



Organización Internacional del Café  
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Organisation Internationale du Café

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**Private Sector Consultative Board**  
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London, England

**Worldwide Sustainable Coffee Fund**

### **Background**

The attached document was received from Mr. Walter Zwald (Coffee Buying and Consulting, Switzerland) and contains information about the Worldwide Sustainable Coffee Fund which is aimed at addressing the coffee crisis.

### **Action**

The PSCB is requested to consider this document.

# The Worldwide Sustainable Coffee Fund

## Coffee – a crisis without precedent – and a potential solution to it

### Situation

Coffee is grown in 50 countries over 4 continents; its production represents the main income to 25 million people. Since the production area is near the equator, they are located exclusively in developing countries in Central and South America, Africa and Asia.

By now, for over three years, coffee has been traded at the world markets at a value of between 50 and 60 per cent of its previous price level due to an over production and flattened out consumption. The reduced revenue is simply unbearable for the peasants, most of them small, family sized. In addition to the humanitarian disaster, there is a real potential for growing and geographically expanding social problems: migration to the urban areas, immigration into Europe and the US, switch to illegal income procurement such as criminality, prostitution, drug cultivation and traffic.

Coffee is the second-to-biggest commodity traded in the world, just after petroleum. Expressed in figures, the income for the coffee-producing farmers was reduced from US\$ 12 billions to US\$ 5,5 billions.

Most of the international governmental and non-governmental organizations, such as EU, UN, Worldbank etc., have contributed to find a solution to this coffee crisis. All participants have agreed that there is an urgent need for action – the initiatives undertaken so far however have not yet brought the decisive turn-around. The majority of the coffee experts are in agreement on the direction which will lead out of the coffee crisis, such as promotion to stimulate consumption and coaching of the producers to gradually increase sustainability. On the other hand, concrete proposals for its financing and implementation have so far not been presented.

### Birth of a potential solution

As an expert in the coffee business holding several management positions for many years, Mr Walter Zwald served as President of the Swiss Coffee Trade Association as well as a board member of the European Coffee Federation. Right before inception of the crisis, he proposed a coffee fund to counter-act to the stagnating coffee consumption and to induce the producing countries to environmentally friendly production and process techniques. Since the break out of the coffee crisis the humanitarian aid has been given a major importance in the idea of the coffee fund.

Mr Zwald had the opportunity to present his idea at countless conferences: at the ICO (the International Coffee Organization), the ECF (European Coffee Federation), the UN, to delegates of politics, industry and press. Even though the conceptually simple idea found many supporting voices, the various attempts for its implementation could not be concretized. Therefore, the need for a change of strategy has become apparent: Mr Zwald concluded that his idea has to be implemented by himself and hence opened a new chapter by founding the Worldwide Sustainable Coffee Fund. He recruited additional volunteers, Messer Albert Rymann, Christian Rymann and Urs Küchler, in order to co-ordinate the launch of the fund.

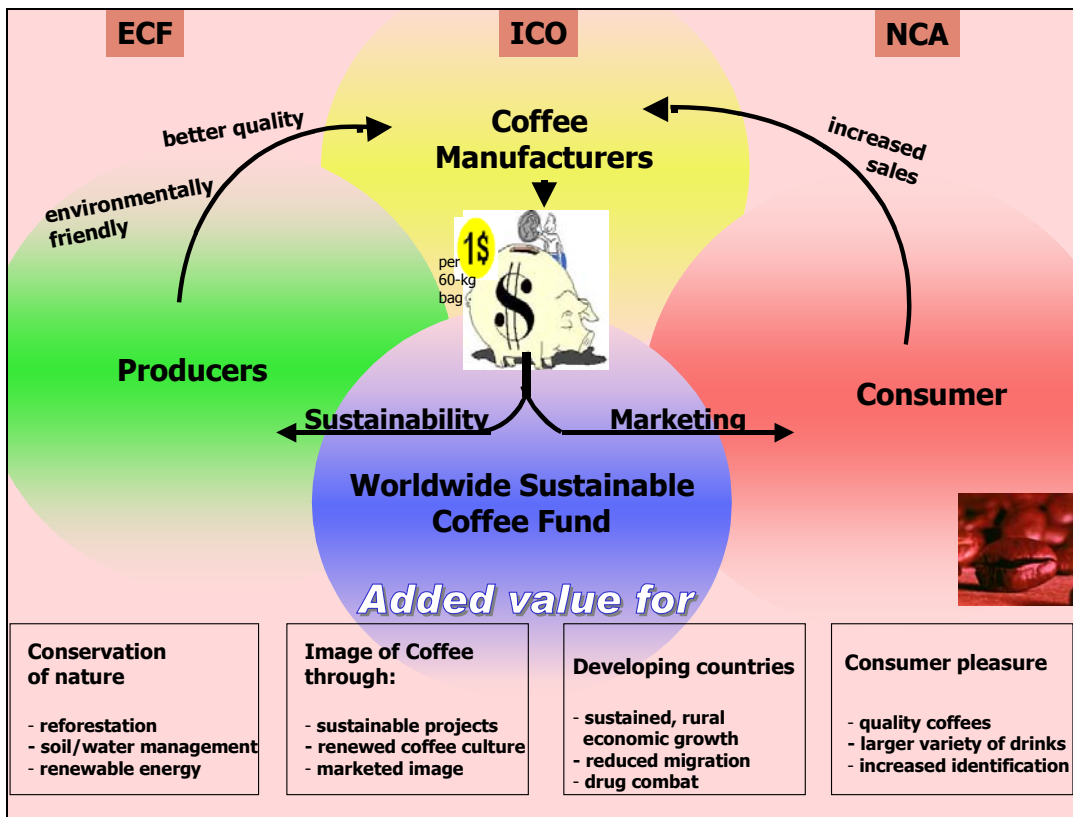
It has to be noted that the fund focuses on the mainstream market. This is to be understood as complementary to the various activities in the area of fairtrade which account for 1 – 2 % of the world coffee consumption only.

