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# **“SUSTAINABILITY IN THE COFFEE CHAIN AND THE COMMON CODE FOR THE COFFEE COMMUNITY (4C)”**

## **Background**

Coffee is one of the world’s largest traded commodities and is produced in more than 60 countries. It generates income for more than 100 million people in coffee growing areas worldwide. In the last decade, new agro-technological methods, cyclical changes in production, volatile markets, structural imbalances in the world economy and political developments have put high pressure on coffee producers. Unsustainable production, processing and trading result in economic, social and environmental losses.

The Common Code for the Coffee Community (4C) is an international multi-stakeholder initiative motivated and funded by the German Ministry for Economic Cooperation and Development (BMZ) together with the German Coffee Association (DKV). The objective of the Code is to foster sustainability in the ‘mainstream’ green coffee chain and to increase the quantities of coffee meeting basic sustainability criteria within social, environmental and economic dimensions.

The Embassy of the Federal Republic of Germany jointly with the German Federal Ministry of Economics and Labour and the German Technical Cooperation (GTZ) organised a workshop on sustainability in the coffee chain and the Common Code for the Coffee Community on 16 November 2005 at New Delhi. Invitations were extended to international experts and representatives from Coffee Board of India, producers, private industries, plantation associations and management institutions in India. The list of participants who attended the workshop is given in Annex-1. The proceedings of the workshop is presented in this document.

## **Preparatory Discussions**

Discussions were held prior to the workshop on the 16<sup>th</sup> of Nov.’05 with Mr.Carsten Schmitz-Hoffmann (Senior Project Manager, 4C). A peculiar situation appeared to have developed. While the Coffee Board of India had earlier responded to the organisers and sent names of participants, a later thinking seemed to have surfaced not favouring participation due to certain apprehensions in relation to WTO implications while participating in 4C. In view of

this it was difficult to anticipate as to how many respondents to the invitation would actually attend the workshop and also how the workshop proceedings would be affected due to this situation. It was therefore decided to keep a very flexible approach in structuring the workshop and to steer it in a way to be as fruitful as possible, given the rather difficult situation to start with. However it was decided that since the objective of the workshop is to create awareness, adequate time would be devoted to presenting the 4C concept in detail and having open house discussions thereafter to clear misapprehensions. It was decided to have discussions on identifying opportunities for India utilizing the 4C approach.

It was also decided that a very informal atmosphere would be created so that the participants are free to express their opinions without having to take official stances. It was felt that this would create a conducive atmosphere for objective discussions.

The workshop schedule therefore was drawn up commencing with the inauguration by Dr.von Muenchow-Pohl, Minister Counsellor, Head of Economic and Commercial Department, German Embassy. Also included in the schedule was a Reception in the evening at the German Embassy for the participants to pursue the informal discussion in a relaxed atmosphere. The workshop schedule was kept flexible to accommodate emerging concerns and the actual schedule as it took place is presented in Annex – 2.

## **Workshop Proceedings**

The workshop commenced with a brief welcome by the Moderator and mentioning that similar workshops had been very successful in 12 other countries where it had been held earlier. During the inaugural speech, Dr.von Muenchow-Pohl, Minister Counsellor, Head of Economic and Commercial Department, German Embassy stated that the Embassy is a facilitator on this occasion in bringing about “Business to Business (B2B)” interactions. He called for informal and open discussions to lead to fruitful results.

Introduction of the participants then took place. There was a cross section of producers, private industry, representatives of associations and management institutions among the participants.

Moderator then outlined the need for maintaining an informal atmosphere for discussions and took the consent of the group to proceed with the proposed schedule.

The session commenced with the presentation of the 4C concept by Mr. Carsten Schmitz Hoffmann of GTZ. He explained

- What 4C is
- Who cooperates with 4C
- How does it work
- What are the benefits for producers
- What are the benefits for consumers

This presentation was well articulated and combined with examples to illustrate the concept. The voluntary nature of participation and the multi-stakeholder initiative was highlighted in the process. He mentioned that GTZ is a neutral body which reflects stakeholders interest to the steering committee. The presentation was received well by the participants. The text of the presentation is given in Annex – 3. The participants then wanted to raise their apprehensions particularly as to how it will benefit the producers to which the moderator agreed to take up after the break.

The moderator utilised the break to facilitate interaction between particular participants who were keen to voice their concerns in an intense manner and the presenter. This paved the way for calming down the intensity of reactions and bringing about a better atmosphere for the next session.

Moderator then proposed that since some of the comments by participants during the break needed an answer from the second presenter, it may be better to listen to the next presentation and then have an open house discussion. Participants agreed to this proposal.

