



FINAL REPORT

ASEAN Learning Series and Policy Engagement on Agricultural Cooperative (ALSPEAC)

Inclusive Agricultural Value Chain on Coffee

Yogyakarta, Indonesia, 19 – 21 July 2017

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Introduction and Proceedings

Introduction

Proceedings

- Day One: 19 July 2017
- Day Two: 20 July 2017
- Day Three: 21 July 2017

Introduction and Proceedings

Introduction

The ASEAN Learning Series is a continuation of the ASEAN Learning Route (ALRAC) in 2016 that facilitates peer to peer learning exchange. This year, the Learning Series is focusing on the participation of agricultural cooperatives in the global value chain.

Linking to ***ASEAN Joint Promotion on Agricultural and Forestry Products*** and sharpening the discussion for thorough policy recommendations and tangible future implementations, the learning exchange focused on the sharing of information on how to export coffee. It would focus on the quality control aspects, niche markets, labelling and certifications, and other sustainability schemes, which includes financing and investment. However, due to the time constrained, the learning exchanged covered only quality control from production to processing.

The three-day event was specifically designed as a learning exchange on the inclusive coffee value chain. It was also expected to encourage strategic alliances among the farmers' cooperatives, policy makers, and private sectors, as well as to promote collective marketing under the ACEDAC (ASEAN Center for the Development of Agricultural Cooperatives) coordination.

The ASEAN Learning Series and Policy Engagement on Agricultural Cooperatives (ALSPEAC) – Inclusive Agricultural Value Chain for Coffee covered the

coffee value chain and its supporting policy for related stakeholders. Besides giving a glimpse of how the coffee sectors in region look like, it also covered the state of agricultural cooperatives in ASEAN.

The event provided an interactive learning platform for participants to share their experiences and expertise on coffee production and its value chain. At the same time, it also provided a view on what was needed, in term of policy and interventions, for the government agencies to support the coffee industry.

The main objective of the event was to promote better coordination and collaboration among agricultural cooperatives, governments, private sector, and relevant stakeholders (NGOs, academia, and many others). The aims of the workshop were:

1. To promote coordination and collective marketing on coffee value chain to all concerned stakeholders in ASEAN
2. To share information under the ACEDAC flagship to engage, to have dialogues, and to work with ASEAN, regional inter-government bodies, and other public/private stakeholders.
3. To develop collaborative action among multilevel stakeholders in coffee value chain, especially the prominent players for collective marketing and joint promotion in coffee value chain.

Proceedings

Day One: 19 July 2017

The event was commenced at 09.45 Indonesia Western Standard Time with a short introduction delivered by Ms. Yacinta Esti as the Project Manager of ASEAN Foundation – AFOSP (ASEAN Farmers’ Organisations Support Programme). After giving a warm welcome to the participants, she explained the agenda of the day and the seating arrangement.

Afterwards, the welcome speech was delivered by Mr. Agus Ruli Ardiansyah (SPI, on behalf of LVC). He stated that the event was very fruitful since it facilitated the participants to meet various stakeholders amongst ASEAN member states, in particular stakeholders related to coffee value chain. It was expected to cultivate the stronger partnerships and the networking amongst stakeholders in the future. He reiterated that the cooperatives to cooperatives connections were the main concern for collaboration and working together for farmers. Therefore, at present the cooperatives should be established based on the needs and strengths of members, not by capital. Once the capital raising strategies become the economic model of cooperatives, cooperatives (advanced cooperatives) have to be ready competing in the free trade mechanism.

Hereafter, Ms. Estrella Penunia Banzuela (AFA) continued the session introducing the representatives of each ASEAN Sectoral Working Group on Agricultural Cooperatives (ASWGAC) Focal Points and stakeholders. She also provided an overview about ALSPEAC, which was the continuation of ALRAC 2016. ALSPEAC 2017 focused on the promotion of ASEAN Commodities in global value chain so that farmers can access and enjoy the benefit of their participation in the global trade.

ALSPEAC 2017 was opened by Mr. Hamzah bin Hj. Bahari (ASWGAC Focal Point of Malaysia). In his opening remark, he stated that this event would exchange best practices and lesson learned on coffee productions and its value chain. Further, it would discuss on the active participations of coffee farmers on the post-harvest, processing, packaging and marketing activities.

Reflecting the discussion during the ASWGAC Meeting in Vientiane, Lao PDR in May 2017, the objective of these Learning Exchange was to organize ***peer to peer learning and to empower farmers in coffee industry***. The exchange knowledge on coffee value chain was a good topic because coffee was the second most traded commodity in the world. Participants should make the best use of the event to improve quality of ASEAN or local coffee in order to be able to compete in the world market.

The next presentation was delivered by Mr. Marciano T. Virola, Jr. (AFA) on the outputs of ALRAC 2016. He provided a three-minute video about the ALRAC in Thailand and in Philippines from 20-23 March 2016. Mr. Marciano restated that ALSPEAC 2017 was the continuation of ALRAC 2016. ALSPEAC included policy aspect along the dialogue forum by involving representatives from the government. From ALRAC, he highlighted three thematic learning area of agricultural cooperatives good practices in the areas of internal organization:

1. Service provision to members,
2. Networking and increased bargaining power, development of cross-country cooperatives to cooperatives strategies and agreements involving public and private sectors, and influencing the implementation of public policies,

3. Policy engagement in National legal frameworks/laws, developments of relevant programmes, and promoting mechanism for the support of agricultural cooperatives in the framework of Asean Economic Community (AEC).

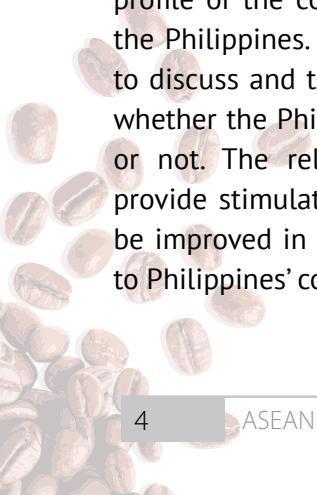
Coffee Break

After the first coffee break, the first panel session proceeded by inviting three speakers, with Ms. Elena V. Rebagay (AFA) as the moderator.

The first speaker was Ms. Yacinta. She introduced shortly about the role of ASEAN Foundation, to bridge the communication gap between multilevel stakeholders consisted of government, private sectors, and farmers in all sectors, including agricultural sector.

She highlighted that ASEAN Foundation supports the ASEAN Secretary General to implement and to realize ASEAN 2025. As stated on page 14 of the booklet, ASEAN Foundation through AFOSP was prioritizing to support ASWGAC in delivering the Key Performance Indicators (KPIs) of match making at minimum of 5 agricultural products amongst ASEAN member states. Hence, coffee was considered to be one of such products and possible future match making in the region.

She continued to explain about the take home messages as put across the booklet. For example, on page 40, participants might find the country profile of the coffee production and marketing in the Philippines. The participants were encouraged to discuss and to challenge the given information whether the Philippines was a net importer coffee or not. The relevant information was given to provide stimulation for informal talk what should be improved in the future, for instance in relation to Philippines' coffee production and consumption.



Another example was Lao PDR. Laotian coffee exporters ship their coffee through port or harbour in Bangkok (Thailand) and Haiphong (VietNam). Observing geographical points of shipment, there should be possibility in the future to have joint marketing between Lao PDR, Thailand and Vietnam to cater global supply. Ms. Yacinta added, in addition there were questionnaires on coffee supply chain and cooperatives mechanism for AFOSP to understand ASEAN coffee value chain mechanism and current state of agricultural cooperatives at the national level.

The second presenter was Mr. John Gregory V. Aquino (ASEAN Standards for Horticultural Produce/MASHP from the Philippines). He highlighted the ASEAN Standards for coffee bean, pertaining to the allowed minimum requirements, classification, tolerance, sizing, performance, marking or labelling, contaminants, hygiene, methods of analysis and sampling. He promoted the regional initiatives on coffee and the actions taken in order to have the standards on horticultural produce and other food crops in ASEAN.

Mr. Aquino also highlighted on two priority actions formulated under TF-MASHP Plan of Action 2016-2022.

There were two important actions:

1. Action number 2 on promoting the usage of regional agricultural standards and best practices at the national levels. The action was conducted under activity 2.1. on aligning national standards with ASEAN standard for horticultural produce and other food crops; and
2. Action 4 on creating awareness and knowledge on ASEAN standards for horticultural produce and other food crops, which is conducted under activity 4.1. on promoting ASEAN Standards to private sectors and SMEs.

There were joint approaches and promotion activities to improve the competitiveness of ASEAN

Agriculture and Forest Products in international markets. Coffee was under the purview of “**Joint Committee on ASEAN Cooperation and Joint Approaches in Agriculture and Forest Products Promotion Scheme**” with Vietnam as the leader of coffee industrial clubs.

Mr. Aquino highlighted ***the initiatives by the Philippines on coffee industry***. He informed that the Philippines had developed standards on coffee and language/tool for trade coffee at global level. Regarding grading, sizing, and classification, the Philippines already has national standards related to green coffee beans, good agricultural practices for coffee, code of practice for the prevention and reduction of *acrylamide* a contamination in roasted coffee, coffee grinder specifications, and methods of test. The Philippines established **Coffee Industry Roadmap 2017-2022** aiming to provide a comprehensive assessment and milestones of the Philippines Coffee Industry, to analyze market trends and to identify opportunities. In the Roadmap, the government defined goals and developed strategies to recommend action plans using the coffee value chain framework for 2017 to 2022.

The third presenter was Ms. Shunya Jongthun (ASWGAC Focal Point of Thailand). She presented coffee production and its marketing systems, coffee cooperatives and government support in Thailand. She highlighted:

1. Coffee producer cooperatives (CPD) and farmer groups collected and purchased coffee (green bean and roasted and ground coffee) from members.
2. CPD provided services to roast and to market the coffee at their coffee shop.
3. Green bean coffee delivered to middleman and to private companies.
4. Roasted and ground coffee then will be marketed to cooperative stores, coffee shops, and convenience stores.
5. Roasted and grind coffee were ready for processing into instant coffee (a 3-in 1). These

end products will be marketed to cooperatives, cooperatives federations, One Tambon One Product (OTOP) shop convenience stores, and cooperative distribution centres.

6. The roasted and grind coffee can also go to coffee shop franchises, which will be marketed through cooperative distribution centres, Kao Talu Farmer group and Tesco Lotus Chumphon.

She also explained about the cooperation between CPD and other government agencies. The objectives of the cooperation with government were gain benefits in production capability, farm management, productivity improvement, decrease on production cost, and also to promote members to do collective purchasing for the inputs and to do collective marketing through cooperatives.

Ms. Jongthun informed the benefits of participation in cooperative coffee supply chain:

1. Improved productivity and reduced cost at coffee farm management, in particular the use of good quality seeds, soil improvement, price determination (bargaining power), and post-harvesting management.
2. Innovative in processing and adding value to the coffee production; adding value from green bean to roasted/grind coffee, the 3-in-1 coffee, and innovative packaging design, and franchising mechanism to sell the coffee products.
3. Development of marketing system, focusing on the competitiveness, branding strategy, transportation and logistics, public relation/promotion.

She highlighted the challenges to integrate coffee cooperative in the modern value chain. The challenges were decreasing production of *robusta* coffee, decreasing coffee production areas due to compensation by other horticultural products such as rubber, palm oil and fruits, low productivity per hectares compared to other ASEAN countries, higher

production cost, and the effects of climate change on the coffee production.

She proposed three methods to integrate coffee cooperatives into modern value chain:

1. Creating awareness on cooperatives' coffee unique identity,
2. Delivering quality coffee to other players in market chains until the end customers, and
3. Promoting Fair Trade Network among cooperatives and private sectors which will be strengthening coffee grower to engage in the higher market.

Ms. Jongthun shared a video on the Chumphon Cooperative, it highlights:

1. The robusta coffee plantation is located at Tha Sae District of Chumphon Province. Every year farmers produce almost 2000 tons.
2. Members prefer to sell their coffee to cooperative since it has better price than other buyers. The cooperative belongs to farmers. The cooperative building is about 70 to 80 kilometer from coffee plantation.
3. Before the economic crisis in 1997, the price of coffee decreased. Farmers gathered and started to discuss the solution for this issue by negotiating the price with buying company.
4. The members registered Chumphon Coffee Cooperative in 1997.
5. The cooperative had to do 6 months fermentation to coffee beans to have better taste. After fermentation, cooperative will bring coffee beans to roast, grind and process for selling.
6. The cooperative in the video was one out of four coffee producers in Chumphon Province. Now, it has roasted coffee and coffee shop.



