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**Use of ICO Special Fund to promote coffee
domestic consumption in selected
exporting countries**

Background

1. The ICO Special Fund, established under the International Coffee Agreements of 1976 and 1983, was created with the aim of financing additional measures to support economic provisions of market intervention mechanisms with contributions from exporting Members. As all activities of the Special Fund ceased with the end of the market control system, in September 2016 Members decided to distribute the remaining assets among three regions – Latin America, Africa and Asia – to boost local coffee consumption and make coffee industries in exporting countries more resilient to external shocks.
2. Members were therefore invited to submit an application containing information on the planned use of resources made available in order to access them. Updates on the activities carried out and results achieved can be found in Annex I.

Action

Members are requested to note Annex I of the present document.

I. Promoting domestic consumption in the PROMECAFE region

The first region to receive funds in 2018 was Latin America through a transfer of **US\$458,566** to the Inter-American Institute for Agricultural Cooperation (IICA) on behalf of PROMECAFE, the programme-executing agency for the region. PROMECAFE executed the project between 2018 and 2021 and covered **Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama and Peru**. The estimated population of these countries was 227 million people in 2022. Total production during coffee year 2022/23 was 22.9 million 60-kg bags and total exports were 15.1 million bags, with the total domestic consumption of the same period being estimated at 5.8 million bags. Per capita consumption is low, averaging 2 kg, with the highest level for Costa Rica (6.6 kg) in 2022. The participating countries of the region imported around 1.9 million bags. Four main areas of intervention for the project included: (1) the increase of national capacities related to the promotion of domestic consumption, (2) the diagnosis and design of domestic consumption plans, (3) the promotion of strategic alliances to encourage domestic coffee consumption and (4) information and knowledge management.

As reported by the executing agency, the main achievements have been the following:

- The establishment of a baseline for market study in each country
- The establishment of experience sharing between countries
- The setting up of a national plan for domestic consumption in all participating countries
- Market study to assess coffee consumption and analysis of determinant factors of future growth of domestic coffee consumption in the PROMECAFE region
- The improvement of knowledge of coffee consumption and health
- The establishment of a domestic consumption platform to manage information and data

II. Promoting domestic consumption in Africa

A portion of the ICO Special Fund amounting to **US\$454,021** was transferred to the Inter-African Coffee Organisation (IACO) to execute the promotional programme of domestic consumption in Africa under the close supervision of the ICO Secretariat.

Starting in May 2019, the project's activities covered 15 countries in Africa: **Cameroon, Central African Republic, Congo DR, Côte d'Ivoire, Ethiopia, Gabon, Ghana, Guinea, Kenya, Nigeria, Rwanda, Tanzania, Togo, Uganda, and Zambia**. The population of the selected countries was estimated in 2022 to be at 70.5 million people and production was estimated at 17.2 million bags of coffee in coffee year 2022/23. Total exports were estimated at 13.3 million bags while imports totalled 718,988 bags. Total domestic consumption of these 15 countries was estimated at 5.4 million bags in 2022/23, representing 0.3 kg per capita on average, with the highest per capita consumption recorded in Ethiopia (2.2 kg).

Activities were organized under three main components:

- An analytical review of domestic consumption and the roasting industry
- Support for national strategies related to coffee roasting, distribution, and consumption
- Strengthening communication on the relationship between health and coffee

As reported by the executing agency, the main results of the project were the following:

- i) An analytical review of domestic consumption and the roasting industry (component 1)** has been completed and the report is available. The report presents the key drivers of coffee consumption in the participating countries as well as opportunities and challenges.

Opportunities:

- Increasing small and medium-size local roasting units
- Increasing number of branded café houses in many countries
- Potential coffee consumption among young people between 15 and 34 years of age representing on average 33% of the total population
- Increasing petty coffee vendors' shops
- Increasing urbanization
- Increasing Gross Domestic Product leading the increase of the middle class

Challenges:

- Lack of local manufacturing
- Most packaging materials are imported from China, India, Turkey, USA and Europe, increasing the production cost of the processing industry
- Negative perception of coffee and health

- ii) Support for national strategies related to coffee roasting and domestic consumption (component 2)**

Training activities to build the capacity of existing and potential roasters and baristas were implemented. Training activities have benefitted from additional financial resources from the International Trade Centre (ITC). These training activities have also been supported by Gabon and the Agency for Robusta Coffee of Africa and Madagascar (ACRAM).