Then presentation on 4C in the Perspective of Global Trade and Industry was done by Joppe Vanhorick, Senior Advisor, European Coffee Federation. He explained the functioning of main stream coffee flows and the role of different players in reaching the final consumer. He also explained the nature of consumer market globally and how India fits in. He emphasized that the market is demand driven and quality would certainly matter. This presentation was done in a very friendly manner and continuously responding to the participants' questions in the course of the presentation. The presentation is given in Annex – 4.

## Open House Discussions

Moderator then requested the participants to raise the issues by noting them down on cards which were then put up on the board for visual presentation to all participants. Though initially a couple of participants were reluctant to use this method, others responded quickly and the moderator provided options for both expressing orally as well as presenting the ideas on cards. This was welcomed by the participants. The issues and concerns expressed by the participants are presented in Annex – 5. These were then grouped into 6 clusters relating to the following aspects.

- (1) There was an over-riding concerns on pricing and the lack of incentives for producers. Cost is a problem with producers, particularly when it is more than the price offered.
- (2) Marketing problem and the use of logo and traceability to the origin of coffee. The concern was as to why 4C could not be adopted in the logo which in their view could fetch a better price.
- (3) The economic dimension of making investments in going for 4C, given the volatile nature of the market and price fluctuations.
- (4) Implications for the WTO as to whether this would bring about discrimination.
- (5) Nature of verification and the cost associated with it.
- (6) Successful case studies which would demonstrate the viability of 4C.

The presenters responded to the above concerns with explanations of how 4C could be supportive in the long run.

Then the presentation of the Coffee Guide was made by the International Trade Centre, who collect information and disseminate it through publication and website on data relating to the world coffee trade. These relate to the mainstream markets for coffee, niche markets, environment and social aspects, contracts, logistics and insurance, supply chain management, arbitration, futures markets and quality issues, etc. He is also mentioned that Q&A archive with answers provided by coffee experts. The Coffee Exporters Guide published by ITC was made available to the participants.

## Perception of Strengths and Concerns of India

A presentation on the strengths and concerns of India was made by Mr. Damodaran of Indian Institute of Management (IIM), Bangalore, who is also a member of the steering committee of 4C. He highlighted India's strengths in complying with environmental and social requirements. However, he added that pilot project would be needed to carry conviction to the Indian producers to demonstrate the usefulness of 4C. He also suggested that the apprehensions on the WTO implications must be cleared with the Coffee Board so that the concept could find more acceptance in India. His presentation is given in Annex – 6.

## Identification of Opportunities for India - suggestions

The participants then identified the opportunities for India, which are presented in Annex – 7. These point to the following aspects.

(1) Need for a pilot project in India

It was felt that this would go a long way in convincing many producers to join the 4C movement. There was almost an unanimous view on this.

(2) Working with the leverage points in India, namely, the Coffee Board and Govt. of India

It was suggested that 4C should write to the Coffee Board clarifying the position vis-à-vis WTO and seeking their involvement in 4C.

(3) The economic dimension of incentives for producers

One aspect of this is the price which is based on demand and supply and the other aspect is the cost. Producers should be given support to initiate measures for resource optimization and cost reduction thereby increasing their margins.

(4) The marketing dimension of leveraging the 4C Association.

It was felt that some effective ways have to be found to inform the end consumer of the difference the 4C makes in their perception in the product that they consume.

(5) Traceability to inform customer of origin

This is a complex problem for which a strategy needs to be evolved with the involvement of roasters.

(6) Need for cost of certification to be brought down through training of local agencies.

This should form a support component of 4C through which skill development of various types could be encouraged for compliance as well as certification.

## Wrap-up Session

The concluding session ended on a cordial note. The participants thanked the organisers for the opportunity provided to them to become aware of all aspects of 4C and the moderator for facilitating the workshop in an effective manner.

Given the strengths that India possesses already in the Coffee sector and in compliance with the 4C requirements, it was felt that a way should be found for taking the concept forward with a pilot project as early as possible. Also, 4C Secretariat should ensure involvement of Coffee Board and Govt. of India in this process, particularly keeping in view the proposal for the steering committee meeting of 4C at Bangalore in March 2006, which is an option still under discussion. **However, several producers present in the workshop felt that there is a need to arrange for another consultative workshop at Bangalore prior to the steering committee meeting.**

The reception that was hosted by German Embassy in the evening provided a relaxing atmosphere for further informal discussions on 4C and was welcomed by the participants.

The moderator wishes to place on record his high appreciation of the very patient and persuasive manner in which Mr.Carsten Schmitz-Hoffmann and Joppe Vanhorick responded to the participants' questions in the most friendly manner possible. This helped the workshop atmosphere to be maintained in a calm manner, keeping in mind the difficult situation with which the workshop had started.