Questions and Answers

Q1. From the ASWGAC Focal Point of Cambodia

1. Suggesting ASEAN Foundation, under ASWGAC, to collect all relevant agricultural commodities and to place the information on ASEAN Foundation website, since the information is useful for farmers and those working on those commodities.
2. How is the ASEAN standard on coffee compared to European and American standards? Can ASEAN Standard answer European and American Standards?

A1. Response from Mr. Aquino (MASHP)

1. MASHP has requested ten-member states to publish the ASEAN standards at national website and respective agencies should be responsible for the follow up actions.
2. The ASEAN Standards have been harmonized with international standards for the export. The ASEAN Standards are the minimum requirements. However, importing countries also have their own requirements. Therefore, we have to work more to comply with importers' standards and fulfil the required standards/protocols.

Q2. From Mr. Tjandra Irawan of Agriterra to ASWGAC Focal Point of Thailand

1. How many percentages are the capital's cooperatives?
2. How much is the amount of tax that farmers or cooperatives must pay to the government?

A2. Response from ASWGAC Focal Point Thailand to Agriterra

1. There is not so much capital that cooperatives have.
2. There is no tax for cooperatives (There is the tax exemption for cooperatives). But for other business, the tax is 17%.

After the first panel, the second panel session was organized by inviting four speakers from ASWGAC with Mr. Fiter Baresman Silaen (ACEDAC) and Mr. Chris Wangkay (Oxfam) as moderators.

The first speaker was Ms. Elisabeth Organo Batonan (ASWGAC Focal Point of the Philippines).

She presented the national support for agricultural cooperatives. In order to implement those laws into actions, there were laws and programs implemented in various government agencies to work on:

1. Infrastructures, farm equipment, farm inputs and facilities. For example: the infrastructure to support logistic or transporting agri products.
2. Research on what were good for the farmers, the lands, and the production.
3. Agricultural credit: credit or loan scheme for the farmers to have minimum collateral. Some schemes had no collateral at all which should be accessible but accompanied relevant documents were requested. There were institutions that charged low interest. In the past, government had special credit windows for agricultural cooperatives. There was also a law that all the Philippines banks allocated 25% of their funds for agricultural activities. Recently, there was a special type of cooperative in the Philippines. The strategic fund for cooperatives came from join resource pool of provincial government, farmer organizations, cooperatives, and financial national institutions. The pool of fund serves as collateral, kept in the bank as a security pledged for the payment of loan if the members of cooperatives would like borrow from the banks.
4. Capacity building.
5. Tax incentives scheme: agricultural cooperatives have tax exemption.

Ms. Batonan highlighted the ten points of socio-economic agenda under President Duterte Administration. Point 5: promoting rural and value chain development toward increasing agricultural

and rural enterprise productivity and rural tourism. Coffee production was also under point 5. It should encourage farmers not to sell raw product but to sell processed products.

She informed that various government agencies under CDA (Cooperative Development Authority) have the programs on agriculture, which provided:

1. Capacity building: the technical assistance and training for the members in order to become strong, viable, sustainable, and socially responsive cooperatives.
2. Cooperative Business Matching Information System (CBMIS): It was an undergoing process. It provided the list of products and online marketing administered by CDA. The aim was to display the products of cooperatives and to organize the marketing of those products.
3. Promotion of Cooperatives: CDA organized and advocated the benefits of joining cooperatives.
4. Financial and Non-Financial Services: for example, assisting cooperatives in the development and preparation of proposals and to submit complete set of required documents.
5. Partnering with other government agencies which have programs on cooperatives; namely:
 - Department of Agriculture to access the data of agricultural cooperatives and to build the needed capacities on agriculture,
 - Department of Trade and Industry to access program on value chain,
 - Department of Agrarian Reform to have capacity building for members of cooperatives, and
 - The Philippines Coconut Authority to establish cooperatives for their farmers due to the benefits of cooperatives.

The data of cooperatives in the Philippines recently showed of 3,713 cooperatives registered. CDA regulated that the cooperatives were to comply with the technical requirements so that members can have benefit from cooperatives.

Regulation on Cooperative:

1. Registration
2. Validation
3. Inspection to develop and assess cooperatives on what they need so that CDA can provide the needs.
4. Examination
5. Investigation
6. Issuance of certificate
7. The standard setting or issuance of guidelines
8. The accreditation and recognition programs

The two challenges faced by the agricultural cooperatives are:

1. The challenge on the significant contribution of agriculture cooperatives in the Philippines economy is not captured.
2. The participation of agriculture cooperatives in the global market.

She provided the success story of Don Bosco Multipurpose Cooperative which is the initiative from the government. It was registered in 2016. The farmers shifted practices from conventional to organic farming. With organic farming, the farmers noticed that they have better production in volume and quantity. After intervention from the governments and six years of establishment, Cooperative had 40 organic rice varieties and were able to export to USA. They received certificate from EU and USA.

The second presenter was Mr. Hamzah bin Hj. Bahari (FOA) on New Economic Model of Malaysia as the National Strategy. He stated that whatever sectors activities being implemented, the government had national strategies which were reviewed from time to time. The current national strategy was called **New Economic Model**. It did not only cover economic sector, but also all sectors, including trade and tourism.

Malaysian government focused on Quality of Life in all plans/policies, involving agriculture

cooperatives and farmers. The plan covered high income, inclusiveness, and sustainability which must be considered in the policy. Regardless of the farmers' performance, the issue was on how much farmers could generate income. The issue of high income is important in all policies. There are three classifications of poverty: poor, very poor and the below the poverty line. The income of below poverty line was less than US\$ 175/month. The government's target on income of each household was US\$ 175/month at the minimum, which was expected to be increasing.

When the focus was on coffee production, it was the government's concern whether it was a highly profitable produce or an add-on activity to farmers. In Malaysia, coffee had not been the mono-crop basic since the country did not have big plantation. Coffee was not the mono-crop in terms of organization, irrigation, etc. Coffee was intercropping produce. Coconut was first planted in the area and afterward coffee and cocoa were grown together.

In the national agro-food policy, by 2020 Malaysia imported coffee. Yet the country was trying to increase the productivity. It was important to increase the income of the farmers from all kinds of crops they plant. One of the strategies was to increase the contribution from the industry. Malaysia imported a lot of coffee beans from Indonesia, Thailand, and Vietnam. The import value reached RM 980 million in 2015 and export value reached RM 1.3 billion in the same year. Afterward, Malaysia exported the processed coffee abroad. Related to the coffee productivity, Malaysia will be using national strategies (strategy no 1 to no 7), covered under the 2011–2020 National Agro-Food Policy.

Mr. Hamzah shared the progress of economic policy from 1970s to the present time. In 1970s, GDP came mainly by agriculture and in 2015, Malaysia became a more industrialized country. Nevertheless, agriculture was not prioritized. Malaysia consisted of rural and urban populations. Rural population

was mostly farmers. Government focused to reduce that the gap of quality of life between rural and urban population. Therefore, the government had managed to lift up the quality of life between rural and urban population. The income of farmers also became the concern of the government. Though agriculture is not mentioned in the 2020 vision, it was still the priority of the government.

There was another plan called **National Transformation Programme 2050 (TN50)** which led to policy development. Regardless the policy, agriculture must be the base for the national transformation. As stated in TN50, the government must be very clear on the concept of '**citizen well-being**' and that includes farmers.

Regarding the farmers' organization structure, farmers' activities in Malaysia were managed by NAFAS which was a national body on agriculture. The body coordinated all farmer organizations in the country. Under NAFAS, there were 14 state farmer organizations representing 14 states respectively. There were 278 farmer organizations at district level.

The main challenge in terms of coffee production was the cost of production. Another challenge was labor, especially on labor incentives and requirements.

Above all, coffee had high potential since it relates to lifestyle.

The third speaker was Mr. Chea Saintdona (ASWGAC Focal Point of Cambodia). He informed about several policies and regulations promoting the agricultural cooperatives in Cambodia. He highlighted that the government had two support mechanisms for agricultural cooperatives, namely:

1. the Department of Agricultural Cooperative Promotion (DACP) at national level, and
2. the Office of Agricultural Cooperative Promotion (OACP) at provincial level, under

Provincial Departments of Agriculture, Forestry and Fisheries.

He presented the organizational structure of DACP. There were 7 offices under DACP:

1. Office of Agricultural Cooperative Registration and Promotion,
2. Office of Education, Training and International Cooperation,
3. Office of Business Development and Marketing,
4. Office of Agricultural Cooperative Audit,
5. Office of Legislation and Dispute Settlement,
6. Office of Monitoring and Evaluation and Research and
7. Development Center for Agricultural Cooperatives.

There are several incentives provided for the agricultural cooperatives, namely:

1. Provision of favourable policy and regulations,
2. Free of charge registration for an agricultural cooperative to government, (whereas a private company must pay to the government),
3. Capacity building program using government budget,
4. Facilitation between agricultural cooperative and private sector with government as the witness of the contract between the two, and
5. Other technical supports. The technical supports were training courses from government members of agricultural cooperatives and marketing promotion for agricultural cooperatives. For example, annually the government invited agricultural cooperatives to take part in exhibitions and the government pays to rent the booths.

Cambodia was still at the early stage of development of cooperatives. There were only 857 cooperatives compared to other countries, excluded Lao PDR. Nevertheless, the numbers of cooperatives increased from time to time because more farmers

participated in agricultural cooperatives. In addition to that, government also paid more attention to agricultural cooperative since it was an appropriate approach to support small-scale farmers. Small scale farmers were still challenged in their farming activities. Therefore, the government takes more priority to promote agricultural cooperatives.

There were 33% women and 67% men were involved as board of directors in agricultural cooperatives. There were 34% women and 66% men were participated as supervisory committee in agricultural cooperatives. Mr. Chea also presented several pictures of some commodities produced by agricultural cooperatives in Cambodia, namely rice, cassava, and pepper.

He added that there were several challenges to cope in promoting agricultural cooperatives:

1. Inadequate regulations in order to promote agricultural cooperatives,
2. Limited education and training materials,
3. Lack of national and regional training centres for agricultural cooperatives,
4. Limited human resources in the field of agricultural cooperatives promotion, less participation from youth in agricultural cooperatives,
5. Small working capital in most of agricultural cooperatives, and
6. Difficulty in accessing low interest loan.

The solutions for the challenges were:

1. Formulating legal documents under the law on agricultural cooperatives,
2. Developing and preparing education and training manuals/materials,
3. Developing human resources in the field of agricultural cooperatives promotion, strengthening the capacity of agricultural cooperatives,
4. Facilitating and coordinating agricultural cooperatives to create business partnership with stakeholder,
5. Cooperating with NGOs in order to promote agricultural cooperatives,

6. Encouraging youth to be involved in the agricultural cooperatives, and
7. Encouraging agricultural cooperatives to increase membership and working capital.

Cambodia had success stories on development of agricultural cooperatives. There were some agricultural cooperatives joining a union which was formed with ***contract farming*** scheme. The contract farming approached were introduced in 2016. There were 8 agricultural cooperatives joining to a union in 2016 and 11 cooperatives in 2017. In total, in June 2017, there were 19 agricultural cooperatives as members of the union. This union produced organic rice. With these scheme, it was reported that rice farmers received higher price from agricultural cooperative than from middlemen. It was a good start for farmers in Cambodia to work with private company to make approach in establishing contract farming.

The fourth speaker was Ms. Win Win Aye (ASWGAC Focal Point of Myanmar). The coffee export in Myanmar started from 2011. In 2016, the export number was relatively increased; from 506 tons in 2011 to 1,137 tons in 2016. In 2014-2015 the total coffee export was higher than that of 2015-2016 which was 1,157 tons. There are 12 regions/states in Myanmar and 11 regions/states produced coffee with the total cultivation area were 49,192 acres and the total harvest area were 29,028 acres. The production rate was 0.29 with 8,430 tons of total coffee seeds.

There were two parties producing coffee: individual farmer and big farms. From 2006 to 2016, individual farmer and big farms had significantly influenced coffee productions. In 2006, individual farmers could produce 3,500 tons and big farms could produce 500 tons. In 2015, individual farmers could produce 2,700 tons and big farms could produce 290 tons. The price per ton was 1,500,000 MKK in 2006 and 3,500,000 MKK in 2015.

Myanmar had three most marketable coffee cultivation areas. They were in Pyin Oo Lwin (Mandalay Region), Ywangan (Shan State) and Tee

Tain (Chin State). There were also six state-owned coffee plantations in Myanmar:

1. Pyin Oo Lwin Township (Mandalay Region),
2. Mogok Township (Mandalay Region),
3. Shan State,
4. Tee Tain Township (Chin State),
5. Thandaunggyi Township (Kayin State),
6. Minbu Township (Magway Region).

In 2015-2016, the government distributed 550 kgs seeds of Arabica (highlands) and 15 kgs of Robusta (lowlands).