# The Worldwide Sustainable Coffee Fund

## Objective

The Worldwide Sustainable Coffee Fund will provide added value to everybody involved. Through a higher quality of the coffee and accompanying marketing the consumer will be induced to enjoy more coffee what will lead to an increased demand and finally to a reduction of the oversupply. The improved quality will be provided through specific programs of agricultural measurements and methods of processing in the producing countries. A large importance will be given to the environmental and social sustainability and to the economic stability within the entire coffee business.

As a by-product the dramatic social situation of the majority of the producers will be relaxed, what will lead to a reduction of the global threat of social conflicts (migration, drug cultivation and traffic, prostitution and child labor).



# The Worldwide Sustainable Coffee Fund

## The fund

It is planned that the coffee roasters contribute to the fund US\$ 1.- per 60-kg bag processed, what represents between 1 and 2 % of their purchase price. With an annual production of about 80 million bags, close 70 million bags should be captured which result in a contribution to the fund of US\$ 70 millions per year. Half of this amount will be made available to promotion of the consumption in the northern consuming countries and half of it to social and environmental projects in the producing countries.

The fund plans that its administrative expenses will be sponsored by the World bank, the EU or the UN, by private institutions as well as by national governments. **This would allow allocating 100 % of the contributions to the projects.**

Further, it is foreseen that for strategic decisions the fund management will consult the ICO (International Coffee Organization), the ECF (European Coffee Federation) and the NCA (National Coffee Association of America). In addition, NGO's such as Transparency International will assure the good flow of the funds. The ICO will also be an important partner for several projects and developing marketing strategies.

## Marketing in traditional and potential coffee consuming countries

The marketing goal is to increase the sales with the effect to balance out offer and demand.

The promotion will be implemented for the product "coffee" without the mention of any specific brand. A broader audience shall become aware of the variety of uses of coffee products. Following are some specific marketing activities proposed:

- Renaissance of the traditional coffee culture in relation to a professional preparation and combination with new types of coffee drinks. This is going to be achieved mainly through presentations and training, for example in co-operation with the worldwide experienced Specialty Coffee Association ([www.scae.com](http://www.scae.com) and [www.scaa.org](http://www.scaa.org)).
- Animation of the younger customers for modern and traditional coffee products.
- Press releases and reports on the positive effects of coffee ([www.positivelycoffee.org](http://www.positivelycoffee.org)).
- Publicity campaign in new markets, such as Eastern Europe, Russia, Taiwan and China.

The marketing activities will be discussed with the Promotion Team of the ICO and will be co-ordinated with promotion of commercial brands to increase efficiency.

## Agricultural, social and environmental projects in the coffee producing countries

The Worldwide Sustainable Coffee Fund will support projects in the production countries that aim at improving agricultural practices with focus on environmental aspects as well as projects for the improvement of the social situation of the workers on the coffee plantations. In order to guarantee a structural improvement of both aspects, hence the long lasting sustainability, the projects will have to be born and carried out by the local farmers or its workers. The selection process for choosing the projects to be supported, will build upon this criteria. Furthermore, we consciously intend to include a representative share of women in the projects and the trainings.

