Overview of the Coffee Sector in Timor Leste

January 2003
Table of Contents

Preface................................................................................................................................. ii
1. Background......................................................................................................................... 1
2. The Coffee Producers of Timor Leste............................................................................... 1
3. Coffee in Timor Leste......................................................................................................... 2
4. A Brief History of the Coffee Sector in Timor-Leste...................................................... 4
   5.1. Producers Initiatives and NGOs.................................................................................. 7
   5.2. Buyers and Exporters of Timor Leste Coffee................................................................. 10
   5.3. Government and Bilateral Support............................................................................... 16
5. The Current Situation : Initiatives in the Coffee Sector.................................................. 6
6. Major Issues Facing the Coffee Sector........................................................................... 19
7. The Significance of the Coffee Sector in Timor Leste..................................................... 26
8. The Global Coffee Trade................................................................................................... 27
9. Conclusion ......................................................................................................................... 29
Appendix A: Understanding Coffee Prices.......................................................................... 32
References: Printed Material/Correspondences/Interviews................................................... 33

List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
</tr>
<tr>
<td>ATJ</td>
<td>Alter Trade Japan Inc.</td>
</tr>
<tr>
<td>CDEP</td>
<td>Centro Dezenvolvimento Economia</td>
</tr>
<tr>
<td>Popular</td>
<td>Coffee Farmers Forum</td>
</tr>
<tr>
<td>CFF</td>
<td>Cooperativa Cafe Organic</td>
</tr>
<tr>
<td>CCT</td>
<td>Cooperativa Cafe Timor</td>
</tr>
<tr>
<td>DAI</td>
<td>Development Alternatives Inc</td>
</tr>
<tr>
<td>EASD</td>
<td>Economic Affairs and Statistics</td>
</tr>
<tr>
<td>Division</td>
<td>Fair Trade Labelling Organisation</td>
</tr>
<tr>
<td>FLO</td>
<td>Halibur Cafe Diak</td>
</tr>
<tr>
<td>HEKS</td>
<td>Hilfswerk der Evangelischen Kirchen</td>
</tr>
<tr>
<td>Schweiz</td>
<td>International Coffee Agreement</td>
</tr>
<tr>
<td>ICA</td>
<td>International Coffee Organisation</td>
</tr>
<tr>
<td>MAFF</td>
<td>Ministry of Agriculture, Forestry and Fisheries</td>
</tr>
<tr>
<td>NCBA</td>
<td>National Cooperatives Business Association</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Government Organizations</td>
</tr>
<tr>
<td>PARC</td>
<td>Pacific Asia Resource Center</td>
</tr>
<tr>
<td>PWJ</td>
<td>Peace Winds Japan</td>
</tr>
<tr>
<td>SCAA</td>
<td>Specialty Coffee Association of America</td>
</tr>
<tr>
<td>UNTAET</td>
<td>United Nations Transitional Administration for Timor-Leste</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
</tbody>
</table>
Overview of the Coffee Sector in Timor Leste

Preface

This report provides a summary and an analysis of the current situation of the coffee sector of Timor Leste, both distinct from and within the context of the international crisis in coffee production.

This report was commissioned by Oxfam in Timor Leste and carried out between 9th September and 3rd October 2002\(^1\). A preliminary draft was distributed for comment which were then incorporated into this final draft. Information used included secondary sources such as publications, reports, correspondences and notes from interviews kept at the Oxfam office in Dili and through personal interviews with available persons actively involved in or knowledgeable of the coffee sector in Timor Leste during the drafting period. Final editing was undertaken by Oxfam.

This report is intended to inform those interested in the coffee sector in the hope that efforts can be coordinated to create and develop a sustainable and equitable coffee sector which not only contributes to the economic development of the nation but more importantly, to the livelihoods of those who rely on coffee the most: the small producer.

\(^1\) The first draft of this report was prepared by Mr. Ric Curnow
Overview of the Coffee Sector in Timor-Leste

Executive Summary

Coffee was introduced into Timor Leste early in the nineteenth century by the Portuguese colonial authority in an attempt to establish a coffee export industry. By the mid-nineteenth century, coffee had overtaken sandalwood as Timor Leste’s major export; a situation that continues today. With the beginning of Indonesian rule in 1975 a new era began characterised by a monopolistic coffee export system with little investment in the sector. Yields dropped dramatically and many of the plantations established during the Portuguese era became overgrown and began to be harvested by surrounding farmers. In 1994 the Timor Leste coffee export industry became de-regulated with the removal of the state sponsored monopoly allowing the entry of the US National Co-operative Business Association (NCBA) backed by USAID funding, as well as a variety of other buyers operating mainly through West Timor. NCBA working through the Co-operativo Café Timor (CCT), became the major actor in the coffee sector during a turbulent period both politically (the post-consultation violence in 1999 and transition to independence) and economically for the coffee sector (a period when international coffee prices fell to 30-year lows).

In 2002, coffee remains Timor Leste’s major export. Based on figures provided by exporters, the 2002 harvest is estimated to be 7,000 to 11,000 tonnes of green bean worth six to ten million dollars. Production is dominated by an estimated 44,000 small producers (harvesting on average one to two hectares) representing approximately 25% of the population. The producers are typically upland subsistence farmers who harvest areas of coffee investing little effort in maintenance such as pruning, re-planting, weeding etc. For these people, coffee sales are estimated to represent 90% of their cash income.

There are a wide variety of coffee buyers and exporters at present. These include small development projects focusing on small quantities from specific producer groups (a number of NGOs and the Portuguese Mission), ethnic Chinese traders buying mainly parchment and exporting through Indonesia, companies who have invested considerable funds and export directly from Dili (such as TimorCorp Ltd, the largest buyer and exporter and Delta Café) and a hybrid of a development project and co-operative (CCT/NCBA, the largest buyer of ‘cherry’).

Producers either sell ‘cherry’ mainly to CCT or process into parchment which is sold to a variety of buyers. According to exporters, in 2002 the majority of coffee is processed on-farm into parchment using the ‘dry’ process. The price paid for cherry in 2002 was 15-18c/kg depending on whether purchased at processing centers or the ‘road side’ (a substantial increase from 10-12c/kg paid in 2001) and for parchment 35 to 43c/kg (depending on the buyer, location and quality). The increase in prices paid in 2002 has been attributed to a number of factors such as improved access to premium quality markets, Fair Trade markets, organic markets, donor influence etc.

At present, the coffee sector faces a number of interrelated issues:–

- Falling prices in the global market as a result of the international coffee crisis. Coffee exporters in Timor Leste are currently running at a loss, operating on very slim margins or are receiving donor support
- Limitations in specialty markets. The limited demand for Fair Trade and the high cost for certification of ‘organic’ compared to the premium price received
- International cost competitiveness (relatively high local salaries, use of US dollars as currency, poor infrastructure etc)
- Inconsistency of quality (compounded by a poor understanding of the quality issues among producers and the absence of effective extension systems )
- Aged and neglected plantations, resulting in vulnerability to disease (currently shade
trees but also potentially coffee bushes) and low yields

- Poor roads and infrastructure resulting in increased transport costs and limited access to processing facilities affecting quality of product
- Poor information sharing and coordination within the sector

There is currently a large number of organisations and projects involved in the coffee sector; the Coffee Unit within the Ministry of Agriculture, Fisheries and Forestry, exporters (directly from Dili or through Indonesia), producer groups, co-operatives, NGOs, bilateral projects etc. In general, most recognise the above constraints to the sector and are attempting to resolve some of the issues within their own project areas following their own strategies. Each has a role to play within the sector and experiences (positive and negative) to share. Although the above constraints are common to all, there remains little communication between these organisations and projects resulting in high levels of distrust, duplication of effort and an inability to learn from successes and failures. This situation is exacerbated by the absence of a coordinating body.

Although coffee remains Timor Leste’s major export, the contribution of this sector to the national development process is best seen in terms of the income it provides to a substantial proportion of the rural population. Although there are significant constraints to the development of a sustainable industry there is still potential. Approximately 80% of the coffee grown is of the Arabica variety and by default through neglect most coffee is organic and forest grown. In addition, few of the world’s coffees are produced on islands at high altitudes. There is therefore potential to produce high-grade coffee for specialty markets capitalising on both Timor Leste’s profile and geography. The key issue is to develop and maintain a consistently high quality of coffee. This will require considerable effort at all levels which would benefit greatly from improved coordination throughout the sector.
Overview of the Coffee Sector in Timor Leste

1. Background

Timor first entered the annals of the global economy in the fifteenth century, when the records of the Chinese court noted it as a significant source of sandalwood (Taylor). The trade in sandalwood remained the island's chief export commodity, supplemented with honey, wax and slaves, until the mid-nineteenth century when coffee overtook sandalwood as the major export. Coffee has remained ever since the chief export from the island. Sandalwood was close to commercially extinct in Timor Leste by the early twentieth century and the logging of limited surviving stands is outlawed (DJSB).

From the early sixteenth until the mid-eighteenth century, various groups (indigenous, Dutch and Portuguese) competed for political control of the territory. In 1749 it was agreed that the west of the island would fall to Dutch administration, while the east and the enclave of Oecusse would fall to Portuguese administration, a situation that continued largely uninterrupted until the end of the colonial period (Taylor). The Portuguese administration is thought to have introduced coffee to Timor Leste early in the nineteenth century, and by the 1860s, it accounted for more than half the colony's exports. It continues to be the major export commodity to this day, officially accounting for three-quarters of all exports from Timor Leste in 2001 (EASD).