The coffee supply-chain from farms to consumers is as follows:

1. Production (at farms), consisted of area and techniques for production.
2. Procurement, trust or social reciprocity from farmers to buyers.
3. Processing: ensuring post - harvest mechanism to obtain premium quality of coffee.
4. Roasting and storing
5. Exports and products deliverance to consumers, requiring market access, networking and preferences of consumers towards coffee processed.

To produce coffee, Myanmar experienced difficulties on land management, long term loan period of at least five years, lack of standard quality control, lack of research and development and lack of pre-harvest and post-harvest technologies.

She highlighted that Myanmar also had the opportunities to produce coffee supplied from the highlands regions with suitable weather or agro-climate. There were also suitable soil type and sea level to support the expansion of coffee production in lowlands and highlands areas at several regions/states.

Myanmar exported its coffee to Switzerland, Taiwan, China, Thailand, USA, South Korea, Japan and Germany. For Myanmar, coffee was second largest commodity after oil and gas in the global market.

She highlighted that the challenges were lack of cooperation to penetrate the global market, lack of IT supports among stakeholders, lack of market information, lack of skilled labour, and lack of standard processing and packaging systems. In the near future, Myanmar farmers need to have high quality coffee seed resistance to climate impacts, capacity-building training, and good agriculture practice.

Coffee industry development model for Myanmar was presented as follows:

1. Production level: variety of coffee and development of good agriculture practice.
2. Collection and procurement level, requiring association and contract for farmers.
3. Processing level: inspection, quality, mechanism and further research.
4. Roasting and storing: mechanism, quality, research and technology.
5. Increasing exports level: raising awareness about Myanmar coffee, traceability and continuity for supply to potential buyers.
6. Approach at consumers level: promotion and networking.

Above all, this proposed model requires improved infrastructure, capacity building, good collaboration and mutual trust, and policy engagement from relevant multilevel stakeholder.

Questions and Answers

Q1. From MS. Yacinta of the ASEAN Foundation

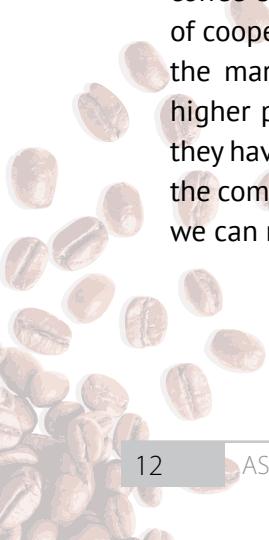
1. We have observed that all ASEAN Member States have unique policies in supporting agricultural cooperatives, would it be able for Sectoral Working Group to develop a common policy for collective marketing so that we can come up with the same level efforts to empower the farmers?

A1. Response from Mr. Hamzah bin Hj. Bahari (ASWGAC Focal Point of Malaysia):

1. There were two barriers exists that hindering the work of farmers, cooperatives and entrepreneurs; price and coordination.

On the issue that farmers reduced their coffee production, Mr. Hamzah quoted a Japanese famous marketing expert on two-wheels theory. The first wheel was between farmers and agriculture cooperatives. The second wheel was between agriculture cooperatives and buyers.

The price that farmers received from the cooperatives must be higher than the price that farmers obtained from other buyers in Singapore, for instance. The price from the farmers, said, of one kilogram of market price for coffee bean was US\$ 1. Then, agriculture cooperatives purchased at US\$ 1.1/ kilogram which was US\$0.1 higher than other buyers. In consequently, farmers will always sell to the cooperatives because the idea of selling higher to cooperatives makes sense.



The problems occurred when the cooperatives were not able to buy US\$1.1/kilogram. For instance, if cooperatives would like to buy cheaper because they wanted to earn more money by purchasing US\$0.59/ kilogram. Then, according to the Japanese marketing expert, you cannot get the loyalty of the farmers if you buy cheaper than what other buyers can buy. When the cooperatives get stock of coffee bean and buy higher than the market, it is the duty of the cooperatives manage to sell the coffee stock to any buyers. It is also the duty of cooperative to purchase coffee bean beyond the market price. The cooperatives must buy higher price from the farmers, make sure that they have links to external buyers and can offer the competitive price to the buyers. That is how we can maintain the marketing scenario.

Mr. Hamzah provided another example of agriculture produce; that the case of red chili in Malaysia. Farmers established cooperation with Nestle. For every kilo of chili from the field, farmers had to be able to sell US\$ 3.50. But, when the weather was not good, then the price of chili went up to US\$ 10. The farmer could not sell due to low productivity. Later, middle person came to farmers and offered US\$ 6 as the price. The issue of loyalty became very important for the farmers.

A1. Response from Mr. Saintdona (ASWGAC Focal Point of Cambodia):

1. In order to solve the market problem, contract farming was one approach. Working with small-scale farmers through cooperatives. For example, in Cambodia before farmers set up cooperatives, farmers had setback almost every year because they always got low price. Then, when they knew about the concept of cooperatives, farmers agreed to set it up.

Through cooperatives, farmers make agreement with exporters. The price can be maintained and cooperatives have bargaining power. Farmers cannot compete with private sectors or exporters if they sell their product individually. Therefore, we realize that contract farming is not always the best approach. Some failures also occur in several areas. When contract farming cannot be applied, we can have business agreement between buyers and cooperatives. Contract farming might require legal or some complicated requirements.

Lunch Break

After lunch break, there were second panels with presentations from four speakers. The moderator was Mr. Jose Romeo B. Ebron (AFA).

The first speaker was Mr. Rizwan Husin (Central Aceh, Indonesia). He is the chairperson of Koperasi Baitul Qirad Baburayyan (KBQ). The KBQ was established in 2002. By 2016, the cooperative had the asset of IDR 13.8 billion (US\$ 1.000.000). In the same year, the revenue was IDR 101.9 billion (US\$ 7.000.000). It was low in comparison to 2015 revenue, IDR 123.9 billion (US\$ 9.000.000). The decreased was due to lower productivity impacted by climate/weather. In 2015, the cooperative employed 264 workers with the total payment of IDR 4.7 billion (US\$ 300.000); 70% of the labours were women.

He informed ALSPEAC participants that the KBQ had received several awards at district, provincial, national and international level. KBQ established cooperation with NCBA, located in Washington DC. It had been one of the coffee partners since 2006, especially for coffee market supply chain in USA. KBQ had established partnership with universities, NGOs and other institutions. KBQ received certifications from: Control Union Certification Netherlands in 2005 on Organic Product, in 2006 on café practice from Starbuck Coffee, and from FLO Cert Germany in 2007 on FLOCert. KBQ exported 1,531 tons of coffee in 2016 and 1,670 tons in 2015. There was a decrease due to low productivity caused by unpredictable weather.

KBQ provided premium for farmers, apart from the profit of selling price. Premium was the reimbursement from the buyers to the cooperative and it was given back to farmers. In 2013, the premiums were converted to purchasing agricultural tools and developing infrastructure with values of IDR 1.5 billion (US\$ 113,000). In 2016, KBQ not only provided tools/infrastructures but also other soft instruments (training, saving, work visits, and members' welfare) worth of IDR 3.5 billion (US\$ 263,000).

He also presented activities organized by KBQ, including: training for university students, supports for members of the cooperative, and re-planting to avoid deforestation.

KBQ also supported SMEs and other smaller cooperatives aiming the in order to have good coffee quality. KBQ was also involved in several associations, such as: Specialty Coffee Association of Indonesia (SCAI), NAAP of Asia Pacific, and Fair-Trade Coffee Forum of Asia Pacific.

The second speaker was Ms. Khin Lay Phyu (Myanmar). She shared her experience on the coffee production. There were many families planting coffee, yet there was no market. This year, there was a good market for coffee. However, some coffee farmers had cut down their trees and they regretted the action. They were encouraged to plant coffee again as they knew the coffee market was better this year. She highlighted that she was also a member of a cooperative and would like to export, but there are constraints to export.

The third speaker was Mr. Bounthong Thepkaisone (Coffee Producer Cooperative/ CPC in Bolaven Plateau, Lao PDR) who shared a video on the activities of CPC. The highlights were:

1. Challenges: marketing issue. Farmers was difficult to sell the product, or the price was very low for them. They cannot maintain the quality and the continuous supply. Farmers were lack of coffee production knowledge.
2. A cooperative can be the solution for small holder farmers.
3. Coffee Producer Cooperative had members from 55 villages in 3 districts of 3 provinces. It was owned 100% by farmers (1,805 households).
4. The 8 people of management committee were voted by members. There were several units, such as extension unit, marketing unit, and processing unit and financial/credit unit.
5. Marketing unit: the cooperative produced coffee based on orders from international markets. The cooperative purchased beans from members, processed and exported to buyers. The cooperative had two products, green bean for export and roasted bean for domestic markets. ***The main markets were***

- France, Belgium and Sweden.** The roasted bean and grind coffee are sold for domestic markets in Luang Prabang, Vientiane, Vang Vieng and Champasak. The total sum was 800 kg/year. The cooperative had organic and Fair Trade certificates recognized internationally.
6. Financial system: transparency was the most important thing as the main requirement to have loans from the bank. The cooperative borrowed US\$ 3 to 5 million/year from the bank. There were three auditors for the cooperative; coming from external audit, government and banks.
 7. Benefits to members: cooperative had a minimum price set up. Members received higher price than market price. Members also had opportunities to have peer to peer learning exchange.
 8. Problems and concerns: The cooperative asked for tax exemption or tax reduction from the government. When the cooperative can offer a better price, it can attract more farmers to join. Second, the cooperative wanted to conserve Bolaven Plateau. It was important to prohibit the utilization of pesticides and chemical fertilizers since the cooperative produced organic coffee.
 9. This cooperative was a good model since it is governed by farmers and managed by professional staffs.

He also highlighted that this year is the 10th year anniversary of this cooperative. The cooperative had their vision to serve the social development and business of its members. Now, it had more than 1000 members. The cooperative also awarded by fair trade certificate.

The cooperative had several challenges to overcome, namely poor-quality coffee products, effects of climate change that causing pests and diseases for the crops, marketing issue in which the cooperative was dependent on international market for green bean supply, very small products go to domestic market (1% of the total production), and difficulty to access funding. The country buyers (importers)

provided money in advance guarantee to bank so the cooperative can borrow loan from bank.

The fifth speaker was Mr. Sasmitra (Serikat Petani Indonesia/SPI/ Indonesian Farmers Union of Bengkulu, Indonesia). He shared the history of the Farmer Union established in 2016. Prior to 2016, Farmer Union in Bengkulu supervised by SPI. The background of establishment was to handle conflicts at farmers level. Later, the farmers also discussed about product development, especially coffee.

Prior to 2016, farmers still had low productivity and poor process. Later on, they raised awareness among coffee growers on how to increase selling price. SPI provided several trainings on accessing markets. After sometimes the Farmer Union agreed to establish a cooperative which was not only trying to get profit, but also shared the profit to members. The profit went to farmers. The Cooperative was still searching the best concept for the core of the cooperative and accessing more wider market.

This year, climate change affects our production. Last year, we had 3 tons of robusta coffee and 1 ton of Arabica coffee. This year, it declined to 40% - 50% for Robusta coffee and 80% for Arabica coffee respectively. The comparison is 80:20 for Robusta and Arabica coffee. They can only provide 500 kg to be sent to Jakarta for Arabica specialty coffee.

The challenges highlighted by Sasmitra were marketing, raising awareness on the importance of cooperative, and production due to climate change. He also mentioned that the Farmers Union also worked together with government, but not all programs can be agreed upon.

Questions and Answers

Q1. From Mr. Tjandra Irawan (Agriterra)

1. Question for cooperatives of Thailand and Aceh (Indonesia): How many farmer members of the cooperative have capital contribution/equity to cooperative of more than US\$1,000 or more?
2. Question for Gayo Cooperative (Aceh, Indonesia): Are there any differences between farmers working with/joining the cooperative and those not working with/joining the cooperative on price or profit gained by the farmers?

Q2. From Mr. Saintdona, ASWGAC Cambodia

1. What are the inspiring reasons to join cooperative?
2. What are the problems or difficulties to establish the cooperative?

A1. Response from Mr. Rizwan Husin (Aceh, Indonesia)

1. No one has US\$ 1,000 equity. The highest is US\$ 150 per person. Others have less than US\$150 per person.

A1. Response from Mr. Piya Nusut (Thailand)

1. The cooperative was not established by collecting the money from members. It started as learning group. Then profit was collected as the cooperative fund to finance the facility owned by cooperative. One member could gain US\$ 5,000/year from the cooperative. When the market price goes up, members also receive more.

A1. From Mr. Rizwan Husin (Aceh, Indonesia)

2. For those who are working with the cooperative, the coffee products are from farmers. We do not try to gain profit, but for members' welfare. So, we buy coffee from farmers with our market price (as guideline). When we get

reimbursement from buyers, we return it to farmers in terms of premium; cooperative only takes small amount of profit for administrative cost. For those who do not join the cooperative, they will not get the profit from the cooperative.

