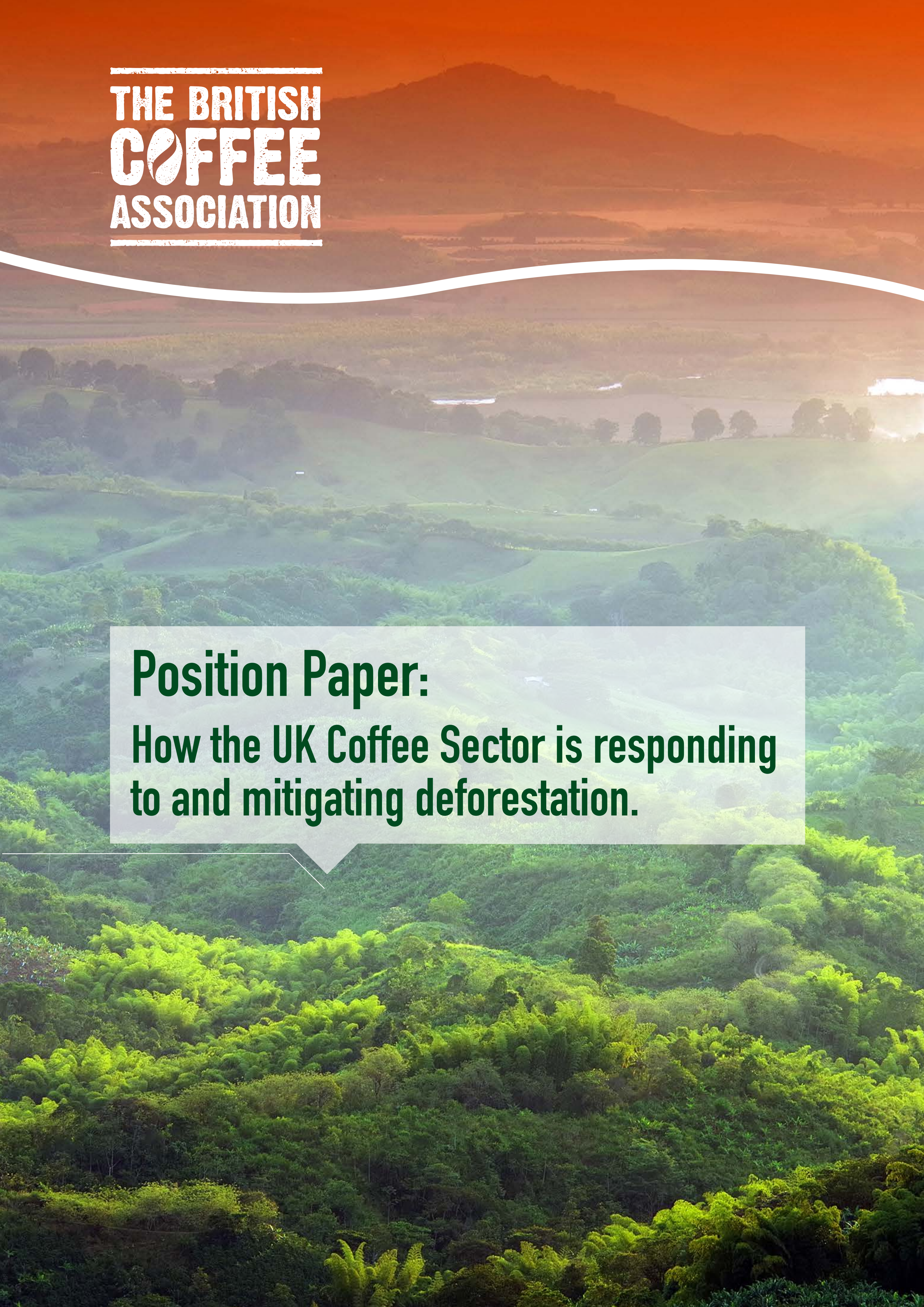
THE BRITISH COFFEE ASSOCIATION



Position Paper:

How the UK Coffee Sector is responding to and mitigating deforestation.