2. The Coffee Producers of Timor Leste

The vast majority of people of Timor Leste have relied on subsistence agriculture for the greater part of their livelihood. To this day, the cultivation of coffee represents a source of supplementary cash to this subsistence existence, with most estimates suggesting around 44,000 of Timor Leste’s families (approximately 200,000 people\(^2\)) relying on coffee as their major source of cash (World Bank). Coffee producers are located throughout Timor Leste, but concentrated particularly in Ermera district, where perhaps close to half the country’s coffee is produced. The districts of Manufahi, Ainaro and Liquica also produce significant amounts of coffee, as do to a lesser extent the districts of Aileu and Bobonaro (Baffoun, World Bank, Laird).

Timor Leste’s coffee producers are characterized as gatherers rather than growers as they generally do not make a significant effort to tend their coffee bushes, restricting that effort largely to clearing the land around the bushes to allow them access for the next harvest. During harvest time, they tend to supplement their own labor, mostly with kin and to a lesser extent with hired help. The average producer works only 55 days a year with their coffee plantation and another 16 days processing the harvest. The average coffee producing family has six members, four of whom are available to help with the crop. It is estimated that earnings are between $127 and $200 per family per year, 90% of which comes from the coffee crop (World Bank). Sometimes additional labor may be utilized which normally includes extended family or seasonal workers usually paid in kind (Atkinson).

While 90% of growers assert that they own the land they work, many are harvesting coffee from lands abandoned by the former estates. This land, by law, defaults to the state, but

\(^2\) In 2001 the population was estimated at 790,000 not including an estimated 120,000 persons at that time residing in refugee camps in West Timor (Government of Timor-Leste)
senior administrative officials are amongst the first to acknowledge the state's inability to enforce the law, and suggest growers be given *de jure* as well as *de facto* rights to the land. In the meantime, lack of security of tenure for growers affects their relationship with their plantations. For example, the extent to which they are willing to invest capital in plant stock or other long term activities may be limited because they are unsure of accruing long term benefits from their effort because of uncertainty over tenure (World Bank, da Cruz).

3. Coffee in Timor Leste

According to Alf Kramer, a leading Norwegian coffee expert, "there is a more or less total confusion and numerous contradicting opinions of what varieties" of coffee are grown in Timor-Leste. To give a brief example of how such confusion is amplified, documents produced by the National Co-operative Business Association (NCBA) to promote the coffee emerging from their project describe it as "one of the finest and most unique coffees in the world", grown in "fertile volcanic soils", the "Hibrido de Timor". Elsewhere, reports produced by Development Alternatives Incorporated (DAI), have described Timor's coffee as among the top 1% in quality and price worldwide (Kramer, DAI 1).

However, the island of Timor is not volcanic, neither are its soils (which are generally thin and unfertile, especially at altitude), and despite the claims, very little of Timor-Leste's coffee would be considered among the best of the world's coffees. The "Hibrido de Timor" is largely indistinguishable from other hybrids that bring together some of the qualities of the two main cultivated types of coffee (in particular the ability to grow in thinner, less fertile soil), and in blending the two types loses some of the cup qualities of the more highly valued and less hardy type.

In addition to unidentified strains of coffee being introduced to Timor, neglect and inattention to coffee plantations over long periods have produced cross-fertilisations, and no accurate picture emerges of the type of coffee grown. The Co-operativo Café Timor (CCT), which relies on NCBA expertise, recognises three types of Arabica coffee in Timor-Leste, dependent on altitude and harvest time, and not on the strain (Gautier, Laird, Kramer, DJSB). There is a reasonable concurrence that the coffee grown in Timor-Leste is around 20% of the less valued Robusta variety, and 80% made up from various strains (including the Hibrido de Timor) of Arabica. While some buyers and bilateral groups have made new coffee plant material available to growers in an effort to introduce some consistency and some new growth to the plant stock, these efforts have yet to have any noticeable effect (Kramer).

Coffee from Timor is unusual: not much of the world's coffee is grown wild at the higher altitudes of a tropical island, and the lack of attention paid to the plantations means it is by default organic. Its organic status however is not guaranteed as, even if consensus is maintained amongst coffee growers to avoid synthetic fertilisers, such a consensus will be impossible to maintain across the entire agricultural sector, and the possibility of leakage affecting coffee plantations remains (Kramer).

Traditionally, Timor-Leste's coffee producers have processed their own coffee from 'cherry' on the bush to parchment. Based on figures provided by exporters, around 75% of coffee was processed this way in 2002. Cherry starts to deteriorate only hours after being picked, whereas properly stored parchment deteriorates slowly. The technique used by growers, generally known as 'dry processing' produces a wide range in the quality of coffee produced. This depends on many things, including how much material other than well-picked ripe coffee is included, how long before the process is begun, how long the coffee is dried, how clean the process is, and so on. The varied nature of the techniques used by individual farmers reduces the quality and the likelihood of consistent quality across the coffee
processed this way (Pomeroy, Moreno, Kramer, Laird).

The rest of Timor-Leste's coffee is 'wet-processed'. Most wet-processing is carried out at the four factories established in the coffee districts by NCBA/CCT. A smaller amount is also carried out at two older Portuguese facilities that have been refurbished recently by the Portuguese agricultural mission and a smaller amount again at the Pacific Asia Resource Center (PARC) project in Maubisse. Wet processing washes the pulp of the cherry from the bean, rather than waiting for it to dry in the sun, and is generally recognised to produce a better quality coffee. Because coffee is processed in a central location, quality controls are easier to maintain and should result in greater consistency. However, wet processing must be conducted within a minimal time from picking - ideally 12 hours, and no more than 24 hours - or the coffee will ferment uncontrollably, spoiling quality (Kramer, Pomeroy).

4. A Brief History of the Coffee Sector in Timor-Leste

The cultivation of coffee in Timor-Leste began as an experiment in the early nineteenth century, but by mid-century a thriving regional trade had emerged. The Portuguese had a stronger preference for establishing large plantations for coffee and by the end of the Portuguese colonial period (1975) around 45% of the estimated 45,000 tonnes/year of coffee exported from Timor-Leste was grown on large plantations. The attempt to establish a plantation system saw the rise of labour practices that included "forced cultivation of cash crops, forced and contract labour, illegal recruitment and starvation wages" (DJSB, Gunn).

The widespread establishment of coffee as a commodity occurred at the end of the nineteenth and beginning of the twentieth centuries, when successive colonial governors forced the rural population, particularly those living in highland areas, to plant, grow and harvest coffee on their own small holdings. In one instance, as punishment for a rebellion against taxation in 1911-1912, the colonial Governor required every family to plant and cultivate no fewer than 600 new coffee bushes (DJSB, Moxham).

Coffee from small holdings remains the major source of the coffee crop from Timor-Leste. During the first half of the twentieth century, numerous attempts were made to establish large commercial operations, but these mostly fell to government control after World War II. Large family-owned and run plantations have only ever accounted for a smaller proportion of total output (Moxham).

While coffee was the major export from Timor-Leste, it depended to a great extent on farmers who were not integrated into the economic system: they either provided coffee to market as a supplement to their subsistence existence, or provided to plantations the labour required to continue operation.

Following the Indonesian invasion in 1975, exploitation of Timor-Leste’s coffee producers continued under the control of the new occupying power in particular, the Indonesian military. The corporation P.T. Batara Indra became the only entity with a coffee export license provided by the Government of Indonesia. This monopoly continued until 1995. Through their subsidiaries, they took over all of the large plantations (P.T. Salazar) and controlled the buying of parchment (P.T. Denok) through a network of indigenous rural and ethnic Chinese collectors, many of whom are still operating in Timor-Leste. An equally well controlled and government supervised collection monopoly disguised as a cooperative acting on behalf of farmers (Puskud Timor Timur with 16 affiliated district based ‘co-operatives’), was established to coordinate procurement for which they received a fee of approximately

---

<sup>1</sup> Timor-Leste Federation of Co-operatives
Rp. 100/kg (NCBA). The price however was fixed by P.T. Denok at levels well below those in other markets (Kramer, DAI).

The coffee industry in Timor-Leste during the Indonesian period showed little interest in maintaining or developing cultivation practices, or indeed in contributing any kind of capital return to the enterprise. They were interested only in extracting income through the quantity of cheap coffee they could accrue for forward sale, mostly through the Indonesian port of Surabaya. As a result, interest in coffee cultivation amongst the East Timorese generally decreased. Farmers acting as caretakers simply began to harvest beans annually from the previous large plantations as well as from their own small holdings.

The widespread replacement and regeneration of plant stock, the pruning of bushes and clearing of land, and all farming activity beyond the collection of cherries and their processing for sale, all but ceased during this period. If there was significant knowledge of coffee cultivation held by East Timorese, it was probably largely lost during this period in which the amount of coffee produced annually had fallen as low as 6,000 tonnes/year by 1994 (Kramer).

Pressured by the US Government, the Indonesian Government allowed the existing monopoly in the Timor-Leste coffee sector to be broken in 1994 by allowing representatives of the NCBA to begin working in the sector. Coffee producers were given an option on how they might sell their coffee: through the cooperative, which began paying a farmgate price that reflected the prices NCBA could obtain in the open market, through more familiar channels into the Indonesian market or through several other buyers based in West Timor. Producers enjoyed the benefits that competition brought to the marketplace (the price paid for coffee increased fourfold in the first week of NCBA buying in 1994), and the amount of coffee being sold through NCBA steadily increased, to the point that the total amount of coffee produced in Timor-Leste was expected to exceed 10,000 tonnes/year by 1999. The opportunity to increase the cash supplement to their subsistence existence had captured the interest of the farmers and motivated them to increase output (Moxham, Pomeroy).

The major change in behaviour for producers selling to NCBA emerged from NCBA's preference for undertaking the entire processing of the coffee themselves buying only freshly harvested 'cherry'. This change left coffee producers with more time to harvest but reduced their involvement along the processing chain. Traditionally, producers have carried out a 'dry process' for processing their harvested cherry to parchment, but NCBA introduced widely the 'wet process' which could be undertaken at their own centralized facilities and ensured a better and more consistent coffee quality (DAI). For the producers however, the new processing technique did not substantially change their harvesting practices, even if they did more of it.

