



TIMOR-LESTE COFFEE INDUSTRY
ASSOCIATION ANALYSIS
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Introduction

Executive summary

Coffee is Timor-Leste's largest non-oil export. It provides a primary source of income for approximately one quarter of Timorese households, most of whom live in poverty. In an effort to improve the wellbeing of the tens of thousands of families working in coffee, new emphasis is being placed on rehabilitation. This report was commissioned to address one possible barrier to change and advancement: the lack of a formally organized coffee industry association.

The challenges facing Timor-Leste's coffee industry have been well documented and discussed among its stakeholders. Declining productivity has reduced incomes and quality has not kept pace with a global marketplace for differentiated specialty coffee. The cost of producing coffee in Timor-Leste and exporting it to foreign markets is high. However, most coffee is produced at qualities that are too low to be sold at prices necessary to make a sustainable profit for the entire supply chain given current costs of production.

Barring unforeseen technological advances in coffee production or a dramatic shift in the trajectory of global coffee markets, the opportunity for Timor-Leste to compete as commodity coffee producer will continue to shrink. Timor-Leste's competitive advantages (unique variety, origin recognition, growing conditions) and disadvantages (high production costs, low productivity, terrain unsuitable for mechanization) all point to one future: higher value from price differentiation, or specialty coffee.

Consultants have studied the situation and proposed solutions in recent years and some projects funded by donor organizations have achieved successes on a limited scale. However, so far little progress has been made to reverse the industry's decline. There is no reason that programs having a widespread impact on the country's coffee industry cannot be implemented today but for the lack of a shared vision and strategic plan among its many stakeholders.

It's difficult to solve a jigsaw puzzle without seeing the finished image. Presently, Timor-Leste's coffee interests are like individual puzzle pieces working independently of each other trying to find a place. While each pursues his or her own best interest within a limited scope of view, nothing comes into focus. There is no big picture that all are working together to achieve.

Organization and collaboration of Timor-Leste's coffee stakeholders makes the definition of industry-wide goals possible. Once defined, next steps necessary to achieve objectives will be set that can be effectively pursued across the sector as one team. Industry associations are nonpartisan, independent bodies where strategic matters may be discussed in a forum and goals set that will benefit every member of the industry. They additionally bring collective bargaining power, influence and economies of scale for goods and services to members that can help small businesses and individuals, specifically smallholder farmers, to compete more effectively.

It is the conclusion of this report that a private sector led industry association designed expressly for the purpose of advancing Timor-Leste's coffee interests can be the impartial platform for collaboration and the common interest needed to connect the divided segments of

this fragmented industry. Once united, the industry may collectively pursue and solve its many challenges with a clear image of the goal in mind and strategic plan of action to reach it.

When evaluating how other coffee producing nations have formally organized industry associations, several differences become apparent. These differences are related to the time when different associations were established and the unique conditions in each place.

Some countries like Colombia and Costa Rica have coffee associations formed nearly 100 years ago. Associations that have survived from the era of industrialization and large plantations are slow, bureaucratic relics but provide stability for their members, often more so than the governments that they have outlasted. Although stable, they have limited effectiveness to meet the needs of coffee trading in the twenty-first century, leaving those services to private organizations or other newer splinter groups.

Others like Brazil have seen the development of multiple overlapping associations, each serving the needs of a narrowly defined interests of its founders. Although offering highly relevant benefits to a small membership segment, observers are left to question whether these are genuine member associations pursuing the common good for an industry segment or vehicles designed to reward a privileged few.

The young industry associations of Asia show promise as viable models for Timor-Leste but with caution: leadership and the initiative to improve must come from within. Outside experts and resources are available to assist stakeholders and advise on the best structure and practices in management of an association but should not be relied upon as outsourced operators. By doing so, the association limits its credibility and risks the same ineffective results of not having an association at all.

Information beyond the scope of this report and experience beyond the scope of its author will be necessary to define and establish the framework necessary to best meet Timor-Leste's goals; however, the way forward is clear. The question is not whether Timor-Leste should have a coffee industry association or not but how it should be organized.