A2. From Mr. Bounthong Thepkaisone (Lao)

1. Farmers joined the cooperatives since they need capital to plant coffee and they could learn from other coffee farmers. Farmers could receive the loan from government. There was the interest for the loan.
2. The challenges: farmers received loan only for 6 months period which was too short for the farmers. Another challenge was lack of transportation/road or infrastructure.

GROUP DISCUSSION

Participants were distributed into 5 groups. The moderator was Ms. Yacinta. Results of Group Discussion:

Group 1

(Cambodia, Indonesia, and Myanmar)

There were three business models of coffee production shared in this group from Cambodia Indonesia, and Myanmar.

Coffee MK Model of Cambodia:

Coffee MK is the processor and the roaster. It sells to local market and international market. It borrows money from the bank and finances the farmers by taking care of the farms (coffee plantation) of farmers. Coffee MK buys green beans from farmers with cash on delivery system. Coffee MK finances farmers by providing the amount of US\$ 10,000/year or US\$ 1,000/ha/farmer as the pre-finance. The requirement of pre-finance is farmers exclusively

sell their coffee to Coffee MK by signing the contract without collateral.

Indonesia Cooperative Model:

Farmers sell to UPH (Unit Pengolahan Hasil/ processing unit owned by cooperative) and UPH sells to cooperative. In the next stage cooperative sells to local roasters and industry whose business line is exporting to global market, coffee shops and ICS. Cooperative borrows the loan from the local bank with the interest of 6%/year by applying credit for Small Medium Enterprise (KUR/ kredit usaha rakyat) at the bank. Industry also borrows the loan from the local bank.

The work on areas for cooperation are:

1. To have bilateral trading for local companies with farmer organizations.
2. To have consolidation among coffee farmers at national level to regional level.
3. To become ASEAN coffee federation.
4. To organize learning exchange within ASEAN member countries among farmers and among various stakeholders.

Myanmar Coffee Value Chain Model:

Myanmar Coffee Group/ MCG is a coffee processor, composing of 50 members. They are multi-stakeholders of buyers, farmers, and roasters. MCG exports the coffee beans to US, European countries, Japan and Korea. MCG gets cherries from farmers and finances farmers (small holders and big farms). MCG borrows loan from banks of Myanmar. MCG sells 50% to local roasters and exports the other 50%. MCG gets cherries from roasters (Sithar Roasting Company) and finances them too. There is a profit sharing between farmers and roasters. MCG processes cherries with processing facilities. Before, MCG had different cherries from different farms and had different processing process; MCG did not have enough coffee to sell. Now, MCG combines all from different farms into one place, so MCG can sell as much as possible and it is easier.

It is good to refer to Yunan Coffee Exchange/ YCE. It has a lot of processors and farmers. They work together and put in one place. Starbuck and Nestle also finance YCE. It is the biggest coffee exchange in the world. It is good to have ASEAN coffee cooperation composing of farmers and roasters. We can work together as coffee farmers association or processors association. So, when we have enough quantity, we can control the price and market. It is almost like commodity basis, not specialty.

Group 2

(Indonesia, Malaysia and the Philippines)

This group began by mapped out each cooperative represented in the group and to find out the average productivity of the cooperatives. Based on the discussion, the cooperatives (Indonesia, Malaysia, and the Philippines) have more than 1,000 members, more than 50-hectare land for coffee production, and harvested more than 35 tons/year. However, cooperatives can only sell less than 20% of the potential selling that they have at domestic and international markets.

Discussion

The main issue was on the capacity of the producers to be real business actors at global and domestic value chains. It was due to the internal mentality of the cooperatives. Most of the cooperatives were managed by senior people in age. They do not have the competencies to analyze the business. It happens at farmers and cooperatives levels. When we would like to find out the productivity and the production cost in details, most of farmers were at lost since they cannot able to calculate and do cost forecasting. At cooperative level, the challenge was on how cooperative can manage to enter global markets dealing with exporters, processors, banks, etc.

Therefore, there is potency. Yet the capacity of farmers is lacking at ASEAN levels, at least taking examples from Indonesia and Malaysia situations.

When we make value chain, from farmers to cooperatives and exporters, form of products that the farmers can provide is only wet parchment coffee bean – Indonesia participant.

The quantity of green beans and ground coffee were very low due to lack of capacity in post-harvest management. Farmers were difficult to produce green beans coffee in high quality and quantity required by exporters. It was due to poor quality control, poor facilities and poor access to financial resources. Quality control and standards compliance were important things to be considered by ASEAN Farmers.

The recommendation: it is a good event to share to one another about the experience and to learn how to build business professionally. Hopefully such event can be organized regularly.

Group 3 (Indonesia and Myanmar)

Farmers should develop scenarios to access the market.

Discussion

This is the long value chain situation. We describe how farmers develop scenario to access market. It is the situation where farmers supply cherry/green bean to processor, intermediaries, exporters, coffee shops and consumers.

The first scenario is the strategy to increase the price of the product and the second scenario is adding the value of the bean or grind coffee to have wider market chain and to eliminate middlemen. The next scenarios are farmers sell their products to cooperative directly. Here, the cooperatives will provide services for processing and quality control systems. Cooperatives, in general should have

collective processing unit and control system to improve the quality of coffee.

In value chain, layers and actors along the pre-value chain and post value chain must be considered.

There are six levels of value chain. First level is production technology. Technology development and dissemination are supported by university. The second level is cultivation and nursing the trees, adoption technology developed by research institutes.

The third level is farms can go to agriculture cooperative or middlemen at village level to sell their produce. This third level is supported by service providers on agricultural inputs.

At the fourth level, middlemen at village level go to middlemen at sub district or district level which is considered as private sector. This also considered cooperatives connect to private sector (bigger buyers).

The fifth level; they are: big players at district level, coffee shop, processing companies, and exporters.

Exporter can be considered at the sixth level on the value chain. At the fifth and sixth levels, banks and financial institutions together with the governments provide enabling environment for bigger buyers. The end user is consumer.

Farmers is expected to have one to three level. From producing coffee to selling to cooperatives. Quality control can be done by cooperatives, with support from relevant institutions such as certification bodies. By having quality controls and standards compliance, farmers might enjoy the fair trade and fair share systems.

During the discussion, cooperative can improve value added to increase price or premium price, or

cooperatives can improve market chain situation (for instance by having contract farming).

Group 4 (Indonesia, Lao , Malaysia, Philippines)

There are three opportunities for coffee cooperative, namely the high demand for coffee production, the high demand for specialty coffee production (Laos exports Arabica coffee to Japan, US\$ 6/kg), and fair trade and certificate for small holder farmer to increase the price. There are more buyers buying organic coffee from ASEAN.

There are challenges to face for coffee cooperative. The challenges are unstable price which depends on the global market stated by ICO, coffee being a sensitive crop depending on climate change, and unstable price in Indonesia due to land conflicts (coffee growers versus government) and *loan sharks*. Supports needed for cooperative are to provide facilities (such as drying facilities), to access more loan for capital, to increase demand in accessing fair trade and organic markets, and to provide capacity building.

Recommendation: There should be policy to legalize land ownership for farmers.

Group 5 (Indonesia and Philippines)

The journey of coffee production is still a long way to go, in terms of production, marketing and processing. Indonesia (Aceh) is looking forward to have shared market and production of their green beans. They would like to ensure their production. They would like to have better green beans within Indonesia, being a country preserving culture and ownership of the beans.

In the future, we are looking forward to popularize coffee in the Philippines.

We are looking towards for institution that can exchange knowledge and do co-marketing of our products. We can exchange our trade. We can also share the variation of ASEAN coffee. The Philippines farmers can get knowledge from Indonesia. We can organize potential visits and learning. Nevertheless, we have to improve quality and production and establish relationship with other stakeholders.



Day Two: 20 July 2017

The participants departed to visit three sites. The participants took the buses and one small bus was provided by the organizer. The first visit was to a cooperative, Koperasi Kebun Makmur at Kaliurang, Yogyakarta which produces Kopi Merapi. Arriving at the site, the participants were requested to gather into groups formed the previous day.

There were five groups. Each group was requested to observe the site on different topic and to provide recommendation after the observation. This grouping arrangement was applied for the next two visits.

After the observation at the cooperative, the participants visited coffee plantation belonged to Kopi Merapi. The participants observed the coffee plantation based on their respective topic. Afterwards, the participants continued the visit to have coffee break and group presentations at Café Merapi serving Kopi Merapi.

Each group presented the result of the observation. The first group observed soil condition of the coffee plantation. It observed that the coffee plantation has volcanic soil type with 7 levels of soil layers. The top layer is very good for planting coffee. The group recommends the farmers to cultivate the soil and to cut the grass, not to clean soil from grass totally. It is better to apply compost (5 tons/ha; 1 time/year), to have liquid organic manure (2 liter/ha/year), and to adjust the cover crops quantity.

The second group observed the agronomy of the coffee plantation. The group observed that the agronomy has intercropping coffee farm in order to increase income. The positive aspects are the coffee plantation has good and fertile soil and short trees which is easy to maintain and to harvest. However, the negatives aspects are: the agronomy has low productivity, it is too near plant spacing, it

is lacking pruning, there is too much shading, no homogeneous clones, too much weeds and only small *rorak* or pitch. The group recommended the farmers to increase the productivity and income by maximizing the positive aspects and reducing the negative aspects and to separate the cloves and coffee.

The third group observed the shading trees at the coffee plantation. The group observed that farmers plant fruit trees as shading trees which can generate income from fruit and woods. They also plant banana trees which can reserve water during dry season, plant many kinds of trees as shading trees which can boost the ecosystem, apply organic fertilizer, and control the temperature and moisture. However, farmers need to cut the trees branches for sunlight reaching coffee trees; when farmers do not cut the branches, it may cost money and create danger for coffee trees. There are pests on shading trees, such as on banana trees. The group provided recommendations that farmers should plant more shading trees not only for coffee production, but also for environmental conservation and biodiversity. Farmers should promote mixed coffee plantations as ecotourism activity and farmers need to handle the negative side of planting many kinds of shading trees.

The fourth group observed pests of the coffee plantation. The group observed that there are aphids eating the coffee leaves and mites which eats the inner part of the beans affecting the quality of the beans. The group provided recommendations that the farmers must not harm the ecosystem, apply organic pesticides and organic fertilizers (dolomite and lime in order to reduce acidity) and apply coppicing technique using saw, not knife.

The fifth group observed on the biological/natural enemy. The group also observed the cooperative site and the coffee plantation. The group provided

the results of the observation and the cooperation. The cooperative has mix storage, improper labeling, plastic sack storage container, no linear process flow and no clear policy for visitors. Regarding to this cooperative observation, the group provided recommendation that the cooperative must follow GAP/GMP on storage, apply segregation and labeling of products, revisit flow process to eliminate cross contamination, and issues regulation for visitors. The next observation was about biological/natural enemy. This group then observed that there were beneficial insects. It also observed the presence of other insects which are not known whether their beneficial. The group also managed to provide recommendation telling that farmers should have capacity building on identifying beneficial insects, plant aromatic plants as part of control measures and plant flowering plants to attract honey bees.

After the group presentations, Mr. Jajang Slamet (a master trainer from SCOPI) provided several inputs to the recommendations stated by five groups.

Generally, the recommendations were acceptable. The inputs given by Mr. Jajang for each topic are as follows:

- The input on soil was: it is compulsory to make *rorak*/pitch and it requires terraces to be adjusted with the condition of the coffee plantation.
- The input on agronomic: The coffee production is not good since it requires pruning. There are two purposes of pruning: to shape the trees and to improve the production.
- The input on clone: the coffee plantation requires more clone to be adjusted with the characteristics of the area for at least two different clones.
- The input on shading trees: The trees are too tight in creating high humidity and cannot reach coffee trees. Pruning is required for shading trees. It is better to plant shading trees which can generate income of the farmers, such as banana trees.

- The input for pests management: Integrated pests management must be applied. Then it is better to use bio control and organic pesticides in order to sustain the ecosystem.

Questions and Answers

Q1. How should we do pruning?

A1. There are three ways of pruning. The first pruning is on the first year in order to shape the trees. The second pruning of production is for coffee trees which have produced for more than three times in a year. The third pruning is for the trunks that have reverse direction and are infected by pests or diseases which can be conducted during early raining season.

Q2. How do you educate the farmers to adopt good agricultural practices on coffee?

A2. SCOPI has a master trainer who trains field supervisor 1 at the first layer. This field supervisor then trains the field supervisor 2 at the second layer. This supervisor then trains farmers. SCOPI has field school. Farmers are evaluated. From this evaluation, field supervisor can provide inputs to farmers. SCOPI has national curriculum for coffee production in Indonesia.