In the wake of the destruction and political turmoil of 1999, NCBA continued to work with what was left of the Indonesian cooperative system. A structure of 16 local organisations known as Cooperativa Cafe Organic (CCO) were established under the umbrella of the Cooperativa Cafe Timor (CCT) (Moxham). With the re-commencement of purchasing, processing, sales and export operations during the 2000 season, CCT became the only significant purchaser of coffee.

However, during this period, as the Indonesian control over Timor-Leste was collapsing, so was the international market for coffee, as a result of structural oversupply problems that had

---

4 NCBA began work in Indonesia in 1977 and has helped to create a number of export industries (shrimp, furniture, vanilla etc).
5 Organic certification of CCT's coffee producers was obtained through a US based organic certification organisation in 2000 (Gum 1)
flooded the market with cheap coffee (Brown). The international coffee price for 2000 as indicated by the New York “C” price was significantly lower than in 1994 (DAI 2). The combination of CCT becoming the only significant buyer and the significantly lower price offered for cherry (related to the international market) led to resentment amongst coffee growers and activists. Many believed that with the competition out of the way NCBA/CCT was now engaging in the same kind of monopolistic behaviour Timor-Leste’s growers had experienced in the past. Some growers formed an association and demanded that the United Nations Transitional Administration for Timor-Leste (UNTAET) take action against the perceived injustice, threatening to take the matter into their own hands if their demands were ignored (CFF).

5. The Current Situation: Initiatives in the Coffee Sector

In 2002, producers have several options for sale of their coffee, and political tension in the coffee sector is considered low. Coffee producers depending on the price, location and time within the harvest season, may sell most of their harvest directly as ‘cherry’ to buyers such as CCT and process the rest themselves into parchment for sale at a later date through other channels. The prices paid by CCT in 2002 for cherry ranges between 15 and 18c/kg (Gum 1). Buyers of parchment include Chinese Traders, Agriculture Service Centers, Timor Corp etc. Prices paid in 2002 for parchment vary between 35 and 43c/kg. Processing coffee cherry to parchment before selling represents a potential loss of earnings as well as increased processing effort, as 1 kg of parchment is equivalent to approximately 4 to 5 kg of cherry.

An emerging social implication of the switch to selling cherry without processing has been the change in the way cash income from coffee is received by growers. When they were processing coffee themselves, they were able to sell their coffee in small lots as they required cash (for example, for school fees, or for alcohol and cigarettes). The parchment they held acted like a bank account to be drawn on. However, if farmers elect to sell cherry, they must sell it immediately after harvest. As a result, growers receive most of their yearly cash income from coffee in a very short period. The long party that increasingly takes place in the coffee regions at the conclusion of the harvest, means that little work is done in this period - by the growers, or by extended family members who may travel a great distance to join them at party-time. The excesses of this period mean that less cash is available at other times of the year (da Cruz).

Timor Leste’s coffee producers remain poor, disorganised and prone to exploitation, but the post 1999 era has boosted the potential for large changes in the lives of those linked to the coffee sector (Moxham). The most radical changes in Timor Leste’s coffee sector have been seen among the buyers and exporters. What was a closed and controlled market with a restricted number of organisations involved a decade ago is today deregulated. Particularly since 1995 with the start of deregulation the sector has undergone major changes which are likely to continue for some time before stabilizing. In addition, to the increase in numbers of buyers and exporters as a result of deregulation, there is also a great variety of projects and initiatives in the coffee sector supported by a range of donors, government and Non-Government Organizations (NGOs) and, in at least one instance, coffee growers themselves.

5.1. Producers Initiatives and NGOs

In Ermera, in 2002, a group of around 30 coffee producers, most of whom already claim ownership of larger than average holdings (of seven to ten hectares, compared to the average of one or two hectares), have formed an association to represent their interests. Aware of the access they now have to the outside world that was previously denied them, they hope to
improve their market power, to improve the quality of the coffee they produce, and to take possession officially of some abandoned coffee land. Augustino Carmilo Exposto, the association's coordinator, says that if successful, the association intends to greatly increase in size, and already has representatives in other districts. The Ermera coffee growers association has already approached the NGO Peace Winds Japan (PWJ) about the possibility of assistance to establish a Fair Trade arrangement with a coffee importer in Japan. PWJ continues to talk with the group, although its commitments elsewhere may mean it is unable to assist in this case (Exposto, Kanamaru).

However, the initiative shown by this producer-driven association may be unique. Other initiatives have emerged, particularly linked to efforts by NGOs to establish ‘fair’ terms of trade for producers, including initiatives in villages near Portuguese era processing centres rehabilitated recently by the Portuguese agricultural mission. Currently, PWJ is working with a small group of around ten families in Letefoho (Ermera District) and is planning to sell coffee to Japanese buyers beginning with 15 tonnes of green bean from the 2003 harvest.

An international NGO PARC in collaboration with a national NGO, Yayasan Hak, has already assisted a group of 34 farmers in the Maubisse area to process 10 tonnes of parchment. This is currently being processed in Dili to green bean (approximately 6 tonnes) and will be exported to Japan. The buyer, Alter Trade Japan (ATJ) may also be interested in purchasing from the group supported by PWJ in the future. The project has also assisted the group with the provision of basic processing equipment that is intended to be paid for by the group when their harvest has been sold. Producer groups using Portuguese facilities and their own facilities have earned significant premiums after adopting new processing practices (Kanamaru, Junko, Moreira).

ATJ at present also imports products such as organic bananas from The Philippines, naturally grown shrimps from Indonesia and coffee from grower’s cooperatives in Peru, Mexico and Tanzania. ATJ imports on behalf of consumer co-operatives in Japan and is mandated to promote direct relationships between producer and consumer groups following principles of self-reliance and environmental sustainability (ATJ Home Page). ATJ is now in the process of buying coffee from the Maubisse group as an ‘experiment’ and is interested in pursuing a long-term relationship with these producers. PARC and ATJ hope that, if successful, the program will be extended to other areas in collaboration with other NGOs (Gum 2, 3).

Less encouraging is the story of Halibur Cafe Diak (HCD), an organisation of 41 producers and their families from Liquisa District. According to Antonio da Silva, HCD sold coffee to Switzerland in 2000 and 2001 through the Swiss NGO Hilfswerk der Evangelischen Kirchen Schweiz (HEKS). However, the group has been told that this was 'emergency' support, and that if the export of coffee to Switzerland is to continue, the group must first demonstrate its ability to export coffee using its own expertise. Consequently, the group is trying to meet a commitment to an Indonesian buyer to deliver 100 tonnes of coffee to Surabaya by November this year, in order to demonstrate their ability to meet conditions they have been told is required for a Fair Trade arrangement with Swiss groups. The group is undertaking this risky activity with some assistance from an Indonesian association of lawyers, AKMAR, which has no previous expertise with the coffee sector and generally provides legal support to underprivileged communities (da Silva). The growers have had no contact with the HEKS since February 2002.

Other NGOs such as Centro Dezenvolvimento Economia Popular (CDEP) have been involved in assisting producer groups to roast and package coffee for the local market. This coffee is sold through some of these NGOs and was displayed at the Expo Popular during the Independence celebrations in May 2002 although it is unclear how much is sold on an ongoing basis.
In general, coffee producers and their families have no effective system of organisation and management. Most encouraging is the Ermera growers association, which seems to be self-motivated, responsible and clearly focussed on working within the environment of the international market, in an effort to improve the income, expertise and wellbeing of the association's members, their families, and even their descendants. If the association can maintain its momentum, it is likely to meet with some success. The independent success of the association may serve as an example or a model for other producers. Indeed, other community based initiatives which this study failed to unearth may already be active (Exposto).

The interest of local and international NGOs in Timor Leste's coffee sector has largely been inspired by the impetus to establish Fair Trade arrangements between groups of growers in Timor Leste and foreign specialty, buyers at this stage focusing on buyers in Japan such as ATJ. In seeking to establish such arrangements, the greatest inhibitor has been a lack of quality in Timor Leste’s coffee. Ito Junko, working with PARC in Maubisse maintains that while direct contact with outsiders is often enough to convince Timor-Leste's growers to adopt new practices, it will take several years at least before the group she is working with to be able to properly maintain a Fair Trade arrangement. PWJ has also begun working towards a Fair Trade arrangement between a pilot group of ten growers and supporters of PWJ in Japan. Recognizing the problem of maintaining coffee quality, PWJ is proposing to bring in trainers from Indonesia and Japan to help the pilot group to improve their cultivation and processing practices. The pilot group is expected to generate a more general change in local cultivation and processing practices once an appreciation of the preferential terms of trade for quality spreads through the local community. PARC and ATJ are hoping to expand on this model in collaboration with other NGOs once further demand from foreign buyers has been developed.

At the moment, the inability to ensure delivery of consistent quality coffee is inhibiting the development of fair and alternative trade arrangements (Gum 1). Buyers are unwilling to commit to the long term contracts Fair Trade standards require without an assurance that they will receive coffee of consistent quality which they can market (Starbucks). PWJ is using fair or alternative trade as an incentive to motivate coffee producers to change their practices with the expectation that this will contribute to consistent quality coffee, which in turn will help realize long term fair trade contracts resulting in improved incomes.

Other significant factors limiting the establishment of more Fair Trade arrangements are both social and institutional. Coffee producers are in general unaware of coffee marketing issues and the need for consistency and quality. This is compounded by generally low education levels and a lack of organisational and management skills. In order to change cultivation and processing practices in response to market demands much time and skill in working with rural communities is required. NGOs such as PARC and PWJ appear to have these skills but are limited by resources and therefore confine their activities to limited areas. The expansion of these kinds of projects is also contingent to an extent on the availability of Fair Trade buyers. Recent research has indicated that coffee suppliers on the Fair Trade register could supply 6 times the quantity of coffee to Fair Trade buyers than they are doing at the moment (Oxfam 1). It is therefore unlikely that the Fair Trade movement can absorb coffee from all producers.