It is the recommendation of this report that the industry association should:

1. be driven and governed by private industry stakeholders, who have the most direct contact with people and product and most direct incentive to increase prosperity;
2. transparently involve all of the industry's commercial participants equally, including smallholder farmers, who may be represented by delegates and/or cooperative leadership;
3. involve the participation and recognition of government, NGO/donor organizations, educational institutions and members of the international coffee market for credibility and consequent effectiveness;
4. implement short term productivity improvement programs and long-term quality initiatives for a sustainable future in coffee production.

Next steps

Presentation

April 1, 2016

Results of this report were presented to a general assembly of industry stakeholders on April 1st, 2016.

Comments

DUE MAY 27, 2016

In the April 1st meeting, the report and its findings were summarized and a working draft delivered to participants for review and comment. An abridged version of the report and its findings were later translated into Tetun and distributed during the week of May 17th.

All final questions and comments are due by May 27th for incorporation into a final report that will be distributed by June 3, 2016.

Stakeholder consultations

JUNE 6-13

One-on-one consultations will be conducted from June 6-13 with industry stakeholders representing private business interests and farming groups that have expressed interest in participating as members of the Founding Council.

This temporary steering committee will include coffee workshop participants for continuity of programs already in discussion and the recruitment of additional stakeholders representing coffee farming, roasting and retail coffee shops.

Founding Council

BY JUNE 17, 2016

Founding Council members will meet for the first time to discuss the process moving forward by June 17th.

Duties of the Founding Council will include collaborative prioritization of industry needs and goals, advocacy among peers to participate as members of the future association. Council members must be willing to potentially continue with the organization as a part of its leadership after formal organization.

The first priorities of the Founding Council will be to:

- Elect leadership of the Founding Council
- Define the objectives and mission of the association
- Define the structure of the association
- Identify needed finance and source of funding
- Develop a process of communication for the association

- Develop a list of short term goals

The Founding Council will meet regularly over subsequent weeks leading to organization of the industry association in order to achieve its objectives.

Association development workshop

AUGUST / SEPTEMBER 2016

The Founding Council will meet for a one week association development workshop hosted by an experienced association facilitator at a conference facility. This should be a 'retreat-style' strategic planning session with participants dedicated to these activities for the entirety of each day. The purpose of this workshop is to design and develop a governance structure for the association, its bylaws, goals, budget and a detailed three-year plan of activities.

The role of an association development facilitator is to:

- Lead the group process of discussion and planning an association
- Ensure productive communication among participants to reach set goals
- Impartially apply past experience to guide the association development process
- Ensure that all necessary steps are completed for the formal establishment of an association

2016 First Timor-Leste International Coffee Festival

NOVEMBER 2016

At the end of harvest or post-harvest 2016, the Founding Council, in cooperation with the industry's stakeholders, conducts its first international coffee festival. The goal of this event is to generate interest and awareness about Timor-Leste's coffee industry, demonstrate the potential that exists from advancement (international speakers, training sessions and other activities) and announce the formation of the association in order to enlist support and membership.

The purpose of the festival is to:

- maintain momentum in a direction toward formal organization;
- build support among stakeholders and prospective members to participate;
- provide skill building workshops for industry workers that improve performance and demonstrate value of an association; and
- gain publicity among the international coffee community for Timor-Leste and its efforts to change the status quo.

This may be a three-day event, including a one-day seminar program of national and international speakers, followed by or concurrent with training and education seminars offered by representatives of international coffee organizations (e.g. Specialty Coffee Associations of America and Europe, Coffee Quality Institute, Cup of Excellence).

A cupping contest may be included as part of the festival where 1kg samples collected from stakeholders will be roasted and evaluated to international standards by a panel of

judges, perhaps the same international visitors invited to speak or otherwise participate in the activities.