> Coffee is produced in approximately 80 countries globally. The UK imports, either directly or indirectly, from around 75% of these.

The British Coffee Association welcomes the focus the UK Government has brought to the issue of deforestation and its recognition that the use of forest risk commodities should be included within the scope of the Environment Bill. Coffee is not specifically referenced by the UK Government as a forest risk commodity, however BCA and its members recognise that coffee has both a part to play and an increasingly positive story to tell.

Global Coffee Scene

Coffee is produced in approximately 80 countries globally, the majority of which fall into 4 main production regions: South & Central America; the Caribbean, Africa (principally East Africa) and Asia.

Arabica coffee (Coffea arabica) accounts for around 60% of global production, being grown through Latin America, Central & East Africa, India and Indonesia.

Robusta coffee (Coffea canephora) is the remaining 40% of production and grown predominantly in West and Central Africa, South East Asia and South America.

At the individual country level, Brazil is the largest coffee producer, accounting for some 35% of global production, mainly Arabica. Vietnam follows at 16%, having seen a rapid expansion of production, particularly Robusta, in recent years, followed by Colombia and Indonesia both at 7%.

The UK imports, either directly or indirectly, from around 75% of these producing countries.

Coffee imports into the UK are around 3% of the global coffee market, however, statistics from the Food and Agriculture Organisation indicate that the combined UK and EU market is around 50% of global coffee trade. How these markets focus on coffee production is therefore important in delivering sustainable solutions, which address the challenge of deforestation whilst returning living income returns to producers.

UK coffee in context

The UK imports approximately 175,000 tonnes of green coffee from non-EU origins each year. A proportion of this amount (circa 10,000t) will be re-exported, still as green coffee, predominantly to the EU27. UK imports equate to approximately 5-6% of the EU import total.

Additional to that there are approximately 10,000 tonnes of coffee in either roast & ground or soluble (instant) form.

It is estimated more than a quarter of the world's coffee is produced under a certification scheme such as Rainforest Alliance, Organic, and Fair Trade. However, estimates for the European and UK market suggest the figure is higher.

These cover a number of sustainability criteria and operate independently of the coffee trade.

Additionally, a number of larger coffee businesses operating within the UK also run their own sourcing programmes. As the International Coffee Organisation noted in their 2019 Coffee Development Report, "whilst these sourcing programmes have their origins in quality and productivity activities, they have now moved to address deforestation alongside other sustainability challenges such as living income, gender and labour issues."

The Global Coffee Platform (GCP) operates a benchmark standard – a Sustainability Reference Code – to which many third party and company own certification schemes seek equivalence. The GCP Code, the latest version of which was published in October 2021, has a requirement that "… natural forests and ecosystems are protected from conversion or degradation whether legal or not (no deforestation or conversion) after 1 January 2014 (or earlier)."