The participants headed to Pentingsari, a tourism village and had lunch there.

Session 1: Coffee Value Chain in Indonesia

After the lunch, Mr. Yustinus Sunyoto (an expert on coffee value chain) had his presentation on Value Chain Analysis based on a case study of coffee production in Indonesia. Value Chain is a series of people involved and activities needed to bring

a product from production to the final consumers. Indonesia has two main coffee species, Arabica coffee and Robusta coffee. Indonesia's coffee production is at the fourth position in the world coffee trade after Brazil, Vietnam and Colombia.

ICO (International Coffee Organisations) has four indicator prices. They are Colombian Milds, Other Milds, Brazilian Naturals and Robusta. Indonesia produces Robusta coffee. He once asked ICO on what category falls for Gayo Arabica Coffee of Aceh specialty. ICO answered that it falls into the Brazilian Natural Arabicas category.

The first study is on Gayo Coffee. The central of Gayo Coffee Production is at Central Aceh, Bener Meriah and Gayo Lues of Aceh Province. The main issue is on transportation. The closest existing port in 2011 was at Lhokseumawe at Aceh. In fact, coffee must be transferred to Belawan Port at North Sumatra. It required 15 hours to transfer from Central Aceh to Belawan Port. The first challenge for Aceh is on infrastructure with poor road access to central of production, poor port (dry port/area development), and dependency to other province (North Sumatra Province). The second challenge is on regulation and policy on export-import barrier.

There are three value chains. The first value chain is coffee produced by farmers are sold to collectors as traders who then sell coffee beans to international market. The second value chain is coffee produced by farmers are sold to collectors or traders who then process the coffee at local millers. These millers sell to larger traders/exporters that then trade to domestic market and international market. These millers also sell coffee beans to roasters that sell coffee beans to domestic markets. The third value chain is coffee beans produced by farmers are sold to collectors/farmer groups that sell coffee beans to cooperatives/millers. These cooperatives/millers trade coffee beans to roasters that sell coffee beans to domestic markets and international markets.

The coffee price from collectors to the cooperative/company before cupping is lower than after cupping. Quantity of coffee accepted was quite fluctuated with the highest peak being in June 2009. The export market for Gayo coffee from 2009 to 2011 was generally increasing; the highest peak was in April 2011. The case for Gayo coffee on August 11, 2011 of global price was IDR 44,770.1292 (US\$ 5/kg) and at local price at collector level (ready export coffee) was IDR 59,000 (US\$ 6.92/kg). If exchange rate has been assumed at constant IDR 8.520/1US% and price at farmer level would be constant at IDR 59.000; global price was US\$ 7.3 or 331,12 cents/pound. There was price dilemma. Gayo coffee had higher price at local level than at global level. The solutions are to have cost effectiveness and efficiency, to improve quality for competitiveness and to have new marketing strategy by possessing certification on specialty coffee or niche market.

SCAA Specialty Standard for all Arabica coffee has definition for specialty coffee. The standard Arabica coffee has zero defect for primary defects and has maximum 5 defects for secondary defects as well it has 10-12% (upon import) for moisture content. These standards are based on 350 grams sample of green coffee grading to SCAA standards. Specialty coffee of Arabica coffee must have 80 points or above for cup evaluation and zero *quacker* based on 100 grams sample of roasted coffee.

The classifications of specialty Arabica coffee based on final score are outstanding for 90-100 points, excellent for 85-89.99 points and very good for 80-84.99 points. Below 80 points are considered below specialty quality or not specialty coffee. During export market in 2017, on 13 July 2017, Bloomberg-Coffee price was IDR 38.397,742/kg; whereas at collector level (ready export) was IDR 63.000 or US\$ 4.7457/kg.

The second learning experience is coffee production from Batang at Central Java Province.

The production area is scattered. It has 700 ha cultivated at 500-900 above sea level and 300 ha cultivated at 1200 above sea level. Each farmer has 500 m² to 1 ha and has poor knowledge on good agriculture practices. The post - harvest of coffee production is cherry with poor processing and poor knowledge on good processing practices.

Coffee industry in Indonesia is most likely taking place from upstream to downstream at each coffee region. The people economic in the area is potentially sustainable. It involves many people in the supply chain. It has long term investment with competitive margin.

The export statistic of monthly trade for world coffee exports in October 2016 was 9.13 million bags compared to October 2015, which was 9.31 million bags. Exports of Arabica coffee in twelve months ending October 2016 was 71.93 million bags compared to October 2015, which was 69.21 million bags. Exports of Robusta coffee in twelve months ending October 2016 was 40.46 million bags compared to October 2015, which was 40.46 million bags.

The coffee market ended 2015/2016 was in deficit for the second consecutive year, but stocks accumulated in 2012/2013 and 2013/2014 have allowed the market to remain well supplied. For the global coffee production, it was estimated 148 million of 60 kg bags of coffee produced in 2015/2016. In 2015/2016, it was +0.9% estimated increase in global coffee production compared to one in 2014/2015.



There was 0.7% estimated change in global production of Arabica coffee in 2015/2016 compared to 2014/2015. There was 1.3% estimated increase in global production of Robusta coffee in 2015/2016 compared to 2014/2015. For global coffee consumption, it was 151.3 million estimated of 60 kg bags of coffee consumed in 2015/2016. There has been 1.3% of average annual growth rate in global coffee consumption since 2012/2013.

There are three highlighted current ICO issues on coffee. The first issue is price volatility in the coffee market and increasing costs of production for farmers. That means many producers are operating at a loss in short and long terms. The second issue is about the unsustainable coffee production, in terms of economy for many producers. Those who want to make profit are struggling with the costs of establishment and plant renewal. The third issue is that coffee growing on average is becoming less profitable over time.

These issues are important due to the fact that the living conditions of millions of coffee farmers are deteriorating. The profit is also decreasing over time which at the end could result in consolidation of coffee farms and/or disruption in coffee supplies. Farmers will choose to leave the market, or abandon their crops. It can create a phytosanitary threat to neighbouring coffee farms.

The suggestions for cooperative at national level are: the cooperative/farmers must know the coffee (based on agri-climatology, varieties, and profile), understand existing condition (based on input supplies, agriculture practices, processing practices, logistic and financial support), understand the market (at local, national, international market; green bean, roasted, and end), have institutional building by strengthening capacity, and develop strategy on conducting business audit (go international or not), on selecting target markets (which market to enter), on developing entry strategy (how to enter target markets), and on developing business plan (how to market to target markets).

There are four suggestions at ASEAN level. The first suggestion is to conduct research in order to find out on how to address low profitability of coffee farming, strategizing production and market. The second suggestion is to increase productivity and the quality of coffee through capacity building of coffee farmers and their cooperatives and to strengthen the linkages with other stakeholders in the sector at national and ASEAN levels. The third



is to increase the quality and productivity of coffee processing business in terms of entrepreneurship development and business improvements through capacity building and to improve market access through a possible matching fund scheme at national and ASEAN levels. The fourth is to ensure better export markets through strengthened linkages with exporters and capacity building among key exporters at national and ASEAN levels. The fifth is to encourage better coffee exchange in between ASEAN member countries.

Questions and Answers

Q1. Is there any institution that is able to provide the detailed on production cost, etc?

A1. Coffee is produced mostly by small farmers (95% of total coffee production) who are lacking on knowledge on agriculture production. They still operate coffee production traditionally. Therefore, it is very difficult to know the detailed on production cost. In order to do that, you must understand your coffee so that you can calculate the production cost.

Q2. Are there any farmers who have sustainable coffee production?

A2. In line with ICO statements on the current issues on coffee production, we need cooperatives to sustain coffee business.

Q3. Is it possible for the ASEAN Foundation to establish a control/certification body in order to certify coffee produced by ASEAN member countries?

A3. It is possible.

Q4. Is it possible for the ASEAN Foundation to link with certification bodies?

A4. The ASEAN Foundation works with Sectoral Working Group. It cannot go directly with any external bodies. Shall there be any request, The ASEAN Foundation has to ask to ACEDAC. The

ASEAN Foundation supports the agriculture road map. We might develop something new, such as certification, yet we must cooperate with ACEDAC for such situation.

Q5. Many farmers want to be certified in order to access global market. How can they be certified?

A5. The ASEAN Foundation works on several layers. It is now allowed to work directly with external bodies. It is working through sectoral working group. It requires sectoral working group to agree to provide the mandate to some institutions. The ASEAN Foundation is going to report to the ASEAN Secretary General on this aspiration and the Secretary General will bring the answer back to sectoral working group on how this request is proceed.

Session 2: Agriterra

The next presentation was given by Mr. Tjandra Candra Irawan (Agriterra). He shared overview about Agriterra and its principles. Agriterra is a Dutch organization founded by Dutch Farmers and cooperatives. Its mandate is professionalizing cooperatives and farmers' organizations in developing countries. It is working in 18 countries with 100 staff.

In Asia, Agriterra is working in China, Indonesia, Myanmar, Nepal, Philippines and Vietnam. The goals by 2020 include 1 million unique farmers and 50 cooperatives (including 25 smoking chimneys). For farmer organizations, Agriterra encourage to farmers contributing the operation of their organizations.

Agriterra works on 3 focuses, they are: financial management, governance and business/organization planning.



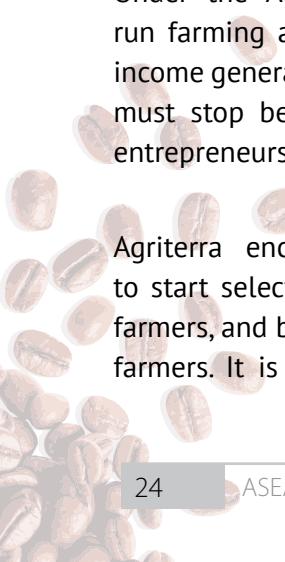
The current situation and perception is that Agriterra believes that poor people live in rural area. They are farmers and small holders. So, when we support agriculture, we alleviate poverty. Agriterra believes that agriculture cooperative is a grower association assisting farmers. Its role is to produce and sell it to the next chain. Agriculture cooperative has challenging task. In some sectors, farmers become members of cooperative since only through cooperative farmers can access to fertilizers. Government and donor funded programs for rural development may require farmers to join cooperative in order to receive benefits. Unfortunately, these entities in which members are forced to join so-called cooperative only exist for accessing temporarily subsidies and are not genuine cooperatives.

Agriterra believes that farmers should be entrepreneurs.

Indonesia Law No.19/Year 2013 says that farmer is an individual citizen and/or his/her family who runs farming business in food crop, horticulture, plantation and/or livestock. Therefore, farming is not an income generating activity and not livelihood activities.

Indonesia does not have business license to do farming. People can grow anything and anywhere; then called farmers. One person can either have 1 cow or 700 cows; or after 10 years, someone who has 1 cow also called farmer.

Under the Agriterra approaches, someone must run farming as a business, not as a livelihood or income generating activity. Another thing is farmers must stop begging for donations since they are entrepreneurs.



Agriterra encourages any farmer organizations to start selecting and to start differentiating real farmers, and between professional and subsistence farmers. It is not about ownership; it is whether

farmers run their farming as business. Agriterra only supports professional/business person farmers. Agriterra wants to promote lucrative business, not as a subsistence income generating activity. Agriterra wants to promote farmers who are willing to be entrepreneurs. Agriterra wants to promote not traditional cooperatives, but new generation cooperatives when they involve in the value trade processing.

Cooperative is dualism. There are two schemes. The first scheme is association of farmers, workers, and customers, yet they are also investors. The second scheme is shareholders and investors. These two schemes are cooperatives. So, cooperative is not only a legal entity, yet it is also an investor owned company.

Agriterra is not trying to transform farmers into accountants, tax managers, etc. Farmers should do their jobs as good successful farmers. In cooperative, as members, farmers should understand their roles as investors and users. In many countries, this is not a contract farming, but it is called a delivery contract because the cooperatives have limitations in processing. We want to have farmers as good directors of his property, yet the rest should be professionals.

Every company uses marketing in order to try to differentiate the product from other companies. It is external efforts to fight against commoditization. How is it to exit the next commoditized, because everything we do other will follow. Then it becomes commodity. Even standardization becomes commodity. The current competition is not about marketing or business strategy, yet it is about a business model.

It is not product centric or customer centric. It is on how to connect with the customers' spirit where customers want company to assume more social responsibility for the issues that concern all of us, such as environment, poverty, disease, drugs, etc.

Customers are willing to pay on what you produce, which is food, and they do not want to eat food coming from people that they do not need.

The Progression of Economic Value is not only value chain. It is infinite chain and not commodity. Adding more value. We add more services and we have the higher price. Actually, there is another stage, after experience stage, called transformation stage. "Does coffee transform my life as a customer because I can help farmer?"