# The Worldwide Sustainable Coffee Fund

Among the projects that the Worldwide Sustainable Coffee Fund supports are:

1. Education of coffee farmers in terms of quality/rentability of the crop and sustainability of their plantation. Such education will be implemented through agronomists who in turn will also take advantage of further education offered and workshops for interchanging experiences.
2. Use of renewable energy resources (e.g. biogas) for the drying process of the beans in order to avoid deforestation.
3. Administrative coaching of small farms as well as education of their administrative workforce
4. Co-ordination and co-financing of measurements aiming at soil and ground water management as well as reforestation.
5. Co-financing of new and replacement installations of the farms for increased sustainability.
6. Medical support. Support of existing local programs for medical assistance.
7. Support for school attendance for children and adults.
8. Supply Management. Proclamation to the responsible coordinators of organizations for exports of the producing countries that the key to success is the quality rather than the quantity produced.

The fund will not provide any direct financial aid, but support exclusively projects that will be able to provide a clear performance statement upon its completion. Through the national coffee associations and other channels coffee farmers and cooperatives will be invited to present existing and new projects. The documentation provided will be thoroughly examined to assure the feasibility and relevance of the project selected. NGO's, third parties or the team of the fund administration itself will undertake the supervision of the execution of the projects supported.

The funds available for the coffee producing countries will be allocated to 75 % into four major regions, namely Asia, Africa, South-America and Central-America/the Caribbean. The last quarter of the funds will be destined to projects that present a high urgency. The structure of the fund is such that the contributions to the projects arrive completely at its destination and the administrative costs will be avoided wherever possible.

Each country and each region is owner of its own characteristics; therefore the projects will have to be different based on the country and region they are located in. Countries that base upon simple production methods will mainly benefit from agricultural education whilst countries that count mostly on industrialized production methods will benefit more from social projects.

## Chances for success

As the coffee crises shows no signs of an end, a worldwide agreement for action exists. National governments, the UN, national and international coffee organizations agree to support – within their boundaries – the Worldwide Sustainable Coffee Fund. Furthermore, Coffee Experts of international fame have welcomed the concept of the fund. The industry, that is the companies that are due to provide the monetary contributions, know the fund idea. However, for them to justify their participation, we have to present concrete projects with convincing capacity that clearly highlight the advantages of the fund also towards the sponsors. These presentations have to be undermined with relative lobbying in the industry and the international boards.

If this work can be accomplished as planned, we should be ready to start the first projects in summer 2005. Large effort and time is however still needed until then.

A first success represented the award from Specialty Coffee Association of Europe in the category Bold Initiatives that Mr Walter Zwald received for this idea of the coffee fund in 2004. This recognition confirmed the value of the fund idea.

# The Worldwide Sustainable Coffee Fund

## Budget

Preparation phase (September 2004 to August 2005):

Traveling within Europe	about 10 at Fr. 1,500.-	Fr. 15,000.-
Communication		Fr. 5,000.-
Material		Fr. 5,000.-
Lawyer and tax audit		Fr. 5,000.-
Varies and admin costs		Fr. 5,000.-
Estimated time	Voluntary work in the preparation phase	-.-
Specific projects	Complete weeks dedicated to specific projects in the preparation phase 2 x 6 weeks	Fr. 20,000.-
Total		Fr. 55,000.-
(Corresponds to about)		(Euro 35,000.-)

## Your contribution

**To accomplish this project we need to count on your contribution. In exchange we can offer periodic updates on the status of the fund ([www.coffeefund.org](http://www.coffeefund.org)) in addition to the promising chances for success of the plans above described. We take it for granted that the noble cause of this enterprise does not require further explanation.**

Furthermore, we offer to show you openly our books about all the activities any time. You can also keep yourself updated on all our activities on our website at [www.coffeefund.org](http://www.coffeefund.org).

To confirm or discuss your contribution to the preparation phase please get into contact with us or deposit your contribution into the bank account no. 01-00-614357-08 USD at Luzerner Kantonalbank, CH-6002 Lucerne/Switzerland (IBAN Number CH88 0077 8010 0614 3570 8), in the name of the Worldwide Sustainable Coffee Fund.

We appreciate your kind attention to our matter in the name of all those who have been suffering from the coffee crisis for 4 years now.

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