---

6 At present, ATJ is not registered by the Fair Trade Labelling Organisation (FLO) but nevertheless, much of the mission statement of the organisation reflects Fair Trade principles.

7 This register refers to that maintained by FLO based in Germany.
5.2. Buyers and Exporters of Timor Leste Coffee

**TimorCorp Ltd.**
The biggest buyer and exporter of coffee in 2002, Timor Corp Ltd, did not exist prior to the political split with Indonesia. The company is largely owned and controlled by an Australian businessman, Mr. Kenny Lay. Mr Lay, who was born and grew up in Timor Leste before becoming successful in his adopted country, decided that he wanted to 'do something' for the country of his birth. To date, Timor Corp represents his biggest interest in Timor Leste.

Timor Corp buys coffee as parchment from all sources, mostly agents, and hopes to purchase around 6000 tones of coffee this year, having already purchased 1,500 tones at the time of interview and 4,000 tones in the 2001 season. The manager Jeff Lunny, the only expatriate amongst a staff of 70, maintains Timor Corp was paying the highest price for best quality parchment at 43c/kg in September 2002. Timor Corp prefers that suppliers deliver direct to its warehouses in central Dili (formerly used by PT Denok), but also runs a number of trucks. Timor Corp has invested in excess of USD $1.5 million in plant and equipment for processing coffee beans for export. Timor Corp exports mostly to Europe, where it sells coffee at a substantial discount of around 44c/kg below the NY 'C' equivalent. Smaller amounts are exported to the US, Australia, Singapore and Japan. Timor Corp has had some problems maintaining the quality of its product exported to Europe.

About 25% of the beans received as parchment are rejected as waste during processing. Lunny states that Timor Corp is trying to instill in producers an understanding of the need for quality in the coffee they sell, but says he has yet to overcome resistance from growers, and is also quick to blame 'rapacious' traders who buy coffee of any quality for export to Indonesia, where it is generally mixed with local coffee and sold as Indonesian coffee. Timor Corp employs Timorese buyers from non-coffee growing districts, as buyers from within coffee districts are unable to enforce quality control in areas where they are known and where they have family relations.

Lunny states that Timor Corp is currently operating at a loss because of quality issues and the global slump in coffee prices. While he feels that a revival in the global market would make the company profitable in the short term, ultimately Timor Leste's coffee industry will only survive if the growers make a commitment to higher quality coffee and better management of trees and plantation areas. He thinks that this is unlikely in the immediate future. He adds that Timor Corp however, is committed to remaining involved in the Timor Leste coffee sector irrespective of the current overall conditions within the industry both in Timor Leste and globally. As the level of development assistance declines in Timor Leste, the role of the privately owned and operated companies in the coffee industry will become more important (Timor Corp).

**Co-operativo Café Timor**
Although the CCT is a cooperative, it operates like any other commercial operation. Assessments of the viability of CCT commissioned by the United States Agency for International Development (USAID), the major donor to NCBA, are made in just these terms. CCT inherited the structures of its Indonesian predecessor (PUSKUD Timor Timur), and as such, tends to operate much more as a top down structure, rather than as a cooperative built up from the grassroots. Although membership is approaching 20,000, many growers continue to express distrust of the cooperative and its employees, and disinterest in extending their relationship with CCT (Atkinson 1, Atkinson 2, La’o Hamutuk). However, if CCT continues to pay significantly higher prices every year as indicated by the prices paid in the 2002 season, growers’ views of CCT are likely to improve. Nevertheless, NCBA reports continuing threats of violence by growers against buyers who have refused to buy coffee they considered bad quality (DAI 1, DAI 2, Baffoun, Gautier).
CCT today operates as a quasi-commercial operation with the members as owners enjoying the above market price equivalent CCT is paying for coffee cherry, the limited dividends the cooperative pays, and access to the cooperative’s 8 fixed health clinics, 24 mobile health clinics and 16 demonstration and training facilities. However, CCT continues to rely on the expatriate experience of NCBA for its management and sales components, and on the ongoing financial support of USAID. Between 1994 and the end of 2002, USAID will have committed over $17 million to its coffee project in Timor Leste and CCT will be holding around $7 million in assets as a result. While USAID funding for the project is set to wind down at the end of 2002, there is an expectation amongst NCBA and CCT staff that it will be extended for at least another 3 years.

Considerable discrepancies emerge between the descriptions of CCT and its operations provided by NCBA and CCT staff on the ground in Timor Leste, and those provided by USAID and NCBA staff located elsewhere. These discrepancies relate to the price, volumes and quality of coffee bought, processed and exported from Timor Leste, to staffing levels and abilities, and to the profitability and sustainability of CCT as an independent entity. Some discrepancies can be attributed to a desire of managers located elsewhere to emphasise positive aspects of the project. However the inaccuracies which emerge in the two Development Alternatives International reports prepared for USAID in 2001 into the sustainability, both general and financial, of NCBA's Timor Leste coffee project are excessive (DAI 1 and DAI 2). When tested, local information has proven more accurate, and has generally been used throughout this document.

CCT employs around 200 permanent staff, rising as high as 1800 staff during the peak of the harvest season. Staff are employed particularly at the five factories CCT operates, but also throughout the coffee districts as buyers, administrators and other staff working for the CCOs. In 2002, NCBA in Timor Leste has 2 expatriate positions directly supporting the operation. This number is expected to decline in 2003 to one full time and one half time position as one position will become more involved in non-coffee agricultural operations (NCBA).

The strategic plan of USAID/NCBA/CCT, though not explicitly stated, goes approximately as follows. Having been initiated as a political maneuver, large funds have been made available to assist with establishing a world class coffee sector in Timor Leste, led by a profitable corporation owned by the growers that succeeds in improving their livelihood. The group acknowledges the generally poor quality of coffee in Timor Leste and is working hard to improve this by installing infrastructure to improve coffee processing from the earliest possible intervention (hours after it is harvested), by training East Timorese to manage the process, by insisting that growers work to improve the quality of their harvest, and by providing a social premium (health care) to members as an incentive to produce better quality coffee.

Staff are frustrated by difficulties in changing the attitudes of producers although they acknowledge that the general quality of cherry from members has improved in 2002. They and their East Timorese colleagues are aware that the East Timorese are many years away from managing the business at current levels by themselves. Estimates vary with regard to how much continued external assistance is required until CCT becomes self-sustaining. This will depend on the continuing internal organisational development of CCT as well as external

---

8 NCBA reports that funds utilized by CCT for commercial coffee sector operations are disbursed through a revolving fund which CCT has been able to repay fully in seven of its first eight years with the exception of 1999 (NCBA).
9 Although the focus has been coffee, 25 % of these funds have been used to support the associated health services and also for other agricultural activities with coffee farmers (NCBA).
factors such as the success in changing the basis of coffee production from harvesting to farming and the ongoing development of the nation and government as a whole (NCBA).

In 2002, the 16 regional affiliates (CCOs) of the CCT paid around $2.5 million to purchase around 12,500 tonnes of ‘cherry’. From this cherry, it is estimated that 1600 tonnes of certified organic green bean will be produced, which will be exported directly to either the USA, Canada, Australia, New Zealand, Japan, Great Britain, Holland, Denmark or Germany (NCBA). The price paid for cherry this year (15-18c/kg) is a significant increase compared to the prices paid last year (10-12c/kg) and is considerably more than the international market price (NY ‘C’) equivalent. During the 2002 season, when the higher prices were offered the CCT facilities were overwhelmed at times, so much so that they were unable to process all the coffee before significant losses were incurred through spoilage. This is an example where the lack of competing buyers has had a negative effect on the buyer instead of the growers: the buyer in this case was unable to lower the price on offer so as to divert flow to an alternative facility (Gum 1, Laird). The size of the NCBA/CCT operation also determines the ‘acceptable’ price for all other buyers and has been used by the NGO PARC as a non-negotiable factor in their project area (Gum 4).

Externally, NCBA/CCT is trading on the name of Timor Leste along with their ability to access specialty markets such as premium grade, Fair Trade and organic. NCBA claims that the prices paid for cherry during the 2002 season has been determined by the prices that premium specialty South East Asian coffees are currently able to receive (NCBA) although others have suggested that the price also reflects Fair Trade and organic market prices as well as the influence of the main donor (Gum 1).

Fair Trade markets generate sales at higher prices, as buyers are aware that the increased price they are paying is going to the benefit of the growers (the ‘social’ premium used for community initiatives such as health clinics). Similarly, buyers in the organic markets are aware that the increased price they are paying is used to compensate producers for not using synthetic chemicals. In 2002, it is estimated that more than half of CCT’s 2002 sales will be made to the South East Asian premium specialty market and by late October 2002, CCT has been able to market 416 metric tonnes as certified organic coffee and 129 metric tonnes as certified Fair Trade (NCBA). However, it is unclear how sustainable the current prices paid for ‘cherry’ is considering the ongoing quality issues affecting Timor Leste’s coffee sector and the limitations of the organic and Fair Trade markets (see Section 6 of this report).