In the Netherlands, it is possible to buy product directly from farmers, but the farmers are not selling only the commodity. They do all the processing, as long as the farmers invest the processing and the marketing.

What Agriterra wants to change is called rural industrialization in the farmers' own hands. It is an industry at rural area. In Japan, they have small industries and many people in rural areas are farmers. Then, at your coffee packaging, you can put your family's picture and tell the story about your coffee. It is unique and product story limited.

Agriterra has signed an agreement with government of Vietnam on agricultural master plan on June 2017. Agriterra will do it also in Indonesia.

Questions and Answers

Q1. How can we ask Agriterra to work at our country?

A1. to work at your country? You must write a letter to Agriterra in the Netherlands.

Q2. Does Agriterra provide fund?

A2. Agriterra is transforming from a donor agency to an agriculture agency. It is not providing anymore. It shares knowledge to the farmers. The minimum requirement that Agriterra has to recruit clients is

to have at least 1000 farmers and when there is no investment, we need 10 farmers who are willing to invest in the cooperative as the start.

Q3. In dualism, how and who can take part in cooperative in order to make it sustainable?

A3. It depends on the legislation of the country. For instance, in USA, legal entity can become members of cooperative which is not the case in Asian countries. In the Netherlands, one farm has one company which is managed by 3 to 4 farmers. In China, cooperative can be composed by farmers and one company. But the problems may rise since the company dominates farmers. The company is part of the cooperative as the investor. Therefore, we do not need to pretend to establish a cooperative. It can be in a different form, such as CSR or an investor owned, as long as you can preserve the sustainability of the institution. It is a choice.

Session 3: Cooperatives in Indonesia

The last presentation was provided by Mr. Muhammad Rifai (from API). He presented about cooperatives in Indonesia. He highlighted on how farmers can start cooperatives by promoting farmers to establish and join cooperatives and by transforming cooperatives to be better. Unlike the situations in the past decades in Indonesia, where many cooperatives were fake ones. He underlined that cooperatives are important to help farmers to have better bargaining position from buyers (exporters, traders, coffee shops, and collectors) since cooperatives have fairness share between farmers and buyers.

Day Three: 21 July 2017

The last meeting was commenced with a panel presentation from five speakers. It was moderated by Mr. Chris Wanaka.

The first speaker was Ms. Veronica Herlina (SCOPI). She presented about SCOPI. It is a coffee platform in Indonesia which is based on membership. It was launched in 2014 in Indonesia by stakeholders. It is an independent organization on coffee industry in Indonesia. It is a multi-stakeholders platform which has members from NGOs, private sectors, and also from the government, some agencies/institutions, also several multinational companies, and institutions supporting coffee industry in Indonesia. It is working with various stakeholders including companies (traders, cafes, barista) and holders working on coffee in Indonesia in order to have bigger impact.

SCOPI's activities are for farmers. One of the biggest activities for farmers is coffee auction. SCOPI had coffee auction in Atlanta, USA in 2016. The highest bidding price came from farmers. This is the promotion for farmers. Farmers can learn from the winner on how to make program sustainable and to have qualified coffee. There was another activity of SCOPI. It was to launch curriculum on coffee for agriculture practitioners and farmers. Last year, SCOPI launched curriculum for Robusta coffee and soon SCOPI will launch the curriculum for Arabica coffee.

SCOPI has branches in 11 provinces in Indonesia and plans to have branches in 15 provinces for Arabica coffee this year.

SCOPI wants master trainers to train farmers in each area. SCOPI has monitoring and evaluation phase that we can find out numbers of farmers trained in the area, what the challenges are in each area, and whether there is support from government agencies and private sectors in each area.

The next activity is SCOPI plans to establish an android application for farmers to learn coffee production easier. SCOPI expects master planners have program in each area, so at least 17.000 farmers are trained. These are two activities that SCOPI can support for government and coffee farmers in Indonesia.

The second speaker was Mr. U Min Hlaing (Myanmar Coffee Association). He gave presentation about the coffee industry development and cooperative sector in Myanmar. The institution called Myanmar Coffee Association/MCA has vision to create pathways to prosperity for the Myanmar coffee industry. MCA is a non-profit trade association working to increase the prosperity of all sectors of the coffee industry by providing technical training, professional development education, local and international market linkages, access to financial assistance, information resources, capacity for sustainable economic growth, industry representation and advocacy, industry standards and certifications, recognition for excellence and opportunities for collaboration.

There are currently 8 clusters in MCA, Ywangan, Pyin Oo Lwin/ Naungcho, Moekok, Yangon, Chin, Kyaung Tone, Mandalay and Thanungdaunggyi. There will be 3 clusters in Kachin, Kayah and Myeik/Dawe.

In addition to that, Myanmar also has a coffee industry consortium, namely Mandalay Coffee Group Co., Ltd. It is composed of 50 members (estate and small farms owners, processors, traders and roasters) to support MCA, especially the small holders from northern part and southern part of Shan State and Mandalay by financing (loans from Rabo Bank and Ayer Bank), curing works and forwarding services.

In micro-financing field, the location of cooperative sector and Myanmar coffee industry development is at Ywangan cluster, as the first and biggest cluster (all of the members are small holders), working

together with the cooperative to access finance. The cooperative buys cherries from farmers, processes cherries to have green beans and exports them through MCG. It is important to promote such financing scheme with cheaper interest rate. The plan is to have barter system to supply more inputs/ financial support to farmers and get the coffee from farmers in returns.

The third speaker was Mr. Nun Dima (Mondulkiri Coffee Company, Cambodia). He shared about coffee industry in Cambodia. Coffee is planted in Mondulkiri Province which is located 400 km spent 6 hours by bus from Phnom Penh. Mondulkiri is located at 190 to 900 meters above sea level. The land area is about 300 ha with total production is 300 tons/year and 150 tons out of 300 tons are from small holders selling the roasted. Mondulkiri produces Robusta coffee than Arabica coffee. The harvest time is from October to January. Mondulkiri people have started to grow coffee in 1996. It has high production cost with low income. Mondulkiri people proceed with one type of drying, which is semi-full wash, since no one knows about full-wash and honey wash dryings.

Mondulkiri Co. Ltd. was established in 2008 with starting investment was US\$ 400.000 for machine from EU. The export goes to Russia and China. The company has team to help farmers to make stable price of coffee in Cambodia, to supply at domestic market in Cambodia and to supply at international market. In 2017, the company has partnership with UAE for investment to grow 250 ha of coffee.

The fourth speaker was Ms. Siti Aishatul (NAFAS, Malaysia). She shared information about NAFAS. It is a National Farmer Association established in 1972. In 1984, it was re-registered as NAFAS (National Farmers Organization).

The main objective of NAFAS is to improve the social and economic standard, to increase knowledge and skills of farmers, to increase revenue and income

of farmers and to improve the way of life of its members and to create a progressive, independent, prosperous and integrated farming community.

NAFAS is the only farmers' organization at national level. It comprises of 14 representatives from 14 state farmers organizations. These fourteen farmer's organizations consist of 278 representatives of 278 area farmers' organizations from the whole countries which facilitate 874.691 farmers in Malaysia.

NAFAS has 6 cores strategy, namely human capital development, consolidation and mobilization of financial resources, the establishment of land bank, value chain development, strengthening of marketing network and empowering research and development.

NAFAS members are small holder farmers. NAFAS' effort is to market farmers' products.

The fifth speaker was Mr. Dedi Triadi (AgriProFocus). He shared information on AgriProFocus. It is an international multi-stakeholders (private sectors, governments, knowledge institutions, finance institutions, and civil society organizations) network established in the Netherlands. It works in 13 country members in Africa and 2 country members in Asia, Myanmar and Indonesia as well more members in America. The members of AgriProFocus are mostly NGOs as the source of knowledge.

The aim of AgriProFocus is to be the go-to network for innovative agripreneurs that transform agrifood systems by effectively linking agribusiness and development. AgriProFocus works through linking, learning and leadership.

The goals of online platform are to develop an online and offline network where professionals, and agri-business, plus organizations can meet, do business and share resources and knowledge and to develop a platform to provide access to valuable several local contacts, such as cooperatives ready

to do business with local and international buyers, offering a space to highlight innovations, and also generating publicity for new products or services. The reason of promoting online platform is that everyone is going to be online. The benefits of online platform are to reduce the impacts of geography barriers, to support new and different type of business and to change the cost structure of business.

The sixth speaker was Ms. Maula Paramitha, also from AgriProFocus. She shared about further information on AgriProFocus. Members of AgriProFocus can gain the benefits on network building to connect stakeholders in order to maintain relationships, coalition building to raise and address issues so members can catalyze the change and business building to connect change makers with members and issue explorer to discuss issue proposed by members.

AgriProFocus builds thematic pages. It is a platform which can be duplicated. It is to pool information that can be accessed by everyone, to share experience and to information and also promote about the products.

Members can connect with 22.000 agriculture professionals globally to share information/tools/knowledge and to link with others.

Questions and Answers

Q1. From Mr. Tjandra Irawan (Agriterra) to Ms. Aisha (NAFAS)

1. Do all farmers in Malaysia become members of NAFAS? Is there any requirement to join NAFAS?
2. How much is the contribution for each member to NAFAS?
3. How is the ownership?

A1. From Ms Aisha (NAFAS):

A member pays only once in amount RM 10 (US\$ 2) and can join for a lifetime. S/he can take part in all trainings provided. Yet, it is not a compulsory for farmers in Malaysia to join NAFAS. The requirements are stated in the law. Farmers pay once and have the shares of NAFAS. Then, NAFAS is a single body of farmers established by law, and it is not a cooperative.

Q2. From Mr. Rizwan Husin (Central Aceh) to Ms. Veronica (SCOPI)

1. What is the content of the Arabica coffee curriculum?

A2. From Ms. Veronica (SCOPI):

1. The content of national curriculum book is the base information for agriculture practices and also about post harvest. It does not discuss specifically about the coffee process of the post harvest.

I am aware about the worry on the complicated content of Arabica coffee processing because right now, SCOPI develops a lot of things on the different ways to process the coffee of the post-harvest as the impact of the taste of the coffee. As a matter of fact, the national curriculum book does not dig a lot about how to process specific on Arabica side, but it discusses about the base on how we process, for instance, how to do wash process and semi-wash process. If you want to apply the natural or other organic processing, we can use the base from national curriculum, but you can develop more about how you want to specify the process. When we talk about the fermentation for Arabica, it will be different between Gayo Arabica coffee and Bali Arabica coffee.

You can still follow the curriculum, but I suggest you to follow good agriculture practices. The content of the book will be about how to do pruning, what is the best time of pruning, how



to make *rorak/pitch*, etc. I promise I will invite you for the launching and join master trainer program. You must register to become master trainer due to limited numbers as master trainers from 15 provinces in Indonesia.

Coffee Break

After coffee break, there was a group discussion. The participants were distributed into three groups. The first group was government representatives and also the ACEDAC representatives. The second group was farmer groups and farmer cooperatives. The third group was private sectors/company, support groups CSOs/NGOs, academicians, etc.

There were three guided questions. First question was how we can sustain our cooperation coffee within our sector and among other sectors by suggesting mechanism for continuing coordination within the sector (for example: ASEAN Coffee Farmer Coop-Forum, ASEAN Sustainable Coffee Platform, ACBF-Coffee) and by identifying priority needs/areas for cooperation (for example a learning exchange, certification, market information, etc).

The second question was to identify anchor/focal point that will commit to initially facilitate the continuing communication within the sector by proposing the possible roles of anchor/focal point, such as creating email group, common Facebook page, and ensuring the sharing information.

The third question was to suggest action for SOM-AMAF/AMAF side event on coffee in Chiang Mai, Thailand, such as ASEAN Roadmap on Agricultural Cooperative and cupping/brewing activity.

The results of group discussions were moderated by Ms. Lany Rebagay (AFA). The results of group discussions are:

First Group

ASEAN Sectoral Working Group on Agricultural Cooperatives (ASWGAC)

A1. The group proposed to have ASEAN Coffee Platform under ACEDAC/ASWGAC. The transition activity is lead by Vietnam with the guidance from SOM-AMAF. ASWGAC must comprise of private company leader and cooperative leaders. Three candidate countries to lead are Indonesia, Laos/Myanmar, and Vietnam that will seek guidance from ASWGAC. These countries are elected based on indicators on cooperative, green bean, coffee processed and productivity.

A2. The event of SOM-AMAF in August 2017 in Singapore is to deliver key messages of ASWGAC and The ASEAN Foundation will review the messages and focal points of ASWGAC.