Financial support was also provided to countries for their respective national strategies to increase domestic consumption. These included building coffee consumption outlets (coffee kiosks) and national promotional exhibitions.

iii) **Strengthening communication on coffee drinking and health (component 3)**

To address the misconception of the relationship between drinking coffee and health, a series of awareness-raising conferences and workshops were organized in selected countries. Health benefits of coffee drinking were presented by experts. A documentary film on coffee and health was produced.

The African regional programme concluded in September 2023. The programme has since been absorbed into the IACO's programme of activities to continue to monitor promotional activities in its member countries. A programme to boost domestic consumption and value addition generation has been set up under the name of "DACBA" (**Drink African Coffee Build Africa**).

III. **Regional programme of domestic consumption in Asia & Oceania**

Unlike the first two regions, where the programme was carried out under a single regional executing institution (PROMECAFE and IACO), ICO Member countries of the Asia & Oceania region are widely dispersed geographically, creating additional costs when working together on a regional project.

In addition, participating countries in the region are at different stages in the development of their local coffee industry, making joint project management too complex. Consequently, beneficiary countries agreed to implement independent and decentralized project components focusing on activities that are relevant to each country in accordance with the development needs of their coffee sector. As a result, each of the selected countries was invited to apply for the transfer of an allocated portion of the ICO Special Fund by providing a detailed implementation plan indicating relevant activities under the two components of the project, the timetable and deliverables. In September 2020, the Finance and Administration Committee approved the concept note on Promoting Coffee Consumption in the Asia Pacific region outlining detailed portions of the ICO Special Fund allocated to each country out of the total fund of **US\$478,509 (document SF 45/20)**:

- India: US\$90,000
- Indonesia: US\$90,000
- Vietnam: US\$90,000
- Papua New-Guinea: US\$52,000
- Nepal: US\$34,000
- Philippines: US\$34,000

- Thailand: US\$34,000
- Timor-Leste: US\$34,000
- ICO supervision: US\$20,509

The selected countries of the region had a total population estimated at 2 billion people in 2022 and a total coffee production of 48.8 million 60-kg bags during coffee year 2022/23. Total exports during the same period were 42.8 million bags, with total imports around 7.4 million bags. It should be noted that the region has a high rate of intra-regional trade of coffee. Total consumption was 16.8 million bags in 2022/23, representing a per capita consumption of 1 kg. The ICO special fund was used to contribute to existing national programmes to increase domestic consumption. Each country was invited by the Executive Director's correspondences to apply for a portion of the Special Fund to cover its relevant activities and be responsible for project implementation and financial resource management. Six countries have received their portions of the ICO Special Fund.

Two countries (**Philippines and Timor-Leste**) have not yet requested their portion of the Fund, despite several discussions and exchanges with the ICO Executive Director.

Country-specific activities

a) Promoting domestic consumption in India

Starting in coffee year 2020/21, project activities have been implemented under the authority of the Coffee Board of India, covering two main components. The first component is to review government policies and domestic coffee consumption as well as reveal the drivers and constraints of domestic consumption in India. The second component is capacity-building in the Indian coffee sector and support for promotional activities to encourage domestic consumption.

i) Review of existing government programmes to promote coffee consumption

Analytical review of the government programme revealed the ongoing promotional activities for expanding Indian coffee exports of pure and high-quality coffee as well as increasing domestic consumption. Consumption level in 2022/23 was estimated at 1.6 million bags.

- The Coffee Board of India has established a program titled "**Re-imagined India Coffee House through franchise**" aiming to expand the chain of India Coffee House outlets by implementing a franchise-owned franchisee-operated model.
- Entrepreneurship development programmes to encourage entrepreneurial coffee businesses were organized in many regions.