The USAID/NCBA/CCT project in Timor Leste has been a major ‘driving force’ without which Timor Leste’s coffee sector could not ‘evolve’ (Moreno). The arrival of NCBA transformed the coffee sector in Timor Leste, exposing the coffee producers to the international coffee market as well as prompting a more competitive domestic buying market. The project is bringing many benefits to Timor Leste’s coffee sector and particularly to its members: greater income through higher prices paid for coffee, social premiums (particularly free access to health care), access to knowledge and training to improve growing technique and coffee quality, and a global profile for East Timorese coffee. The major risk the project brings is to introduce unsustainable distortions to the market by overpaying for coffee, creating unsustainable expectations and forcing from the buying market other buyers attempting to compete in a more open market without access to donor support. However, these risks are seen as limited as CCT’s market is less than dominant at around 20% of volume, and while they continue to purchase and process their coffee through members and through a distinct system (Laird, Gautier, DAI 1, DAI2).

**Ethnic Chinese Traders**

Timor Leste's ethnic Chinese have always worked as traders, some in the coffee sector to the exclusion to all others. At least four (My Friend, Always, Cafe Timor Lorosae and an unnamed group warehoused in the Bidau area of Dili) were trading significant amounts of
coffee in 2002. During the Indonesian period, they used their own networks to purchase coffee outside the cooperatives system, but were required to sell to the corporation that at the time held the export monopoly (P.T. Denok). Since 1999, they have purchased parchment from agents and growers, hulled and polished it to green bean, and mostly exported directly themselves, mostly to Indonesia, where undiscerning buyers pay low prices for low quality coffee.

In September 2002, buyers in Surabaya are only paying 57-58c/kg for green bean. At least one trader, Artinko Ximenes of My Friend, has bought only 300 tonnes this year (after buying 1000 tonnes last year) and has now ceased buying. He is now paying around 50 labourers 5c/kg to handpick a container load of premium coffee from the stock he is holding for export to Hong Kong. He and his wife are both assisting in this activity. Another trader, Michael Sing of Café Timor Lorosae is continuing to buy coffee at 38c/kg for parchment, or 48c/kg for bean, for sale in Surabaya. He has already sold 550 tonnes and hopes to reach again the 1000 tonnes he sold in 2001, but admits that he and his 14 staff (including his parents) are operating on a very slim margin (Ximenes, Sing).

Delta Café
Of the other groups buying coffee in Timor Leste, perhaps most significant is the Portuguese company Delta Café, which exported probably a few hundred tonnes of both wet and dry processed coffee this season. This includes perhaps as much as 50 tonnes of coffee wet-processed through two small, rehabilitated old Portuguese processing centres. Delta Café buys directly from producers and sometimes from CCT. They carry out final processing in Dili and export to their own buyers/roasters in Portugal (Gum 1). Delta representatives were not available at the time this report was prepared. Other groups are also buying, processing and/or exporting coffee from Timor Leste, probably in smaller amounts (Pomeroy, Moreira).

Summary
Timor Leste's coffee exporters are not well organised. Two meetings of a proposed exporters association were held in 2001 at the initiative of Alister Laird of NCBA, and a number of exporters attended, but no more meetings have occurred since. The association listed as its primary concerns the quality of Timor Leste's coffee and the education of its growers, and as its secondary concerns lobbying the Ministry of Agriculture, Fisheries and Forestry (MAFF) and the government more generally over the high costs of labour and transport, the lack of extension officers in the coffee sector and other regulatory and legislative issues (Laird 2). Timor Leste's new National Parliament has yet to address issues on a district-specific basis, and coffee has not been the subject of specific legislation.

The amount of coffee to be exported as green bean from Timor Leste from the 2002 season falls somewhere between 7000 and 11,500 tonnes, on the basis of purchase, sales and projected sales figures provided by buyers, processors and exporters. The value of those exports as an amount returned to Timor Leste is an equally unsure figure, somewhere between six and ten million dollars, again based on figures provided by exporters. No data on volume and value of coffee export sales is held at the MAFF. If data is held at the Ministry of Finance's Border Control office, it is not available to the public. A report on the export of goods from Timor Leste in 2001 available from the Economic Affairs and Statistics Division of the Ministry of Finance values coffee exports for that year at USD 2,902,000, or 75% of total exports, which, given the substantially higher estimates for that season made elsewhere, calls into question the accuracy of the official figures (EASD, Pomeroy, DAI 2).

Although there is an increasingly diverse array of buyers and exporters, which ultimately should work to the benefit of the producers, there are risks. Neither of the two largest buyers of coffee (who certainly bought more than 50% of coffee in the 2002 season), Timor Corp and CCT, are operating at a sustainable level. Timor Corp, a commercial operation, is running at a loss. CCT, a strange hybrid of a commercial operation and an aid project, will
depend on considerable ongoing support from NCBA and funds from USAID for some time to come. If access to these funds or specialty markets are lost, the operation in its present form cannot run sustainably and growers may find their returns diminishing. Of course, however, if international coffee prices rise these companies may begin to become profitable and growers may also experience higher coffee incomes.

5.3. Government and Bilateral Support

The MAFF has seven goals for the agricultural sector in Timor Leste:–
1. Achieve food security and improve food self-sufficiency;
2. Diversify agricultural production and increase export earnings by sector;
3. Develop agriculture predominately on the basis of an integrated farming systems approach;
4. Facilitate agro-industrial development leading to increased processing and value adding in-country;
5. Improve the quality of agricultural commodities produced in the nation
6. Manage agriculture, fisheries and forestry resources in a way that supports sustainable production; and
7. Increase rural incomes, generate employment in rural areas and, consequently, reduce poverty and improve the welfare of rural communities.

Although the emphasis is on food security the MAFF intends to improve overall agricultural efficiency by promoting different crops and different kinds of agricultural production in the regions to which they are best suited (da Cruz, Moxham). Within this context, coffee is relevant as the primary cash crop in upland areas and the main export crop. The MAFF has established a small coffee unit within the Department of Forestry consisting of three to five staff with a small budget of around $17,000 in 2002.

The Coffee Unit has a number of objectives:–
- To assist with the development of five independent processing centres which will also provide information, supply and training;
- To carry out a survey of coffee plantations and assess the comparative quality of the plantations and bushes in different locations and identify the means by which (such as with the provision of seedlings) those plantations might be improved;
- To monitor the extent and the spread of the disease that is increasingly affecting shade trees on coffee plantations.

The first two of these tasks are also being addressed through bilateral support from the Portuguese agricultural mission, the third is an extension of work begun with bilateral support from the Australian Agency for International Development (AusAID). Given its limited resources, it will be difficult for the Coffee Unit to successfully implement all these tasks (Amaral). Fernando Egidio Amaral, head of the Coffee Unit, identified a lack of coordination across the sector as a major problem, stating that stakeholders rarely contacted the department about their activities. On the other hand, the coffee section did not seem to be pro-actively working with stakeholders either. For example, there is no plan for distribution of the information it is collecting from the field (Amaral).

The department's attitude towards assisting the coffee sector points towards its coordination with other departmental activities, in particular agro-forestry. Initiatives in this area are led by staff from the Portuguese agricultural mission, whom consider the cultivation of coffee as an essential component of the approach to a more sustainable future for Timor Leste's environment. Led by Nuno Moreira, an agricultural extension officer, the Portuguese agricultural mission is well-respected where it is known across the coffee sector (Amaral,
The Portuguese agriculture mission is employing agro-forestry as an important strategy combining re-forestation and agriculture techniques which help to reduce soil erosion, diversify production and promote environmental sustainability. The existing forests in upland areas in Timor Leste are coffee plantations. These are not burned off or cleared every year and are characterised by a high canopy (shade trees) over coffee bushes. The soils in these forests are thicker, retain water well and are far more fertile than surrounding de-forested land. Agro-forestry is being introduced using coffee forests as a model.

A number of small communal coffee processing plants (led by two, located at Umboi and Matata in Ermera district) have been made available to growers on the condition that they receive coffee seedlings (of a higher quality strain) to gradually replace their aging bushes, as well as seedlings of a selection of new shade trees that have been identified as suitable for their terrain. These include rosewood (which provides shade, is a legume tree that improves soil fertility, and also produces commercially valuable timber), fruit trees and sandalwood (a well-known and highly valued species).

In addition, two major nurseries and a series of peripheral nurseries at locations convenient to growers have been established including some small-scale infrastructure particularly for water management (small dams and irrigation systems). Further research is also being conducted particularly at the higher altitudes and on steeper slopes where water retention is worst, on how agro-forestry might be established with coffee as a central component. The mission has been able to succeed on a small scale, working like an agricultural extension service and focusing on one or two villages at a time. It is estimated that 200,000 seedlings will be distributed and planted in 2002. This however is a far cry from the planting of 8 million seedlings the Portuguese colonial administration oversaw in 1916! (Moreira, Moxham, Pomeroy).

The mission's impact is limited by its size. Moreira hopes NGOs may be able to coordinate with the activities of the mission to establish Fair Trade arrangements for those villages that have adopted improved cultivation and processing techniques. He has sold 400kg of coffee in Portugal packaged within reed and bamboo containers made by women’s groups in coffee producing villages, and says the groups are prepared to extend this activity (Moreira, Laird). The project has enjoyed some success in working with unmarried and widowed women, giving them responsibility for supervision of a number of its smaller nurseries (Moreira).

AusAID has also provided some support to the coffee sector in Timor Leste. Recently, a report commissioned by the agency was prepared detailing the extent of disease amongst the Paraserianthes/Albezia shade trees that cover almost all coffee plantations. The agency has also provided some literature in several languages and graphic material to help growers understand the importance of providing quality coffee to market (Old).