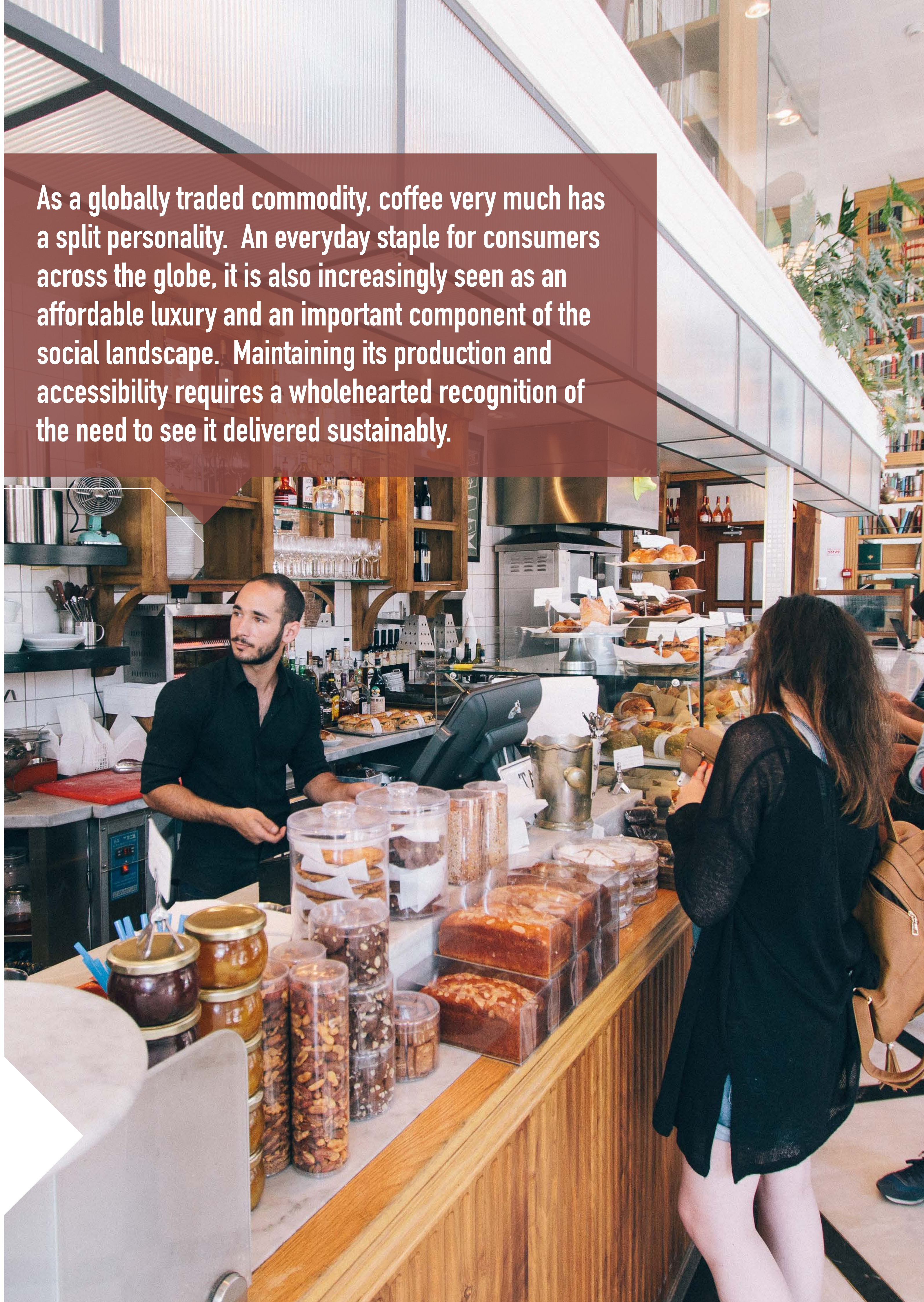
Deforestation and Coffee

i) Is coffee a forest risk commodity?
The conversion of forest to farmland is generally recognised as the primary cause of global deforestation where over 8.5 million hectares are removed each year. Studies, such as the EU Biodiversity Strategy for 2030, acknowledge coffee as being a small contributor to this statistic. There is, however, a recognition that the global increase in demand for coffee, which we expect to see continue, will have an increasing impact.

Regulatory approaches at both UK (Environment Bill) and EU (Green Deal) level highlight the concept of forest risk commodities. The Global Canopy Programme defines forest risk commodities as "globally traded goods and raw materials that originate from tropical forest ecosystems, either directly from within forest areas, or from areas previously under forest cover, whose extraction or production contributes significantly to global tropical deforestation and degradation".

As a globally traded commodity, coffee very much has a split personality. An everyday staple for consumers across the globe, it is also increasingly seen as an affordable luxury and an important component of the social landscape.

As a globally traded commodity, coffee very much has a split personality. An everyday staple for consumers across the globe, it is also increasingly seen as an affordable luxury and an important component of the social landscape. Maintaining its production and accessibility requires a wholehearted recognition of the need to see it delivered sustainably.



