



International Coffee Organization
Organización Internacional del Café
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Organisation Internationale du Café

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Projects/Common Fund

Executive Board/
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**Enhancing potential gourmet coffee
production for tourism at local level**

Project proposal

Background

1. This document has been submitted by the *Istituto Agronomico per l'Oltremare* of the Italian Ministry of Foreign Affairs and contains a project proposal to put in place a production system and promotion of quality coffee in the Central American and Caribbean regions. It will also promote the exchange of information technology and enhance communication.
2. The proposal has been circulated to the Virtual Screening Committee for assessment and will be 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 PROFILE

1. **Project title:** Enhancing potential gourmet coffee production for tourism at local level
2. **Duration:** 2 years
3. **Location:** Honduras, Costa Rica, Guatemala, Nicaragua.
4. **Nature of the project:** To support the local economic development of some Central American countries, in particular quality coffee producers, by developing a series of initiatives within the programme “Regional network supporting associations of small producers of coffee” financed by the Italian Co-operation Agency in Central America.

The project will focus on the following areas:

- Quality production through: (i) the adoption of best practices in production, harvesting and processing level to reach a standard quality for the coffee produced, (ii) the preservation of traditional production systems to secure low environmental impact, and (iii) the creation of a collective trademark.
- Diversification, to improve farmers revenue by: (i) promoting rural tourism in the coffee areas, and (ii) encouraging diversification from coffee at production and trade level.
- Adding value to the land through the mapping of sites of production and natural interest.
- Actions to protect agro-biodiversity by strengthening traditional agro-forestry.

5. **Brief description:** The project should be seen as a pilot project. It will enable four participating coffee-producing countries to implement a sustainable gourmet quality coffee development accompanied by tourism strategies. It will be implemented in four coffee producing countries that have shown interest in developing income generating activities based on coffee quality improvement and eco-tourism.

The project will add value to those productive entities able to reach high quality standards that qualify to enter the trade processes linked to quality coffee. It will provide the basis to define the institutional framework for present and active participants of the coffee chain willing to adopt tourism-oriented activities as a way to diversify/complement coffee production as a tool to fight poverty. The tourism-oriented activities of the project will also strengthen the planning abilities of the project participants, through a continuous exchange of experiences emerging from the programme “Regional network supporting associations of small producers of coffee” financed by the Italian Co-operation Agency in Central America.

6. **The estimated total cost:** tbd
7. **Financing from the Common Fund:** US\$500,000
8. **Co-financing:** US\$1,228,052 Italian Co-operation Agency
9. **Counterpart funds:** tbd
10. **Project Executing Agency:** *Istituto Agronomico per l’Oltremare (IAO)/Italian Ministry of Foreign Affairs (MAE)*
11. **Supervisory Body:** International Coffee Organization
12. **Starting date:**

A. Project background and commodity strategy

Project background

The project aims to involve Central American local agencies in a process that will strengthen their capabilities for more effective land management that considers the peculiarities of each zone and relates its development to local conditions and economic advantages of a typical product such as coffee. Such a model, which closely follows the successful model realised in Tuscany known as the '*routes to wine*', will thus be adapted to the diversity of each context. The participation of Italian local agencies will provide support for document preparation and strategic planning for the development of coffee cultivation in each region.

Numerous initiatives have demonstrated that by improving the quality of coffee and introducing it in trade dynamics the standard of living of the populations is improved, increasing the producer incomes and creating new jobs not only in agribusiness but, with proper targeted interventions, also in the sustainable tourism sector. It is worth recalling that both sectors are highly labour intensive.

There is also great interest in the main national and international organisations to cooperate with regard to sales promotion of agricultural and food products from developing countries, the diffusion of quality products and of eco-sustainable tourism and, above all, the gourmet sector, which is the fastest growing segment of the international coffee market.

Commodity Strategy

The project proposal is seen to be in full agreement with the policies of the Common Fund for Commodities (CFC) as related to Second Account projects. There are at least nine factors which, in particular, can be identified as providing a rationale for the project:

- The project will improve and sustain the real income of developing countries through increased export earnings.
- The project will contribute towards more stable conditions in the coffee trade, since the demand for specific gourmet coffees is less affected by cyclical fluctuations in the coffee market.
- The project will add value to the coffee exported from the developing countries and create additional employment in those countries.
- The environmental impact of the project will range from neutral to positive.
- The project will improve the general competitiveness of coffee *vis-à-vis* other beverages such as carbonated soft drinks which, although not a direct substitute, are recognised as providing the main competition to coffee as a beverage.

- The project will improve the marketing and distribution of coffee exported from developing countries and encourage a more active participation of exporters and coffee institutions of these countries in product development and marketing effort.
- The project will transfer important quality management and marketing skills from the coffee sector in the consuming countries to the coffee sector in the producing countries.
- The project will yield significant benefits to a number of developing countries, in which a large proportion of the population are dependent on coffee for employment and economic welfare.
- The project will stimulate a trend towards better quality coffees from all origins and subsequently increase demand for coffee.