A3. To support coffee production, Thailand will host to conduct coffee exhibitions and cupping at Chiang Mai, Thailand on 25 – 29 September 2017 and to organize Prep SOM-AMAF meeting. Host country and The ASEAN Foundation will prepare and design the concept of booth. The host country (Thailand) will support The ASEAN Foundation to select the venue. The ASEAN Foundation will send the proposal to The ASEAN Secretariat. Host country and The ASEAN Foundation will be the main organizers to prepare this activity.

The Philippines will organize ACBF in November 2017 during ASWGAC meeting. To market the product is by displaying the product during ACBF and coffee would be one of the products. AMS can bring their products, including coffee.

There will be an exchange visit to Malaysia from 27 September to 1 October 2017 to visit cooperatives in Malaysia. There will be a National Farmers Day in Malaysia on 1 October 2017. The schedule is fixed. So, if there is a suggestion to change the date, then it will be from 15 August to 15 September to visit Malaysia.



Second Group

Private Sectors

A1. The establishment of temporary committee, called a Task Force, to continue networking and communication comprise of one representative/focal point for each country, The ASEAN Foundation, SCOPI, AgriProFocus, Coffee MK (Cambodia) and MCA (Myanmar). The areas identified of this Task Force's activities in coffee sector are based on SCOPI mapping, namely to access to finance, to access to agricultural input, to transfer technology and effective farmer organizations, and to have sustainability standard and geographic indicators.

A2. The anchors for this task force are AgriProFocus and SCOPI because they have the platforms already.

A3. Temporary committee will discuss and decide about what we should want to address/raise/present for Chiang Mai meeting based on ALSPEAC at Yogyakarta. The proposition is to organize cupping and brewing and perhaps coffee auction with the possibility to invite private sectors. The current issues to discuss for this forum and ASEAN are on who will manage or organize the activity and where the budget comes from to finance this activity.

Third group, farmer organizations and cooperatives:

A1. The proposition is to create Regional/ASEAN Coffee Farmers Platform/Forum (ACoFE). The short term is called ASEAN Group Coffee Forum. The long term is to establish ASEAN Coffee Forum/Federation.

The activities are to have on-line sharing information/market information, to have sustainable or organic coffee production technology sharing, to have exchange learning from the seed to packaging, to have coordination for advisory services from partners, to advocate coffee favorable policy, to push cooperative into cooperative marketing (cross countries), and to organize public promotion on "drink local coffee" or "drink healthy coffee". Another proposition is also to create ASEAN Coffee Farmer Shop. In the short term, it is meant as a display of coffee from all over ASEAN member countries. In the long term, it is meant as the "ASEAN Starbuck". This shop can facilitate the trade from producer to consumer directly and also cooperative to cooperative collaboration.

A2. The anchor is AFA (ASEAN Farmers Association).

A3. The proposition activities for Chiang Mai on SOM-AMAF are cupping and ASEAN Roadmap on Agriculture Cooperative.

The participants went to another room to have cupping session by Indonesia Coffee Academy and brewing session by Wikikopi.



The Closing Session

The closing session was delivered by Ms. Estrella and Mr. Jose Ebron (AFA). They synthesized the ALSPEAC meeting into SWOT analysis.

The strengths are having Indonesia and Vietnam in top 5 global coffee exporters, having 8 out of 10 ASEAN countries producing coffee, having existing initiatives of coffee producers/farmers cooperatives, to have initiatives on the certified organic coffee/GAP, having initiatives from private sectors, having coffee as one of 11 priority commodities in ASEAN, having unique varieties, such as Bolaven coffee and Gayo coffee, and having the ASEAN coffee standards.

The weaknesses are: inadequate physical infrastructures, the low productivity/yield compounded by climate change, increasing cost for production, lack of access of sustainable technologies, lack of security of tenure and zoning policy issues and lack of awareness on coffee standards and access to certification.

The opportunities are increasing demand for coffee, existing exporters and net importers, and starting initiatives for networking and cooperation with Fair Trade and farmer to private companies such as CPC-Laos or Lao PDR.

The threats are fluctuating global prices, aging farming, climate change and deteriorating conditions of coffee farmers.

There are some future agenda discussed of ASEAN/SOM-AMAF/ASWGAC/ACEDAC with the ASWGAC as the anchor: to have exchange visit to Malaysia between 15 August to 15 September, to organize SOM-AMAF & AMAF at Chiang Mai on 25 – 29 September with the activities on coffee booths, cupping and brewing, and discussion on agricultural cooperative roadmap, to organize ACBF in the Philippines on 7 October 2017, and to establish

ASGWAC coffee group with leading country to be identified among 4 countries, , Indonesia, Laos, Myanmar., and Vietnam.

Proposition from farmers is to establish Coffee Farmers/Cooperatives Forum which leads to Coffee Farmer Cooperative Federation at National and ASEAN levels. The activities of this forum are production, processing, marketing of sustainably grown/organic coffee. The anchor of this forum is ASEAN Forum Association (AFA). The detailed activities of Coffee Farmer Cooperative Federation are to organize and consolidate at national level, to enhance production capacities such as processing, to have institution building or cooperative strengthening, to organize online and forum to forum information sharing on technology from seed to packaging, GAP, organic, and marketing, to organize exchange visit particularly for the youth, to organize cooperative to cooperative trading or to marketing, also to organize ASEAN coffee display leading to ASEAN coffee shop, to organize consumer education, and to advocate on pro-coffee farmer policies.

From private sector, the initiatives are to have temporary bridging committee on networking and communication with AgriProFocus and SCOPI as the anchors, to continue learning and innovation through trade links, events, training, to organize cupping and brewing, and to organize auction.

Mr. Jose Romeo B. Ebron (AFA) closed his synthesis with the final remarks that he hoped there will be multi-stakeholders' collaboration. Then, we will be able to improve the lives of coffee farmers.

Closing statement was delivered also by Mr. Fiter (Indonesia). He highlighted the participants to take the responsibility and to create synergy as the good cooperation amongst member countries.

Ms. Yacinta delivered her closing remarks. She expected that participants will observe and use



platform of AgriProFocus. She also highlighted that SCOPi and AgriProFocus will work together. Participants are expected to connect SCOPi and AgriProFocus and can use their platforms to find buyers.

Mr. Hamzah delivered his closing message. He stated that it was good initiative that ASEAN Foundation could bring multi-stakeholders on coffee production to attend ALSPEAC. He highlighted that ASEAN coffee can be very competitive within global market in terms of quality, productivity and price. He also reminded the participants to do marketing for their coffee production.





Annex

General Information
Programme Schedule
List of participants and Organizers

ANNEX

General Information

Background

The ASEAN Learning Series is a continuation of the ASEAN Learning Route (ALRAC) that facilitates peer to peer learning exchange. This year, the Learning Series is focusing on the participation of agricultural in the global value chain. The learning enables farmers and their organisations to make their own, independent decisions with regards to services for members on production, creating market opportunities as well as improving women participation along the value chain.

Linking to ASEAN joint promotion on agricultural and forestry products and sharpening the discussion for thorough recommendation policy recommendations and tangible implementation, the learning exchange will be focusing on the sharing information on trade practices relating to exporting coffee. It will focus on the quality control aspects, niche markets, labelling and certifications, and other sustainability schemes, which includes financing and investment.

The three-day event is specifically designed as a learning exchange on the inclusive coffee value chain. It is also expected to encourage strategic alliance among the farmers' cooperatives, policy makers, and private sectors, as well as to promote collective marketing under the ACEDAC coordination.

Objectives

In order to promote better coordination and collaboration among agricultural cooperatives, governments, private sector, and relevant stakeholders (NGOs, academia, and many others). The aims of the workshop are:

1. To promote coordination and collective marketing on coffee to all concerned stakeholders in ASEAN
2. To share information under the ACEDAC flagship to engage, to have dialogues, and to work with ASEAN, regional inter-government bodies, and other public/private stakeholders.
3. To develop collaborative action among multilevel stakeholders in coffee value chain, especially the prominent players for collective marketing and joint promotion in coffee value chain.

Date and Venue

19 – 21 July 2017

Hotel Eastparc, Yogyakarta, Indonesia

Participants

- a. Total participants: 62 with 15 female and 47 male participants.
 - ASEAN Sectoral Working Group on Agricultural Cooperatives (ASWGAC)
 - ASEAN Centre for the Development of Agricultural Cooperatives (ACEDAC)
 - ASEAN Standards on Horticultural Produce (MASHP)
 - Farmers Organisations and Cooperatives from Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand
 - Private Sector from Cambodia, Indonesia, Myanmar
 - Non Government Organisation from Indonesia
- b. Knowledge Partners:
 - AgriProFocus
 - Agriterra
 - Oxfam
 - Sustainable Coffee Platform Indonesia
- c. Organiser:
ASEAN Foundation
- d. Co-organisers:
 - Asian Farmers' Association
 - La Via Campesina
- e. Donors:
 - European Union Delegation
 - IFAD

Working Languages

English and Indonesia

Correspondence

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Programme Schedule

19 July 2017

Inclusiveness of Coffee Cooperatives in national and regional value chain

08:00 – 09:00	Registration Distribution of Questionnaires
09:00 – 09:15	Welcome Session from AFOSP: Agus Ruli, Secretary General Serikat Petani Indonesia (SPI) Estrella Penunia, Secretary General Asian Farmers Association (AFA) (objectives of event and introducing participants)
09:15 – 09:30	Opening Remarks: Mr. Hamzah Bin Hj. Bahari, Deputy Director General of Farmers Organization Authority (Malaysia), Chair leader of ASEAN Sectoral Working Group on Agricultural Cooperative (ASWGAC)
09:30 – 09:45	ASEAN Learning Route on Agricultural Cooperative (ALRAC) 2016: lesson learned and way forward 2017 Speaker: Jun, Knowledge and Learning Management, AFA
09:45 – 10:45	ASEAN Cooperation in Coffee Promotion Scheme Moderator: Ms. Lany Rebagay, Project Coordinator AFA 1. Overview on the ASEAN 2025 <i>ASEAN SPA on Food, Agriculture, Forestry 2016 – 2025, and Common Vision for Agricultural Cooperative in Coffee Value Chain</i> Speaker: Ms. Yacinta Esti, Project Coordinator, ASEAN Foundation – AFOSP 2. ASEAN Standards on Coffee <i>What are the key messages of ASEAN Standards on Coffee to ASEAN Member States</i> Speaker: Mr. John Gregory Veril Aquino, Senior Science Research Specialist, Department of Agriculture – BAFPS (Philippines); Representative from Expert Working Group for ASEAN Standards for Horticultural Produce (MASHP) under ASEAN Sectoral Working Group on Crops (ASWGC) 3. Sharing Experience from Thai Coffee Cooperative <i>Challenges and Opportunity in coffee value chain on the perspective of national achievements and support towards ASEAN Vision on Food, Agriculture, and Forestry (2016 -2025)</i> Speaker: Ms. Shunya Jongthun, Cooperative Promotion Department, Ministry of Agriculture and Cooperative (Thailand)
	Questions and Answers

10:45 – 12:00	<p>Panel 1 Exchange Information on Agricultural Cooperative in ASEAN</p>
	<p><i>To ensure the agricultural cooperatives' participation in the global value chain, more concerted actions are needed. What are the most important issues for facing by the government in supporting agricultural cooperatives, and what are the lessons learned which can be transferred to other regions?</i></p>
	<p>Moderator: Mr. Chris Wangkay, Labour Right & Private Sector Coordinator, OXFAM (Indonesia) and ACEDAC</p>
	<ul style="list-style-type: none"> <input type="checkbox"/> Mr. Hamzah Bin Hj. Bahari, Deputy Director General of Farmers Organization Authority (Malaysia), Chair leader of ASWGAC <input type="checkbox"/> Ms. Elizabeth O. Batonan, LRD Director, Cooperative Development Authority, ASWGAC Focal Point of the Philippines <input type="checkbox"/> Mr. Chea Saintdona, Director of Department of Agricultural Cooperative Promotion, ASWGAC Focal Point of Cambodia <input type="checkbox"/> off, Deputy Director, Cooperative Department Ministry of Agriculture, ASWGAC Focal Point of Myanmar
	<p>Questions and Answers</p>
12:00 – 13:00	<p>Lunch</p>
12:55 – 13:00	<p>Group Picture</p>
13:00 – 14:30	<p>Panel 2 Coffee Cooperatives and market access</p>
	<p><i>The socio-economic and established institutional structure of agricultural cooperatives are importance to ensure the sustainable coffee sector, yet we have a little data on the dynamic. What areas that agricultural cooperatives are in most need of attention?</i></p>
	<p>Moderator: LVC/AFA</p>
	<ul style="list-style-type: none"> <input type="checkbox"/> Mr. Rizwan Husin, Chairman Cooperative KBQ Baburayyan, Gayo Coffee (export scale) <input type="checkbox"/> Representative from Myanmar Coffee Farmer <input type="checkbox"/> Representative from Lao PDR (either from Coffee Producer Coop of Bolaven or Jice Coffee Cooperative) <input type="checkbox"/> Mr. Piya Nusut from Chumphon Coffee Producer Cooperative <input type="checkbox"/> Mr. Sasmitra, Representative from SPI Coffee Farmer Bengkulu
14:30 – 15:30	<p>Group Discussion Coffee supply Chain at the national level, the role of cooperative and support from the government</p>
	<p><i>In this discussion, participants will share information based on given structure on value chain. Participants are requested to identify the coffee value chain, cross border market opportunities and challenges, external support needed, and enabling policy (e.g. national law and regulation).</i></p>