Maintaining its production and accessibility requires a wholehearted recognition of the need to see it delivered sustainably.

Unlike a number of other commodities, however, coffee has advantages in its production which allow it to happily co-exist in a mixed environment where the benefits of cropping alongside other plantings can be seen in both the product quality mix as well as the producer income level.

Supporting these commercially-driven actions through their recognition in the negotiating mandate - which the UK takes forward into future trade agreements - would be a key action which gives sufficient certainty to the industry and gives confidence to the consumer that their favourite hot beverage is being produced in a sustainable way. Crucially it would also deliver positive benefits in terms of the challenges of land degradation and ensure that coffee does not "… contribute significantly to global tropical deforestation and degradation".

ii) Deforestation Impacts on Coffee:
With an increasing focus on the topic of deforestation in relation to commodity crop production, there is a growing concern that the temperature increases foreseen as part of climate change will have a significant impact on where coffee can be produced and, therefore, the overall production level of coffee going forward. Estimates on the scale of impact vary but the more pessimistic views suggest a cut of 50% in global area is possible over the next 30 years. BCA and its members recognise that one of the consequences of a reduction in the current production area could be increased pressure to remove currently forested area for commodity food and feed production. We therefore welcome the engagement that is already underway globally within the coffee sector, not least through the work of the International Coffee Organisation and its public-private partnership programme, and are engaging to ensure the UK coffee industry and its consumer base are part of that.

iii) What steps are being taken?
Achieving real and lasting change requires a multi-faceted approach involving both the public and private sector, which continues to recognise the producer at its heart. Such an approach will involve a combination of voluntary measures, whether that be through certification & voluntary initiatives or the development of private projects and the framing of such approaches within a guiding regulatory structure. The coffee industry has been working towards these for a number of years and **annexed to this paper** are some **specific examples** which BCA members are directly involved in.

Within the commodity sector there are a number of broad encompassing drivers that can be used to help develop a wider uptake of best practice. These will include crop rotation, targeted input use, soil management techniques and water management approaches. From a coffee perspective the use of agroforestry is a rapidly-evolving technique which can be adapted in a number of different ways to both arrest the depletion of forest cover and at the same time deliver on other aspects such as soil and water management.

BCA recommends the following actions are considered, which involve a partnership approach between industry and Government, and require close liaison and coordination across the European coffee market as a whole:

iv) Role of Shade Coffee:
Traditionally coffee has been considered to be a shade-loving plant and was therefore grown in conjunction with trees to provide the necessary degree of shade and allow a more regulated temperature. During the second half of the twentieth century, a push towards 'sun coffee' was made as a result of increasing global demand for coffee and the need for increased yield and coffee plants which reached productive maturity at a more rapid rate.

In the last decade there has been an increasing focus on the resurgence of shade coffee, driven not only by its lower environmental footprint but also on the back of increasing demand for the quality spectrum of speciality coffee supply. Recognising the lower yields associated with this production, a growing number of purchasers have increased returns to producers whilst also building producer awareness of the need for environmentally-conscious production. Research has also given producers the opportunity to couple coffee production with productive shade cover in terms of citrus, banana and even palm oil trees.

Further developments in the area of shade coffee offer the opportunity to see this production type further extended, increasing the market share of shade coffee.

v) The role of yield and productivity:
Delivering a sustainable coffee sector, with focus on both deforestation and net zero carbon targets, does not mean that this has to be achieved at the expense of continuing developments on yield and productivity increases. Indeed, in line with many other commodity crop production systems, those involved in coffee research and development recognise how productivity and sustainability need to go hand in hand. World Coffee Research, in its 2020 Annual Report, recognises that "better plants and better information, alongside innovative approaches are all needed to maintain farmer wellbeing and meet sustainability goals".

The UK Government now has the opportunity to take forward some of the principles of its domestic support system and encourage the development of a financial support package for producing countries.