In addition, a Norwegian company, Morlands Coffee (a member of the European Specialty Coffee Association) are interested in establishing a national coffee institute (including quality control over plant material and cup tasting experts etc) in Dili. Morlands hosted an international specialty coffee conference in Norway in June which included representatives from Timor Leste. They are awaiting the results of a funding request to the Norwegian government and plan to organise a national coffee conference at the end of 2002. Morlands’ assessment of the coffee sector includes the following points:

- The main stakeholders are not aware of the structural issues constraining productivity (volume and more importantly quality) and the current trends in world prices for different grades of coffee (including organic and Fair Trade coffee)
- Many of the reports written about the coffee sector in Timor Leste are biased or not written from a position of a full understanding of the above
• The market for organic or Fair Trade coffee does not have a strong future
• The trend of relationship buying is probably more useful (where buyers form long-term relationships with producers including advanced buying of product and premium prices paid\textsuperscript{10})
• The main issue in Timor Leste is quality – the international premium coffee market is expanding with supply not reaching demand and prices are rising accordingly
• Some of the main constraints in Timor Leste are tree disease (shade trees as well as coffee trees) and quality control
• These issues and many others have been experienced and overcome on occasion by many other countries and Timor Leste should learn from these experiences
• Another constraint is the generally poor relationship between producers and buyers even though both groups have similar objectives

(Gum 5, Kramer)

6. Major Issues Facing the Coffee Sector

International Coffee Prices (see also Section 8 below)
While the amount of coffee produced in Timor Leste is insignificant in global terms, it is significant in Timor Leste, where it represents the largest single source of income to many rural families and one of the largest areas of employment in the country. The current crisis in world coffee prices have caused problems for Timor Leste's coffee producers, although not to the same extent as elsewhere and amongst those who have made a significant capital investment in their plantations (Baffoun, CFF). East Timorese coffee producers have had only limited opportunities to benefit from the higher coffee prices of the past and in general are characterised as low investment coffee gatherers. Indeed, if the current global coffee crisis forces many farmers throughout the world to leave the coffee sector, those producers such as the average East Timorese producer who invests little in coffee production and has few alternatives, maybe in a position to wait for and benefit from an international price recovery (DAI 2).

Anecdotal evidence however points to some social effects as a result of lower cash incomes brought about by the global crisis, most disappointingly in the removal of children from school because of inability to pay fees (Atkinson, Moxham 2). The extent of these effects at present is difficult to gauge as although international prices have declined over a long period, in Timor Leste, prices paid for cherry this year have increased substantially compared to 2001.

In general, the coffee sector in Timor Leste is not highly capitalised or under pressure to generate income returns at a particular level to meet capital return requirements. However, if the international coffee crisis continues indefinitely, it will have an influential effect on strategies to further develop the sector into a major viable export industry for the nation.

Marketing of Timor Leste Coffee
Limited material is available about the extent of the potential market for East Timorese coffee. Many commentators note that Timor Leste coffee industry will be protected from the worst effects of the global markets by focusing on specialty coffee markets (premium, organic, Fair Trade etc) capitalising on its current international high-profile. Little research has been conducted into the potential extent of the specialty market and there is no common international marketing strategy. The primary issue here is the quality of Timor Leste coffee. At present, it does not reach top international standards although there is potential. More

\textsuperscript{10} This relationship is best illustrated in Timor Leste by ATJ and the Maubisse producer group supported by PARC and Yaysan Hak
alarming, there is only limited understanding of the quality assessment standards in the
gourmet specialty markets (Kramer). This lack of understanding exists throughout all levels
of the coffee sector in Timor Leste.

The primary buyer of Timor Leste Fair Trade coffee has been the Starbucks franchise based
in the USA\textsuperscript{11} although some recent small-scale initiatives have also been started with buyers
in Japan. At present CCT is certified as a Fairtrade organisation (since 2001) by the Fair
Trade Labelling Organisation (FLO), based in Germany. As a normal part of this process, an
inspection of CCT is planned, the results of which will be forwarded to the Certification
Committee which will decide whether the group remains certified and on what conditions
( FLO 1). An inspector has been trained and the inspection has been planned for September
2002 although the results of the inspection will not be made publicly available (FLO 2). A
previous analysis of Fair Trade in coffee in Timor Leste has however suggested that CCT
would need to review its organisational structure and procedures before meeting FLO
certification criteria (Baffoun). Loss of this certification may have serious consequences with
regard to prices paid to growers.

The future of the Fair Trade market in Timor Leste is constrained by the same issues of
quality and cost of production as well issues of certification and the size of the market.
Quality of Fair Trade coffee has been cited as a major constraint to expansion of the global
Fair Trade market (Starbucks) as has the cost of certification. The system for Fair Trade
certification is yet to be rationalised and applied in Timor Leste and it is doubtful whether
current sales to Fair Trade markets, which are already limited, can be maintained without this
in place.

In addition, the international market for organic coffee, another source of premiums for
coffee growers, is already saturated, and generally does not generate the premiums in sales
(around 5\%) to match the costs in production and certification costs (about $23,000/year for
CCT – Gum 1). All of CCT’s produce is certified organic coffee but in 2001 only a quarter
was marketed as such and able to attract the organic premium (DAI 1). The issue of quality is
also important here; low quality organic coffee will still receive a low price reflecting the cup
quality.

Market opportunities for East Timorese coffee is also limited by cost. The production costs
for coffee in Timor Leste are relatively high compared to other international producers
(Baffoun). This situation is compounded by use of the US dollar as the national currency.
The high production costs relate to labour compared to neighbouring Indonesia\textsuperscript{12} (La’o
Hamutuk), transport and the poor state of infrastructure such as roads and bridges etc. The
use of US dollars also reduces the ability of the Government to undertake currency
devaluation as a strategy to make exports more ‘attractive’. The National Development Plan
notes that the combination of current wage levels and the use of US dollars as the currency
renders Timor Leste internationally uncompetitive on price alone (Government of Timor
Leste).

**Biological Factors**

Current international prices are not the only threat to Timor Leste’s coffee industry. The state
of coffee plantations in Timor Leste is poor. The general lack of attention paid to plantations
by producers (to the extent that they are simply harvesters of wild cherry, rather than

\textsuperscript{11} Starbucks coffee company is the leading retailer, roaster and brand of specialty
coffee in the world. Recently, Starbucks was awarded the first Humanitarian Award by
the Coffee Quality Institute, the educational and research foundation of the Specialty
Coffee Association of America (SCAA).

\textsuperscript{12} The wages for unskilled labour in the coffee sector is estimated to have tripled since
1999 (Government of Timor Leste)
growers) has lead to a number of problems for the sector. Lack of pruning and re-planting has resulted in low yields, estimated between 100 to 200kg/ha, compared with estimates of around 600kg/ha during the peak of the Portuguese colonial period, and with yields as high as 2000kg/ha in parts of the world where coffee is grown intensively.

In addition, the lack of attention to regular re-planting has resulted in aged coffee and shade trees increasing vulnerability to disease. The rust disease currently affecting shade trees in more than two-thirds of plantations is expected to accelerate and result in widespread die-off which could wipe out virtually all the shade trees in just a few years. This will negatively impact on coffee production through invasion of weeds (through increased penetration of sunlight) and physical damage from falling branches and collapsing trees. The latter will also significantly increase hazards for passing traffic and workers within coffee forests (Old). There are also unconfirmed reports of disease among coffee trees (Gum 5). In particular, the age of the coffee bushes makes them vulnerable to attacks of cherry borer, especially at lower altitudes (World Bank, Kramer, Old, Moreira, Laird).

In short, all bushes and shade trees should be replaced in as short a period as possible. This task is made more difficult as most coffee is currently produced on small holdings requiring mass mobilisation of producers. USAID has supplied 200,000 new shade trees to growers in 2002, and a World Bank survey has suggested that most growers would replace their plant stock and shade trees over a ten-year period if seedlings were available. Buyers who have made plant stock available dispute this, saying that producers asked both to be paid for planting the seedlings and to be compensated for lost income from removing old bushes. This attitude perhaps reflects uncertainty of land tenure. Producers are not assured ownership of the land they use making them less inclined to invest in improving it. The Portuguese mission reports success in convincing producers to replace aging bushes by concentrating on key community members (chefes do suco, chefes aldeia, and priests) and by demonstrating how seedlings can be incorporated into plantations by growing them in the shade of productive bushes. However, they acknowledge that success followed many meetings and the ‘smoking of many cigarettes’ (Laird, World Bank, Lunny, Moreira).

Compounding the above issues, the existing varieties of coffee trees in use and currently being introduced is also subject to some debate. The absence of a regulatory mechanism for introduction of plant material will in the long term have a negative effect on overall quality of coffee produced (Kramer).

Coffee harvests in Timor Leste are also vulnerable to weather patterns, in particular the El Nino effect. The El Nino of 1997 and 1998 may have reduced the harvest by as much as half, and the delayed rainy season at the end of 2001 has also been identified as a cause of harvest shrinkage across the agricultural sector (Pomeroy, Lunny, Cesar). It is widely expected the 2002/2003 wet season will be affected by El Nino.

**Information Sharing and Coordination**

The issue of information and access to information affects every stakeholder in the coffee sector extending from the producer to the international buyers and the national policy makers. Much of the existing information regarding the coffee sector in Timor Leste is contradictory and not well shared which is compounded by the generally poor level of coordination among the main stakeholders and absence of a forum for constructive discussion. Across the entire sector the general lack of communication and understanding of what others in the sector are doing results in high levels of distrust between various stakeholders, in duplication of efforts and in an inability to learn from other's successes and failures resulting in missed opportunities to develop synergies. This situation is exacerbated by the absence of a coordinating body.

A lot of knowledge is being generated and not being distributed through the sector. The
Portuguese mission is conducting research into the suitability of different strains of coffee to different regions of Timor Leste. Just as its experience can benefit others, others are able to assist with the research by supporting its field experiments. The coffee unit within the MAFF is creating knowledge about the location and productivity of different coffee plantations. It is also tracking the spread of disease amongst shade trees. But no plans are in place for the distribution of this knowledge. Different groups are working on different media already, and in many cases duplicating the work others are doing. For example, at least three groups (AusAID, TimorCorp and NCBA/CCT) have prepared and are preparing documentation to assist growers to become more aware of the importance of quality in the coffee they produce. A more coordinated approach on their behalf will produce a more consistent understanding of quality in the groups they are targeting.