Coffees should be roasted to industry standards for cupping by the judges or in their presence before beginning the session. This activity will take five days to complete for up to fifty samples and should begin one week prior to the festival, concluding in the announcement of results during the seminar program.

The event should include a declaration to organize as the Timor-Leste Coffee Association and statement of results from the association development workshop. Next steps for the association may then be announced by association leadership.

Terms of Reference

Objective and purpose of the assignment

Coffee is Timor-Leste's largest non-oil export with significant potential for growth in the medium term. The Industry Specialist will provide research and policy advice that can inform government, development partner, and private sector efforts to develop the sector.

Detailed tasks and/or expected output

The Industry Specialist's detailed tasks and expected outputs are as follows:

1. Desktop review of the existing data on Timor-Leste's coffee industry and preparation of a draft industry assessment that outlines the current status of the industry, the constraints to growth, and the key knowledge gaps for development of the industry.
2. Desktop review of coffee industry associations in comparable countries and preparation of a draft report on the governance and financing models of industry associations and the scope of their activities;
3. Field consultations with industry stakeholders and coffee producers in Timor-Leste to gather data to update the draft industry assessment and to assess the potential for establishment of a coffee industry association in Timor-Leste;
4. Finalization of the coffee industry assessment and a report and recommendations on establishment of a coffee industry association in Timor-Leste.
5. Presentation and dissemination of these reports to key stakeholders in Timor-Leste.

Methodology

There have been numerous reports and assessments on Timor-Leste's coffee industry, many of which are listed in the bibliography. These reports were reviewed thoroughly prior to the commencement of this work and the key themes were discussed in a series of meetings and interviews with coffee sector stakeholders in Timor-Leste.

It was not feasible to gather new primary data for this report but the stakeholder consultations confirmed that many of the key findings from past assessments of the coffee sector remain valid. As a result, this report focuses on the potential for improved organization of the industry as this is an area that has not been well-addressed in previous analysis.

Assessment and conclusions

Timor-Leste's coffee industry is operating without clear vision, goals or leadership.

Despite significant investment by government, private and NGO sources, the drafting of consultant reports and regular stakeholder meetings, little has been done in recent decades to slow steady atrophy of Timor-Leste's coffee industry. During this same time, other national coffee origins competing with the same space have improved both to gain a larger market share and created additional value for their industries.

Potential exists for Timor-Leste to return as an internationally competitive origin for high value coffee.

The origin brand name "East Timor" maintains a positive connotation today among international coffee professionals, despite decades of setbacks and slowly declining performance. The international coffee community recognizes that Timor-Leste offers a uniquely desirable variety of coffee grown in near-ideal environmental conditions and that the challenges faced by the country can be overcome. They've seen these worse problems corrected in other less functional markets before and remain cautiously optimistic that Timor-Leste can succeed to become a top tier nation recognized for quality differentiated coffee of higher value. When it does, overseas markets will prize coffees from Timor-Leste as they do from its most valuable producers: Ethiopia, Panama, Kenya, Colombia and Guatemala.

Coordination and cooperation among all of Timor-Leste's coffee industry stakeholders will be necessary in order to make meaningful changes.

This includes but is not limited to farming groups or cooperatives, coffee miller / exporters, government bodies, bilateral and multilateral agencies, and NGOs. Many, if not all of these individual actors have attempted improvement initiatives focused on quality, productivity, social or other goals in recent years.

Some resulting projects have produced tangible results but none have created systemic change on the large scale that is necessary to reverse the course of the industry's decline. The sustainability of long term coffee production in Timor-Leste depends on stakeholders' willingness to put national coffee interests ahead of his or her company affiliation or personal goals. This will require the investment of time, effort, resources and the wiliness

to help suppliers and competitors to succeed. Change will not come easily but is necessary to achieve different results.

A coffee industry united through an industry association led by the private sector is most likely to advance the interests of all.

Government is responsible for protecting the interests of all citizens and has the power to drive change by creating and implementing laws and policies. Government intends to act in the best interest of all parties but may not fully understand the human or commercial impact of its policies without nonpartisan guidance from the industry. Government may also struggle to achieve its policy goals if it chooses not to work in partnership with commercial industry.