Broadening the scope of trade agreements

As the UK begins to develop bilateral trade agreements outside the European Union and the European Single Market, it is important that sustainability criteria become more centrally established as a component of these agreements. In the continuing absence of a WTO led multi-lateral trade agreement structure it is important the developed countries, including the UK, take the lead in establishing sustainability criteria more centrally within negotiations and agreements. Such a move would inevitably go beyond only the topic of deforestation, potentially encompassing the protection of social rights and the protection of additional natural resources. The use of internationally agreed protocols would underpin agreements, providing legally enforceable structures and thereby providing consistency and clarity for business, from producer to consumer.

Confirmation that these requirements were being delivered could, relatively simply, be engineered into existing certification and verification schemes whether they be voluntary systems or private, individual business, sustainability programmes. A level of consistency and transparency would furthermore allow a clearer message to be conveyed to the final consumer.

> The UK is at the forefront of efforts to introduce standardisation in terms of sustainability metrics, one example being the work of the Sustainable Food Trust – a programme receiving broad support within the UK, from producers through to retailers, and is looking to broaden its scope beyond the UK.

From a final consumer point of view the ability to understand the sustainability criteria of a product and the ability to clearly compare those criteria against competing products is an important component of building consumer awareness and buy-in. The use of existing routes to deliver this has then the potential to be framed through legislation – as opposed to new legislation seeking to lay down more detailed requirements.

There is also work ongoing within the UK and European coffee sector to develop agreed figures which determine the Product Environmental Footprint (PEF) for coffee.

Building back better – Green Funding

Moving out of the Covid-19 pandemic there is a strong push, both inside and outside Government, to ensure that capacity is rebuilt on a more sustainable basis. The UK Government's approach to post-CAP agricultural production support and the principles behind the EU Green Deal approach, provides more evidence of green funding and green investment.

At the same time, we hear from institutions such as the World Bank about the lending structures they have in place and the work they are undertaking with National Governments to develop a 'payment by results' approach to delivering greater sustainability.

The UK Government now has the opportunity to take forward some of the principles of its domestic support system and encourage the development of a financial support package for producing countries which focus more on the payment by results concept which would incorporate the concept of due diligence in addition to the requirements for sustainable forest management. At the same time, this approach should be structured to complement existing public-private partnerships and private sector sustainability initiatives.

Enabling Regulatory Structure

The function of regulation should be to establish a level playing field for industry, to set the framework for the delivery of increased supply chain efficiency and to guide businesses to deliver actions on the ground which result in sustainable and deforestation-free supply chains.

These actions need to accord with developments in origin countries to avoid the displacement of non-sustainable actions or activities – actions which can be delivered through the expansion of trade agreement mandates previously covered.

Moving Forward – a case of reforestation?

In 2019 the International Coffee Organisation commenced its public-private task force which brought together a range of actors from Governments, industry/private sector and supporting organisations to take forward an agreed position – the London Declaration. A wide-ranging pledge aimed at improving the position of coffee producers, the task force is specifically covering the promotion of competitive and sustainable production and sourcing.

A focus on coffee producers - and retaining their continued production of coffee - will require reforestation rather than deforestation to be a key element. Delivering that will require supply chains to adapt to the most effective way of meeting these requirements and this will differ from origin to origin. It will also ensure that coffee production strengthens its position as a forest positive commodity.

Paul Rooke, Executive Director
British Coffee Association

The International Coffee Organisation's public-private task force brings together Governments, industry/private sector and supporting organisations to promote competitive and sustainable coffee production and sourcing.

Thank you to those who contributed to this deforestation paper:

British Coffee Association Sustainability Committee

British Coffee Association Deforestation Working Group

Roxy Rocks-Engleman, Chair of BCA Sustainability Committee and Sustainability Communications Manager, Café Direct

David Short, Sustainability & Regulatory Specialist, JDE

Nadia Hoarau-Mwaura, Sustainability Director, JDE

Alan Davison at HERO-Creative.com

THE BRITISH COFFEE ASSOCIATION

www.britishcoffeeassociation.org