The general level of knowledge among coffee producers regarding coffee cultivation and processing techniques and marketing remains poor. More importantly a demonstrated commitment on their behalf to put such knowledge into practice is generally low. This may reflect uncertainty of tenure or a response to low prices but more likely suggests deficiencies in extension systems. Groups working in the coffee sector who are reporting the most success in changing grower attitudes and practices are those working most closely, even on a personal level, with the growing communities and on a small scale. Often these groups are from NGOs and have expertise in the development field, rather than the coffee field. Their efforts however are highly localised reflecting the time consuming nature of their approach to working with farmers. At the same time, many coffee experts are experiencing great frustration in their efforts to communicate with growers. There are obvious opportunities for development experts and coffee experts to benefit from each other’s experience in order to build a more effective system of agricultural/coffee extension.

Much of the existing reports on the Timor Leste coffee sector emphasise technical issues and solutions without fully appreciating other issues affecting producers. There is a tendency to see the coffee sector in isolation, and not as part of a greater social, economic and agricultural system, resulting in a distorted understanding. Perhaps one of the most common misunderstandings is the widespread perception of 44,000 coffee producers as growers, when they could be described more accurately as subsistence farmers who also produce coffee. This suggests that analysis of the coffee sector may require a more multi-sectoral approach and analysis.

Within the existing documentation of the coffee sector in Timor Leste, there is almost no gender analysis and only limited social analysis. Social changes resulting from producers receiving lump sum payments for their coffee sold as cherry compared to gradual sale of parchment is reported to have occurred. Doubtless other social changes are also underway. Groups like PWJ, with sociologists and anthropologists amongst their expert staff, may be able to detect impending social problems and be in a position to provide advice to the sector more generally such as for the need for rural banking services. The absence of adequate gender analysis is even more alarming given the importance of the role women play within rural households in general but also the role they play in harvesting, processing and sale of coffee and their involvement as seasonal workers within the industry. Improved coordination and collaboration by different organisations involved in the coffee sector including sharing of relative expertise will provide the opportunity for more thorough analysis of the issues facing the sector.

There is also great opportunity to improve coordination between sectors. The World Bank provided funding several years ago for a series of eight agricultural radio stations. While this project has devolved into a series of community radio stations, the location of some of their transmitters in coffee districts creates potential for dispersal of information and feedback. This infrastructure is being commissioned now, to be complete before the end of 2002. As yet, no links between it and the coffee sector have been established, despite the enormous
Roads and Infrastructure
During the Indonesian period, Timor Leste's roads enjoyed significant improvement, with the amount of paved road increasing from effectively zero to around 4500km by the time of the Indonesian departure. With independence, the new Government of Timor Leste has acknowledged that maintenance of this wide network is beyond the capacity of the present administration with its limited funds, and has set a target of maintaining only around 1200km of roads between district centres in their current condition (Aedy, World Bank). This will have serious implications for the coffee sector as roads extending beyond the primary link roads begin to deteriorate.

The viability of 'wet processing' depends on the rapid transit of cherry from plantation to factory. CCT depends on being able to collect cherry from growers at the roadside. If the trucks delivering to the four large factories belonging to CCT can no longer collect cherry from the roadside, CCT will no longer be able to 'wet process' that cherry. Much cherry is already transported some distance to the roadside collection point by pony or by hand. Many growers are already beyond the reach of the factory, and thus are limited to 'dry processing' their cherry (Laird, Atkinson, DAI 1). There is thus a strong link between infrastructure and production of quality coffee, indicating a need for improved communication between ministries such as MAFF and Public Works. Affected coffee producers and buyers may be able to generate an economic model that demonstrates to the government the economic viability of maintaining selected smaller roads, they may undertake road repairs themselves, or they may establish more smaller wet processing factories closer to the plantations.
7. The Significance of the Coffee Sector in Timor Leste

Coffee represents an estimated 90% of the annual cash income for as many as 25% of Timor Leste’s population. These subsistence farming families depend on this cash for many of the things they cannot produce themselves: for clothes, tools, and for school fees (World Bank, Pomeroy). This income for the average family in a good year when coffee prices are as depressed as they are currently, is equivalent to around two months salary at the minimum wage level set by the government. While no coffee producing family is likely to abandon immediately the easy income the coffee harvest represents, this income is highly variable depending on the international coffee market. In order to sustainably increase income to these farmers strategies such as diversification of crops, small business activities or looking for off-farm employment maybe more rewarding.

At least 350 people have permanent employment in the coffee sector in 2002, and the total could be far higher, perhaps even twice as high. The highest estimates place the number of seasonal workers engaged in coffee production in excess of 11,000 at the peak of the harvest season, though in reality this number may be far fewer. In a country where unemployment is estimated as high as 90% (although this estimate also includes subsistence farmers), the coffee sector remains one of the nation’s largest employers (Pomeroy).

Coffee is currently the major source of export income for Timor Leste, estimated to be worth from 6 to 10 million dollars in 2002. However, it is expected that in the future, the contribution of coffee to national income will decrease as sectors such as tourism develop and income from Timor Sea oil and gas commence. To put this into perspective, for the 2002 fiscal year income from taxes and royalties from the Joint Petroleum Development Area is estimated to be $21m (Gum 6) and from 2005 is expected to climb to an estimated $3.2 billion in revenue over 17 years (Timor Sea Office). It is therefore helpful to see the coffee sector’s real value within the context of a cash income to small-scale subsistence farmers and a source of seasonal employment.
8. The Global Coffee Trade

The global situation for coffee is not pleasant reading. On September 18th 2002, Oxfam International began an international campaign to raise awareness and promote solutions to an international trade crisis that is affecting international commodity prices in general but is best illustrated by the coffee industry. The following is an excerpt from Oxfam’s report on the international coffee crisis.

“There is a crisis destroying the livelihoods of 25 million coffee producers around the world. The price of coffee has fallen by almost 50 per cent in the past three years to a 30-year low. Long-term prospects are grim. Developing-country coffee farmers, mostly poor smallholders, now sell their coffee beans for much less than they cost to produce – only 60 per cent of production costs in Viet Nam’s Dak Lak Province, for example. Farmers sell at a heavy loss while branded coffee sells at a hefty profit. The coffee crisis has become a development disaster whose impacts will be felt for a long time.

Families dependent on the money generated by coffee are pulling their children, especially girls, out of school. They can no longer afford basic medicines, and are cutting back on food. Beyond farming families, coffee traders are going out of business. National economies are suffering and some banks are collapsing. Government funds are being squeezed dry, putting pressure on health and education and forcing governments further into debt.

The coffee market is failing. It is failing producers on small family farms for whom coffee used to make money. It is failing local exporters and entrepreneurs who are going to the wall in the face of fierce international competition. And it is failing governments that had encouraged coffee production to increase export earnings.

Ten years ago producer-country exports captured one-third of the value of the coffee market. Today, they capture less than ten per cent. Over the last five years the value of coffee exports has fallen by US$4bn……The coffee market will also, arguably, end up failing the giant coffee-processing companies……… The big four coffee roasters, Kraft, Nestlé, Procter & Gamble, and Sara Lee, each have coffee brands worth US$1bn or more in annual sales. Together with German giant Tchibo, they buy almost half the world’s coffee beans each year. Profit margins are high – Nestlé has made an estimated 26 per cent profit margin on instant coffee. Sara Lee’s coffee profits are estimated to be nearly 17 per cent – a very high figure compared with other food and drink brands. If everyone in the supply chain were benefiting this would not matter. As it is, with farmers getting a price that is below the costs of production, the companies’ booming business is being paid for by some of the poorest people in the world……

Oxfam is calling for a Coffee Rescue Plan to make the coffee market work for the poor as well as the rich. The plan needs to bring together the major players in coffee to overcome the current crisis and create a more stable market. Within one year the Rescue Plan, under the auspices of the International Coffee Organisation (ICO), should result in:

1. Roaster companies paying farmers a decent price (above their costs of production) so that they can send their children to school, afford medicines, and have enough food.
2. Increasing the price to farmers by reducing supply and stocks of coffee on the market through:
   • Roaster companies trading only in coffee that meets basic quality standards as proposed by the ICO.
   • The destruction of at least five million bags of coffee stocks, funded by rich-country governments and roaster companies.
3. The creation of a fund to help poor farmers shift to alternative livelihoods, making them less reliant on coffee.
4. Roaster companies committing to increase the amount of coffee they buy under Fair Trade\(^1\) conditions to two per cent of their volumes.

The Rescue Plan should be a pilot for a longer-term Commodity Management Initiative to improve prices and provide alternative livelihoods for farmers. The outcomes should include:

1. Producer and consumer country governments establishing mechanisms to correct the imbalance in supply and demand to ensure reasonable prices to producers. Farmers should be adequately represented in such schemes.
2. Co-operation between producer governments to stop more commodities entering the market than can be sold.
3. Support for producer countries to capture more of the value in these commodities.
4. Financed incentives to reduce small farmers’ overwhelming dependence on agricultural commodities.
5. Companies paying a decent price for all commodities, including coffee” (Oxfam 2)

Two factors are generally credited with the slump in coffee prices. The first of these is the collapse of the ICO following the withdrawal of support for the International Coffee Agreement\(^1\) (ICA) by the USA at the end of the Cold War. The ICA had been initiated by South American coffee producers several decades earlier to prevent a price war that was escalating between Brazil and other emerging South American coffee producers. As an international organisation it had succeeded to an extent only exceeded by OPEC in stabilising prices and setting quotas for production in most world markets. The second factor is the greatly increased production capacity that emerged following the end of the ICA, particularly in Vietnam (which had never been a member of the ICO), where the government encouraged small farmers to switch to coffee production. In addition, major producers such as Brazil also increased production capacity substantially.