- **Driving force of coffee domestic consumption**
 - Increasing awareness regarding coffee and coffee-related drinks
 - Rising consumer incomes
 - Increasing out-of-home consumption of food and beverages
 - Regular promotional activities of modern café chains
 - Expanding the young population of potential coffee consumers, coffee being perceived as a fashionable drink by the youth
- **Challenges to domestic coffee consumption**
 - Relatively higher price of coffee compared to tea (at home and out-of-home)
 - Limited knowledge of coffee preparation methods and techniques at home
 - Negative perception regarding impact of coffee drinking on health
 - Non-availability of good quality coffee in eateries in non-southern regions
 - Limited availability of green beans across the country for processing
 - Lack of Indian-made and affordable coffee making machines and other equipment
 - Preference for sweet drinks in western and eastern regions of the country
- ii) **Capacity-building of stakeholders and promotional activities to encourage domestic consumption**

Opportunities for consolidation of coffee drinking trends were identified. Training needs were identified, and extensive training of stakeholders was carried out. These training sessions included:

- Food safety management in cafés
- Coffee quality management
- Coffee trading
- Coffee entrepreneurship

Activities in India will continue during coffee year 2024/25 under the leadership and guidance of the Coffee Board of India with additional financial support from government.

b) Papua New Guinea (PNG)

The project is being implemented by the Coffee Industry Corporation (CIC), which received US\$52,000 as a portion of the US\$475,000 allocated to the region. In accordance with the concept note approved by the Council at its 126th session (document SF-45/20), the first component of the programme is to analyse existing government policies and assess capacity-building need.

The second component is developing promotional materials and the provision of training to stakeholders. PNG benefitted from additional complementary funding to implement the programme. A consultant has been commissioned to undertake a study on the market assessment and value chain analysis of the domestic market for coffee products in Papua New Guinea. It should be noted that the Covid-19 pandemic slowed down the implementation, but things are back to normal.

- **Analytical review of existing government policies and domestic coffee consumption**
Although the draft report is still under consideration, it discusses domestic consumption capacity and market challenges faced by the distributors of imported and local coffees, local roasters, hotels, restaurants, cafés, and business support services as well as supermarkets and trade stores.
 - Domestic coffee market is at a nascent stage, with unexplored opportunities.
 - Consumption has increased by 1% over the last three years.
 - Around 30% of domestic consumption is supplied by local roasters while 70% is imported processed coffee.
 - There is an increasing number of SMEs in the processing industry.
- **Developing promotional materials and provision of training to stakeholders**
 - The Australian Development Agency has facilitated six barista and coffee training sessions throughout the country.
 - Further training sessions on how to set up and run a coffee shop are planned next year.