Commercial industry, including farmers, transportation workers, millers, exporters and others involved in the production and sales of Timor-Leste coffee recognize the challenges in their businesses and have good suggestions about how to fix industry-wide problems. As individuals or single companies, however, they have no voice and little or no power to implement or enforce new policies or other broad reaching initiatives.

Lacking perspective, industry workers may focus narrowly on short term financial interests, which are sometimes counterproductive to long term advancement. Members of industry often view suppliers, customers, competitors and even the government as adversaries, making collaboration one organized and unified unit challenging.

Nongovernmental organizations NGO's and social enterprises strive to do good by providing aid funding, resources, technologies and other assistance that advance various initiatives. A large amount of the financial support for these organizations comes from foreign governments. There is a wide diversity of NGOs, including small local organizations that may have particular expertise in working with farmers, and larger international concerns. Although well intended, most foreign NGOs operate within countries for a finite time period and will eventually leave.

Bilateral and multilateral development partners. Bilateral and multilateral agencies such as the United Nations, the World Bank, the Asian Development Bank, the European Union, and the agencies of partner governments can be a useful source of financing and technical assistance. For the most part, these partners support the coffee sector as a means of socio-economic development and do not expect to have an enduring role in the long term.

Wide-ranging positive change benefitting Timor-Leste's coffee industry members requires cooperation between government, industry and NGOs. A private sector led industry association designed expressly for the purpose of advancing Timor-Leste's coffee industry can be the impartial platform for collaboration and the common interest needed to unite divided segments of this fragmented industry.

Observations

International perspective

General outlook

The general outlook for Timor-Leste's potential in the coffee industry remains favorable among international buyers. The present market situation and encouraging attitude may be difficult to reconcile without considering the unconventional industry principle, "coffee loves an underdog."

Many specialty coffee buyers are not yet familiar with Timor-Leste or its coffees and are open to learn more. Those who are, recognize good coffee growing conditions and the potential for improvement from the implementation of commonly accepted best practices and availability of a rare and desirable plant variety.

Unrealized potential is neither new or uncommon among coffee producing nations. Nor is rapid change, for better or worse. The history of coffee production is filled with stories of new, exceptional origins of high value coffee production (Rwanda, Panama) developing quickly out of the ashes of conflict and others like Sri Lanka, Zimbabwe or Yemen collapsing overnight from political instability, climate change and disease. Experienced coffee professionals develop a certain tolerance for instability and are open minded to see the potential for large scale transformation.

In recent years, small groups supported by NGOs and some exporters have initiated test projects to prove the potential of Timor-Leste's coffee as a high value specialty coffee differentiated by quality. If successful raising standards for production and receiving substantial price premiums for their effort, these small scale projects have the potential of acting as a catalyst to ignite industry-wide change. As better lots of Timorese coffee are successfully exported to visible and influential international buyers in the specialty coffee market, competitors will take notice and demand for similar coffees will grow. Leadership and strategic thinking will be necessary to organize the industry to capitalize from these conditions.

Typical market sentiment is well summarized by outspoken but respected U.S. green coffee importer / trader Thompson Owen of Sweet Marias.

"Timor is well suited toward its current mode of production in some ways; bulk FTO containers, inconsistent quality, coffee that fades rather quickly when the roaster buys it. And seriously, 80-point FTO bulk coffee is an important product to many. But for me, there is great potential here to do much more with small volumes of coffee that can achieve much better price premiums, benefit small farmers in the higher reaches of Timor-Leste, and inspire greater efforts with greater rewards. I hope as you read this, it is accompanied by some of our new Timor offerings that fulfill this promise of quality and pushing things ahead for Timor coffee. In 2016 we are starting to receive these new regional lots, and we hope to move toward even more specificity in the coffee selection going forward!" (Owen, 2016)

It's difficult to solve a jigsaw puzzle without seeing the finished image or sing a song without first hearing the tune. Presently, Timor-Leste's coffee interests are like puzzle pieces working

independently of each other trying to find a place; a chorus of individual voices all singing different songs. While each is working in his or her own best interest, nothing comes into focus. There is no big picture that all are working together to achieve.

