable equipment (CD-ROMs, books, ...)		1,000
53.01	Miscellaneous (telecom, postal, printing,...)		<u>5,000</u>
	Sub-total		106,200
56.13	ITC support costs		13,800
	<b>TOTAL</b>		<b><u>120,000</u></b>