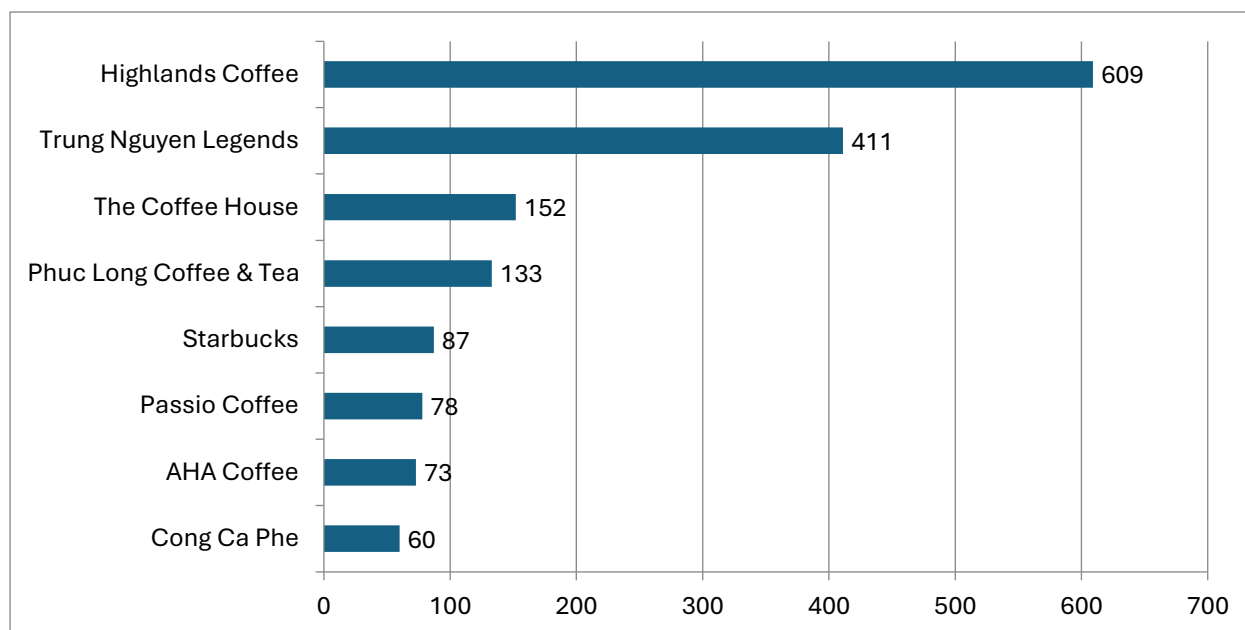
c) **Vietnam**

In July 2020, the ICO Secretariat transferred a sum of US\$90,000 to VICOFA as a portion of the US\$475,000 allocated to the region to implement the project to boost domestic coffee consumption in Vietnam. The first component of the project, which concerns an analytical review of domestic consumption and local coffee market structure, has been completed. The report indicated that Vietnam has developed a well-established culture of coffee. Several companies have not only been engaged in the domestic trade of coffee but also have established their presence in foreign markets. Additionally, increasing global exposure, western culture, and penetration of established coffee brands are anticipated to be the key factors that drive the expansion of coffee chains in Vietnam. At the same time, more sophisticated tastes among people in the country are expected to support the country's coffee market. Moreover, the increased acceptance of coffee is attributed to the emergence of premium stores from companies such as Highland's Coffee, Starbucks Corporation, Phuc Long, and Trung Nguyen Legend, Cong Ca Phe, The Coffee House, AHA coffee, Mehico Coffee and Thu Ha Coffee, among others, thereby fuelling

market growth. For instance, in November 2022, The Coffee House operated more than 150 outlets across Vietnam. Moreover, these outlets have created an experiential element for coffee drinking by creating attractive and relaxing ambiances, which is enabling them to increase their revenue.

Furthermore, coffee chains in Vietnam are focused on establishing new 'upscale' store formats that are being designed to meet the increasing demand for elevated coffee and culinary experiences among Vietnamese consumers.

Most number of coffee shop chains in Vietnam in 2023



The training needs assessment survey of relevant stakeholders has been documented. Members of VICOFA organized Barista competitions through the year all over the country and focused especially on the big cities, where the demand for coffee consumption and also coffee jobs are high. The competitions included Barista Challenge, Latte Art Competition, Roast Challenge, ASEAN Barista Team Champion. Additionally, a lot of training courses on coffee processing, coffee cupping etc. have been organized.

d) Indonesia

The ICO Secretariat transferred US\$90,000 from the Special Fund to Indonesia in July 2021 to implement the project by the Coffee and Cocoa Research Institute (ICCRI) with the participation of the Indonesia Coffee Exporters Association (ICEA) and the Sustainable Coffee Platform of Indonesia (SCOPI). The programme in Indonesia is organized into four main components, including:

- Review of domestic coffee consumption and government policies
- Developing promotion of domestic coffee consumption
- Capacity building of stakeholders in the Indonesian coffee sector

- Developing a digital coffee platform (CoffeeHub.id)

Activities are well underway, but a report on recent development still needs to be received.

e) Nepal

The National Tea and Coffee Development Board (NTCDB) received US\$34,000 in April 2021 as a portion of the US\$475,000 allocated to the region to execute the project for Nepal. The Nepalese programme had two main components, including:

- The review of government policies and domestic coffee consumption
- Building capacity for stakeholders in the coffee sector

The first component has been fully executed as a report was presented to the Council in September 2023. Detailed information of activities related to the second component is yet to be received. The representative of Nepal at this present session may be invited to provide more details.

f) Thailand

Thailand received US\$34,000 in February 2021 as a portion of the US\$475,000 allocated to the region to implement its coffee domestic consumption programme. Thailand has integrated the programme into the Thai Coffee Excellence event, covering the contest, an auction and a talk on Thai coffee consumption and development trend. The project concluded and a report was presented to the Council.

With regard to the Asia & Oceania region, a supervisory mission to the region by the ICO Secretariat could be conducted to learn more about the execution of the project. A regional workshop could be held during a major coffee event such as the Asia International Coffee Conference. It should be noted that the portion of US\$20,509 allocated for ICO supervision in the Asia & Pacific region has not yet been used.

Recommendation:

As for the case of unclaimed portions of the ICO Special Fund, the Philippines and Timor-Leste have not completed the process to receive the funds to implement their programmes.

As a consequence, these two portions, totalling US\$68,000, could be used to organize experience exchanging workshops in one of the countries that have implemented the project.