Organization and collaboration of Timor-Leste's coffee interests among each other makes the definition of industry-wide goals possible. One defined, actions necessary to achieve those goals will be set that can be effectively pursued across the sector. Industry associations are nonpartisan, independent platforms where strategic matters may be discussed in a forum and goals set that will benefit the entire industry.

Market

No clear market presently exists for the bulk of Timor-Leste's coffee production. It is viewed by broad market commodity coffee buyers as too expensive and by specialty coffee buyers as poor quality. In a global market of increasing competition this leaves Timor-Leste in the challenging position of competing against larger and more productive origins with an interchangeable commodity. Competing coffee producing countries in the commodity market segment have a lower cost of production and more available farming land for expansion.

Specialty coffee professionals familiar with Timor-Leste describe its average coffees as between premium commercial and low quality specialty. This equates to approximately 78-80 points on the 100-point Specialty Coffee Association of America (SCAA) quality scale but at landed green coffee prices higher than comparable coffees from larger producing nations like Brazil or others in Central America. Buyers refer to these coffees colloquially as "blenders," or neutral and inoffensive coffees that form a base for expensive coffees with more pronounced desirable characteristics. These same coffee buyers recognize the potential for outstanding cup quality and differentiated value that is being unmet by all but a few small volume producers or projects.

A clearly delineated direction for Timor-Leste's coffee industry is needed in order to guide the planning and action of its participants. There are two broad strategies for any coffee producing origin to succeed as a sustainably profitable industry. Some combination of both will be necessary to increase the value of Timor-Leste's coffee sector.

1. **Increase production.** Follow a traditional "agribusiness" commodity model: earn a small amount per kilogram from a large volume of trade. Origins like Brazil, Vietnam, India and others focus on increased productivity over quality or desirability, taking advantage of technological enhancements or large labor forces and areas of land for farming. These are the high volume commodity nations that earn no or low premiums on average over global commodity prices but operate very efficiently to become profitable.
2. **Specialize.** Find a niche market willing to pay a premium for some distinctive and differentiating characteristic, whether that characteristic be quality or flavor, certification (environmental, labor), or consumer desirability of the origin.

Every industry must choose how to balance the variables of productivity versus quality in order to maximize value creation for farmers and producers. An emphasis on short term

productivity improvement and the long-term trend toward quality is suggested as being the best viable solution for Timor-Leste's ongoing coffee improvement effort.

Variety

"Potential," is a word that is often heard when speaking with international coffee buyers about Timor-Leste. Although little is known about Timor-Leste in coffee consuming nations outside of Australasia, the country and its coffee maintain a generally positive reputation across the differentiated specialty or subspecialty premium commercial segment of coffee industry. This perception, in part comes from its namesake *Hybrido de Timor* variety of coffee, which is renowned among professionals.

Pure *Hybrido de Timor* is treasured for its combination of positive cup characteristics resulting from the spontaneous crossing of Arabica and Robusta species. The same does not hold true for the more common *Catimor* variety, which is a crossing of *Hybrido de Timor* and *Caturra*, and generally regarded to be inferior in cup quality to other Arabica coffees.

When trees are replanted, farmers must weigh the value of additional price differentiation for premium Timor variety crops versus increased production from less desirable species like Catimors. To the extent that this factor is being considered at all, there is little information available to those making the decision. As a benefit to members, an industry association may direct research studies to evaluate the market potential of available plant varieties and collect data necessary to make an informed choice. The group may go further to assign production of its rare and uniquely desirable plant variety as a shared value among its members or part of its mission statement.