15:30 – 15:45	Coffee Break
15:45 – 18:00	Plenary
18:00 – 18:10	Announcement for day 2

20 July 2017

Field Visit, Community Development and Working Together

08:00 – 09:00	From Eastparc Hotel to Petung Village
09:00 – 10:00	Indonesia Coffee Production and market strategy Speaker: Mr.Jajang Slamet, Master Trainer, Sustainable Coffee Platform Indonesia
10:00 – 12:00	Group Discussion: what need to be improved in coffee production and processing <i>Participants are requested to discuss current practices and what need to be improved using the coffee cupping result.</i>
	Group Picture
12:00 – 13:00	Lunch at Pentingsari Agro Village
13:00 – 15:00	Professionalising Coffee Agricultural Cooperative Speaker: Mr. Tjandra Irawan, Business Advisor, Agriterra Indonesia Coffee Value Chain Analysis and Market Access, Indonesia Case Study Speaker: Yustinus Sunyoto
	Question and Answers
15:00 – 16:00	Free walk, observing Pentingsari Village Group Picture Free discussion



21 July 2017

VISION for 2020, Indicators for Success Story Assessment

08:30 -10:00

Panel 3

Coffee Collective Marketing and Participation of Cooperative at the Policy Level

There are significant opportunities to do collective marketing to ensure global value chain participation. To enable collaborative work, cooperatives should work hand in hand with the government, private sector, other cooperatives at the ASEAN level, coffee associations, development agencies and many others. What is needed to make it happens?

Moderator: Mr. Chris Wangkay, Labour Right & Private Sector Coordinator, OXFAM (Indonesia)

- Coffee Auction and the Role of SCOP: Ms. Veronica Herlina, Executive Director SCOP (Indonesia)
- Collective Marketing: opportunity and challenges: Mr. Min Hlaing, Myanmar Coffee Association
- Coffee Value Chain in Cambodia: Mr. Nun Dima, Manager. Coffee M.K. Mondulkiri, Cambodia
- Farmer Organisation in Malaysia: Ms. Siti Aishatul Radziah Razali, National Farmers Organisation (NAFAS), Malaysia
- Learning Exchange Platform post ALSPEAC 2017, Ms. Paramitha Wulandaru, Country Network Assistant, AgriProFocus

10:00 – 11:30

Group Discussion: Common Vision 2020

Participants are requested to identify way forward for coordination, the common vision in coffee. Participants are requested to discuss one-day collective promotion during the AMAF Meeting in Chiang Mai in end of September 2017.

All participants are divided into 3 groups. Each group will have a moderator to steer discussion:

Table 1: Government assisted by ASEAN Foundation

Table 2: Farmers organisation assisted by AFA

Table 3: private sector and development agencies assisted by Mr. Yustinus Sunyoto

12:00 – 13:00

Lunch

13:00 – 15:00

Coffee Cupping: tasting and describing coffee

Cupper: Aris Kadarisman, Indonesia Coffee Academy

Brewing Best Practice

Brewer: Tauhid Aminulloh and Wikikopi Crew

15:00 – 16:00

Wrap up Session:

Moderator: Jose Ebron, Cooperative Program Manager AFA

- Common Vision on Coffee based on summary discussion: Mr. Fiter B. Silaen, ACEDAC
- Feedback and recommendation from participants reported to ASWGAC: Ms. Estrella Penunia, Secretary General AFA
- Concluding Remark: Ms. Yacinta Esti, Project Coordinator, ASEAN Foundation – AFOSP
- Certificate Ceremony and group picture



ALSPEAC – Inclusive Coffee Chain

The aim of ALSPEAC 2017 on Inclusive Coffee Value Chains was to (1) build capacity of and enable agricultural cooperatives to address the challenges and opportunities of the ASEAN Economic Community, (2) improve livelihood and ensure food security, and (3) disseminate and share the best practices and innovations developed by ASEAN nations in alliance with multilevel stakeholders of the coffee value chain.

In the global coffee market, ASEAN contributes about 24.2% to coffee production divided between Viet Nam, Indonesia, Lao PDR, Thailand and the Philippines. Other nations in ASEAN are also proactively emerging as coffee producer – Malaysia, Myanmar and Cambodia – however, their level of production and consumption is still unclear given the early stages. As of now, most of the coffee exported from ASEAN is in the form of green beans, with USA, EU and Japan forming major markets amongst other countries. The global pricing of ASEAN coffee falls in Brazilian natural for Arabica and under Robusta for the named variety, as classified by the International Coffee Organisation (ICO). There exist specialty regions within ASEAN, such as Gayo, Aceh, where the local prices are higher than the set global levels.

In the coffee value chain, several actors are involved in the processing of the commodity. Given that most ASEAN coffee farmers are smallholders (96%), this means that most returns of the added value remain at the top of the chain. Moreover, this significantly hampers the productivity and quality of the produced coffee. This also proves to be an inherent back draw in the current coffee market which favors certifications, authenticity and organic standards. Hence, agricultural cooperatives become important. It is important to note, however, that a better bargaining position does not dramatically improve livelihood for all farmers. This is where

the government policies can enable an equitable resource distribution to bring up the base level of all farmers. Coffee is a prospective business for all parties, yet it is also very competitive. Most ASEAN producer's counties are still struggling in:

- Improving productivity (implement good agriculture & post-harvest practices)
- Access to Market (better market at Local, National & Export)
- Access to Finance (financial scheme)

Based on the discussion in the Learning Exchange, it seems that the Philippines struggles with a much higher rate of consumption than production. The only country in ASEAN capable of producing the 4 viable coffee varieties, it consumes most of the coffee it produces with additional imports from neighboring ASEAN countries. The coffee sector is highly commercialized, characterized by trade liberalization and the presence of MNCs like Nestlé. This is what cooperatives tend to attribute the income gap to. Improving productivity and better dialogue could be a potential solution.

Cambodia, on the other hand, is seeing concerted efforts to uplift rural farmers and agricultural communities through a supportive government and an internationally engaged set of farmers' organisations. While there does not seem to be much concern on the side of multi-stakeholder dialogue, chances of tensions with Viet Nam should be kept in mind. Currently, most Cambodian coffee goes to Viet Nam, but the middlemen pay the farmers low prices. Infrastructural challenges and poor regulations prevent the international reputation of Cambodian coffee from flourishing.

For Lao PDR, the major challenge lies in the lack of education and access to information for the farmers. This results in reliance on traditional

and “natural farming” methods, thereby decreasing the quality and yield of the output. Improving the infrastructure, investments into coffee farming and an actively engaged farmers’ organisation community are necessary elements required to alleviate the Lao coffee farmers from poverty.

Common issues of coffee farming in ASEAN a lack of access to (1) agricultural input (seed, fertilizer), (2) access to finance, and (3) access to market. Additionally, improvement is needed in terms of (1) utilizing technology, (2) effective organization and (3) better sustainable standards.

As shared during the Exchange, changes need to be made at cooperative, and at the regional and national level. For cooperatives, knowledge of their coffee, existing enabling conditions and the markets, coupled with strengthening institutional capacity and developing better and targeted business strategies can make a significant difference. For ASEAN and national-level, more research in coffee marketing, efforts to increase capacity building and links with stakeholders, improved market access through a possible match-making scheme, building better export linkages and encouraging coffee exchange like ALSPEAC could provide the necessary enabling environment for a healthy coffee market.



2018 ALSPEAC : Common interest on commodity value chain learning exchange

No	Methods	Topics	Total	Average	Way Forward for Improvement
1	Presentation	Learning Exchange on ASEAN Standards	63	4,5	Time Allocation (not too short) and language friendly topic (not too technical). Identification of topics are important to bridge the knowledge gaps.
2	Presentation	Sharing on National Supports towards Agricultural Cooperatives	63	4,5	
3	Presentation	Sharing Information on Coffee Value Chain	67	4,8	
4	Presentation	Learning Exchange on each Country GAP on Coffee	63	4,5	
5	Presentation	Learning Exchange on price determination	62	4,4	
6	Presentation	Learning on Assessing Agricultural Cooperative Performance	60	4,3	
7	Presentation	Learning from Private Sector in Coffee Value Chain	62	4,4	
8	Live activities	Cupping and coffee appreciation	59	4,2	
9	Live activities	Best Brewing techniques	36	2,6	
10	Discussion	Room for discussions	60	4,3	
11	Discussion	The content and methods improved the level of understanding of the participants	61	4,4	selection for creative discussion method to increase participation during the discussion session
12	Discussion	Cooperative ambience during the workshop	67	4,8	
13		Accommodation	65	4,6	

Description: 5 = Strongly agree, 4 = agree, 3 = not applicable, 2 = disagree, 1 = strongly disagree





Foto peserta dari Indonesia



Foto peserta dari Philipina



Foto peserta dari Lao PDR dan Malaysia



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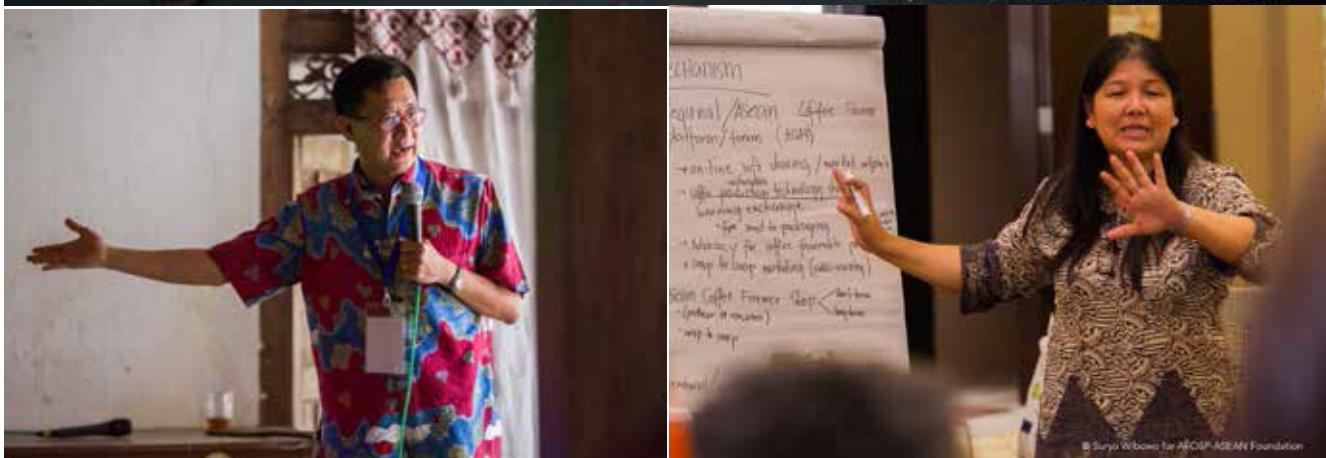


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List of Acronyms

ACBF	ASEAN Cooperative Business Forum
ACEDAC	ASEAN Center for the Development of Agricultural Cooperatives
ACoFE	ASEAN Coffee Forum
AFA	Asian Farmers Association
AFOSP	ASEAN Farmers Organisations Support Programme
ASEAN	Association of Southeast Asian Nations
ASWGAC	ASEAN Sectoral Working Group on Agricultural Cooperatives
DACP	Department of Agricultural Cooperatives Promotion in Cambodia
EU	European Union
FOA	Farmers Organisation Authority (Malaysia)
ICO	International Coffee Organisation
KBQB	Koperasi Baithul Qiradhi Baburayyan
LVC	La Via Campesina
MCA	Myanmar Coffee Association
MCG	Myanmar Coffee Group
MASHP	Meeting on ASEAN Standards for Horticultural Produce (ASEAN Technical Working Group under Sectoral Working Group of Crops)
NAFAS	National Farmers Organization (Pertubuhan Peladang Kebangsaan in Malaysia)
OACP	Office of Agricultural Cooperatives Promotion (provincial level at Cambodia)
SPI	Serikat Petani Indonesia
SOM AMAF	Senior Official Meeting on ASEAN Ministerials on Agriculture and Forestry
SCOPI	Sustainable Coffee Platform Indonesia
USA	United States of America
YCE	Yunan Coffee Exchange