The project also is in line with the objective of securing remunerative prices to producers of the International Coffee Organization and with the aim of encouraging consumption based on quality set out in the document on international development strategy for coffee (EB-3768/01 Rev. 3).

Project objectives and rational

The *broad objective* of the initiative is to improve the standard of living of the small coffee producers of the rural mountain communities, reducing their socio-economic and cultural vulnerability and increasing the sustainability of their agriculture. The programme will contribute to the promotion and appreciation of tourism linked to coffee cultivation, favouring sustainable development, and developing and diversifying agricultural production.

The *specific objective* is to put in place a production system and the promotion of quality coffee in the Central American and Caribbean region. It will also promote information technology and communication exchange.

The project will act according to the following closely related guidelines:

- Productive diversification.
- Re-organisation of the coffee production chain with special attention to productive aspects and quality control.
- Definition of a business strategy and marketing of coffee.
- Appreciation and promotion of the region and local agriculture through the recovery of local cultural and culinary traditions, the mapping of sites of natural interest, the location of paths and suitable structures to offer tourists food and lodging services.
- Strengthening the planning capacity of local agencies involved in Central American countries.
- Fostering community-based regional tourism itineraries.
- Twinning of Italian and Central American rural communities.

Project Components

Component 1

To identify coffee producing areas which, based on appropriate predetermined criteria, have gourmet coffee potential.

Component 2

To re-organise the coffee production chain with special attention to the productive and processing aspects and quality control; trading, promoting and marketing of the product and regional strengthening of the organisational and management abilities of small coffee farms.

Component 3

To put in place a production system and promotion of quality coffee, creating a regional network amongst all the involved agencies in the 'coffee chain', to facilitate the exchange and spread of experiences and to support the processes of decentralisation already in action in the countries involved, increasing the ability to programme and manage development within the region.

Component 4

To promote the region through the recovery of local cultural and culinary traditions, the mapping of features of natural interest, the location of path and suitable structures to offer tourists food and lodging services, and fostering community-based regional itineraries. Such a model, which closely follows the successful model realised in Tuscany known as the 'routes of wine', will be adapted to the diversity of each context.

Component 6

To strengthen the planning capacity of local agencies involved in Central American countries participating in the project, through continuous technical and methodological assistance and exchanges of experience with local Italian and Central American agencies.

Component 7

To twin Italian and Central American rural communities.

Implementation arrangements and management

The methodology to be adopted for the implementation of the Project will entail the involvement of various agencies involved in the coffee chain, aiming at the attainment of real 'vertical' integration – from producer, to roaster, to consumer – and 'horizontal' through the promotion and strengthening of the associations in the management of production and trade activities.

The implementation stage will be determined in accordance with the “Regional net for the support to the associations of small producers of coffee”, in the Central American and Caribbean regions, financed by the Italian Co-operation but including the following elements:

- A detailed work plan and budget for each origin specifying quality development, marketing and trade information elements.
- Ongoing operating support at origin and in selected target markets. At origin this will involve selection of areas, development of guidelines for cultivation practices, and processing and quality control in co-operation with local coffee authorities, traders and growers. In target markets it will involve identification of the main importers of gourmet coffee and their requirements.
- Implementation of marketing and information strategies co-funded by participating countries. It is vital that the new gourmet denominations should be known in consuming markets and that exporters at origin should be aware of the relevant distribution channels and transportation requirements.

The work will be carried out by one coffee marketing expert and one coffee quality expert for each origin with further specialised *ad hoc* assistance in target markets as required. The marketing and information strategies will primarily be carried out on a sub-contract basis. Ongoing technical support will be provided by the ICO, the Italian co-operation project and counterpart institutions.

Expected results:

- At least five coffee exporting associations in each of the four participating countries should become capable of implementing sustainable production and marketing of gourmet coffee.
- Improved production and coffee processing.
- Increased quality awareness at consumer and trade level in target markets (resulting from the project’s information and marketing activities) impacting on both gourmet speciality trade and traditional industrial roasters.
- Increased availability of a quality development and marketing methodology, including cupping, suitable for adaptation to individual origin requirements.

Tentative costs and financing (US\$)

	Total cost	CFC	Co-financing (MAE – DGCS)	Counterpart contribution
Year 1		350,000.00		
Year 2		150,000.00		
Total		500,000.00		

Beneficiaries and benefits

The immediate beneficiaries will be producers in the four participating countries, together with consumers who will benefit from a wider choice of quality coffees.

The medium term beneficiaries will be all coffee producing/exporting countries with potential to develop gourmet coffee.