Worldwide, the vast majority (around 80%) of coffee is produced by small hold farmers. Most of the rest is produced on privately-owned plantations that employ local and seasonal labour. Many of the new producers rushing to enter the market in the early 1990s obtained credit to establish their plantations. With repayments due, these farmers were unable to stockpile supplies when prices began to decline (and coffee loses its quality and corresponding value when stockpiled anyway), creating a glut in the market, and accelerating the decline in prices. With no alternative sources of income, and having already endured a wait of three to five years to mature their coffee bushes, these new producers are trapped in a buyer’s market. At the same time, they have damaged the livelihoods of many longer-standing growers, forcing down their incomes as well. Before the price collapse, coffee was the second highest in value traded commodity globally second only to oil (Brown, Greenfield, Baffoun, La'o Hamutuk, Moxham).

While many see Fair Trade as a strategy to address the global coffee crisis it is only one of a number of potential solutions. The Chief Executive Officer of Starbucks has noted that the international volume of certified Fair Trade coffee is limited but has potential for ‘tremendous growth’, provided that quality standards are maintained. He recommended more collaboration between Fair Trade organisations and NGOs in order to improve the quality of

---
\(^{1}\) Fair Trade conditions include those that ensure producers are receiving enough from their harvest to cover their costs, provide them with a livelihood, and deliver at least a small social dividend to their community

\(^{14}\) Established in 1962, and adhered to by 95% of the world’s coffee consuming countries, the ICA generally succeeded in maintaining international prices for NY ‘C’ coffee in a band between $2.64-$3.08/kg for green bean at the New York Board of Trades Coffee, Sugar and Cocoa Exchange. It also placed quota restrictions on producing countries whenever oversupply sent prices down, until it collapsed in 1989.
coffee produced, expand beyond just small cooperatives, simplify and reduce the cost of certification and lastly to work more closely with industry (Starbucks).

9. Conclusion

Although this study has documented a diversity of opinions and perspectives with regard to the coffee sector in Timor Leste, there is a general consensus on two issues. Firstly, the need for improvements in the quality of coffee produced and secondly, the inter-dependence of the producers, the buyers and the exporters on each other. An important need for the sector is a more coordinated approach, through greater communication between the stakeholders (producers, buyers, exporters, NGOs, donors, Government, international buyers etc), greater understanding of where the sector stands in relation to Timor Leste more generally, and greater appreciation of the role that others play in relation to the sector. The ultimate goal is to develop a sustainable and equitable coffee industry that supports the livelihoods of men and women who produce coffee, are employed by the sector and the businesses that trade in it.

A present, there a number of major issues facing the coffee sector in Timor Leste. There is a consequent need for ongoing international assistance throughout the sector which at this stage will be required for an extended period into the future. However, there exists already a number of promising initiatives supported by a diverse range of organisations which are approaching the sector from three general long term perspectives.

One long-term outlook is for things to remain much as they are, with large numbers of rural subsistence farming families engaging in coffee production. The main distinction between this and the current situation is that in the future the quality of coffee produced by small producers will improve through new plant stock and improved cultivation, processing and management practices. This in turn will lead to improved marketing and sales of Timor Leste coffee resulting in improved returns to the growers whose livelihoods are correspondingly improved. This is similar to the outlook of the two largest coffee exporters, Timor Corp and CCT.

Another long term outlook sees coffee producers diversifying their incomes by incorporating the cultivation of coffee into an integrated farming system including the cultivation of other crops. This outlook is centered around an agro-forestry approach which involves the gradual replacement of the existing bi-cultural coffee plantations with more diverse forests. This strategy would gradually extend coffee forests to rejuvenate cleared and unproductive land in the highlands. Overall levels of coffee production would be maintained or increased through new plant stock specifically identified as suitable for particular areas, and through the extension of forests. In addition, because growers are producing a more diverse range of products, they would be less vulnerable to sudden downward trends in the global markets for any of the commodities they produce. This is similar to the outlook presented in particular by the Portuguese agricultural mission, and also that of the MAFF.

A third long-term outlook is for small groups to professionalise their approach to coffee production resulting in higher quality through improved cultivation and processing techniques, use of better plant material and improved organisation and management. These groups will be able to provide consistent quality coffee under long term contracts with international buyers (primarily fair and alternative trade buyers) that return substantial benefits to the groups. A key strategy is to develop links between the international buyers and producer groups. These groups will transform their livelihoods from one of subsistence towards a more commercial farming basis. This outlook has much in common with the
activities of NGOs working in the coffee sector.

All of these long-term outlooks could be put into effect in a ten-year timeframe. They are not incompatible and indeed converge towards improved livelihoods for coffee producers and those commercially involved in the coffee sector. However, the likelihood of a successful outcome for any or all of these strategies would be greatly increased by improved coordination and increased understanding and appreciation of what others are doing in the sector. In order for a coordinated and integrated approach to be adopted, the current low level of communication between the major stakeholders in the sector must be addressed. This would not involve major costs and could start with regular, informal meetings of organisations working in coffee. These can be extended to include seminars, to address particular topics, as a basis for media products like radio and video programs, and for extension officers working most directly with coffee growing communities.
Appendix A: Understanding Coffee Prices.

Between the farm gate and retail outlet, from coffee cherry to roast, coffee is described and valued in a confusing array of terms. The literature discussing the global coffee industry often slips from valuing coffee in one form to another without drawing attention to the change, and creating confusion for the reader.

The coffee production process begins with the coffee cherry, which should be carefully picked directly from the bush when ripe (red in colour). Depending on the processing technique used, coffee may then be sold in an intermediate form known as parchment, which leaves the two green beans in each cherry wrapped in two thin layers: parchment and an inside silver skin. A kilogram of parchment can be produced from approximately five kilograms of cherry.

However, the international markets for coffee are expressed in terms of green beans, the parts of the coffee cherry which are included in the finished product - those parts which go into the roast. A kilogram of green beans can be produced from as little as six kilograms of cherry although decreasing quality in the beans corresponds to a higher ratio (for example, CCT produced each kg of green bean from an average of between 7 and 8 kgs of cherry in 2002).

The two major international markets for coffee are New York for arabica coffee (where coffee prices are expressed as pounds of green beans), and London for robusta coffee (where coffee prices are expressed as tonnes of green beans). All of the quality coffee produced in the world and most of the coffee produced in Timor Leste is arabica.

Once the exporters have passed their green bean over to the companies that roast and/or retail coffee, it takes on a variety of forms before being sold to the consumer. Most of these forms are weight-related, though there is no defined correspondence between the weight of the retail product and the green bean from which it came. Some forms are related to the volume of coffee product produced (eg. a cup of coffee) or the type of coffee product (eg. a cappucino).

The range of final uses for coffee, and different types of coffee products brings two related factors other than quantity into coffee valuation: quality and type. Related since a particular type of coffee in the international market will often have a reputation for having a particular quality. Once picked, coffee is usually graded on a scale of one to four, from premium to reject, though more complicated variations of the scale are also used. Quality is also dependent on the processing the green bean has undergone, and the time that has lapsed since it was processed. Type is associated with a particular taste or flavour inherent to the coffee, which may vary in popularity between different coffee drinkers, and with the originating location of the coffee, which may, as it does in the case of Timor Leste, generate a particular empathy with the consumer.

The higher quality and more popular tasting coffees will command a premium on the international market. Premiums rarely exceed 20% of the market price, particularly when quality related. They can however more than double the market price of particularly sought after types. For example organic coffees generate premiums of between 5% and 15%. However, already more organic coffee gets to market than can be sold at an organic premium.

Most market analysts suggest that the market for speciality coffees (coffees of a particular type and of good quality) is growing and represents the best prospect for future interest in the sector, though no clear indication of the extent of the market is available. Good quality coffee is mostly likely to be sold at market price, that is, on or around the NY ‘C’ for arabica. Coffee of less-than good (‘fair to average’) quality is likely to be sold at a heavy discount. In an
oversupplied market, low quality coffee is unlikely to find a sale at all.

References: Printed Material/Correspondences/Interviews


FLO 1, E-mail Correspondence, Ms. Anneke Theunissen, Information officer, May 31st, 2002, Fairtrade Labelling Organisation

FLO 2, E-mail Correspondence, Ms. Reina Foppen, Product Manager Coffee, July 17th, 2002, Fairtrade Labelling Organisation

Government of Timor Leste, Agriculture, Fisheries and Forestry, National Development Plan 2002


Gum 2, Wayne Meeting with Mr. Hotta Masahiko, President Alter Trade Japan Inc. (hotta@altertrade.co.jp), October 2002

Gum 3, Wayne. Meeting with Ms. Inoue Reiko, Co-President Pacific Asia Resource Center (office@parc-jp.org) October 2002

Gum 4, Wayne. Meeting with Ms. Ito Junko, Pacific Asia Resource Center, August 2002


Moreno, Marcos. East Timor Coffee - An Industry Overview. 2000. UNTAET.


NCBA, E-mail Correspondence, Mr. Sam Filiaci, National Cooperative Business Association, Jakarta, November 4th, 2002


Oxfam 1, correspondance by e-mail with Annabel Southgate, Oxfam Great Britain

Oxfam 2, Mugged: Poverty in Your Coffee Cup, Oxfam, 2002


Specialty Coffee Association of America, Starbucks Coffee Company Receives Humanitarian Award at the Specialty Coffee Association of America Conference Press release, May 15th 2002


TimorCorp, Correspondence, Mr. Jeff Lunny, TimorCorp Ltd, Dili, October 16th, 2002


Timor Sea Office, Fact Sheet 1, Timor Sea, September 2002, Government of Democratic
Republic of Timor-Leste, 2002


References: Interviews Conducted by the Consultant