Organic

Organic production is a positive differentiating factor that adds value to Timor-Leste's coffee production, though not enough to offset the ratio of price to quality. Furthermore, strict adherence to organic principles without the implementation of best practices, such as composting and vermiculture reduces crop yield and lowers cup quality in comparison with conventional farming.

Similar to the issues of strategic planning and variety selection, the choice to farm organically should be an informed decision. An industry association should be responsible for the collection of data necessary to evaluate whether or not the cost and possible environmental benefits of organic farming is worth lower production and quality coffee yield. If organic production is selected as the primary method for the origin, a region or individual farmer, the decision should be based on known facts rather than speculation.

Supply chain

Farming

In 2009 the Ministry of Agriculture and Fisheries wrote the following to describe Timor-Leste's coffee production:

“Coffee production in East Timor is based on relatively unmanaged plantations, with bean-gathering and processing by villagers, and scant attention paid to cleaning/weeding, pruning, pest and disease management or planting of new trees. There has been some extension and demonstration of better management, but not much uptake by farmers. Some growers harvest and sell coffee cherry directly to industry processors, while others, without access to processors, process and sell their products in the villages, sub-districts, districts and Dili. Farmers generally receive a low price due to poor quality, owing to the lack of best practice in coffee production techniques.” (Ministry of Agriculture and Fisheries, 2009)

Notwithstanding industry discussions on the topic and significant investment by the government and NGO donor sources in following years, coffee farming in Timor-Leste remains largely the same in 2016: the small scale foraging of coffee cherries from unmaintained coffee trees. Training and extension services have been offered to a large number of farmers by government, NGO and private industry sources but the adoption rates of better farming practices are low. (Inder, 2013)

Some industry stakeholders claim that the lack of progress is the result of unsettled land rights issues following colonial administration by Portugal and the period of occupation by Indonesia. Some proponents of this theory believe that foreign commercial interest is necessary to spark change and renewal in the industry and that the lack of clear ownership rights in some areas where coffee is grown are a significant deterrent to large scale investments.

The issue of land ownership further complicates production in areas where farmers harvest from crops on land they occupy that has been seized from or abandoned by a prior owner. Without clearly documented ownership rights or some agreement with a land owner, there is little incentive to make investments or to apply agricultural practices that will yield better income in the long term.

Others claim that it is the religious beliefs of rural Timorese villagers that makes common pruning and replanting practices morally objectionable. “While the majority of the population is now Roman Catholic, animistic practices remain.” (Coffee Shrub, 2014)

Although it is possible that these issues contribute to the lack of adoption of better agricultural practices and quality improvements, they are not necessarily the primary cause. Two other factors exercise significant influence:

1. **A short term economic disincentive to prune or replant.** Many of the 50,000 or more households in Timor-Leste that rely on coffee farming as a large or primary income earn less than \$2.00 per day from the activity. (Inder, 2013) Although pruning tree limbs and replacing older trees leads to substantial increases in plant productivity in as little as 1 and 4 years respectively, the immediate drop in income from pruning branches or removing old trees is too great for most households to bear. Farmers either perceive

they cannot afford or actually cannot afford to prune and replant coffee trees to increase productivity.

A mechanism to finance the short term needs of farming households is necessary while awaiting plant regrowth, which can be quickly repaid by dramatic increases in productivity in subsequent seasons.

2. **The lack of economic incentive to improve.** Farmers sell whole coffee cherries or as parchment to mills; in the case of one specific mills, coffee pulpers have been installed in supplier villages and pulped “wet parchment” is collected. Transactions between farmer and miller are facilitated by truck drivers and traders who transport the harvested and sometimes processed crops from farming areas to the mills.

In some cases, the drivers transporting coffee cherries or parchment may be independent agents, in others they are employed directly by the mill. This additional step and a complex system varying, sometimes overlapping system of trade, leads to inconsistencies in the data recorded and the traceability of the source of each load.

Through this system there is little or no direct correlation between the perceived quality of the coffees collected and the price that producers receive. Where there is a direct correlation, poor traceability hinders the ability to communicate the reasons why premiums were or were not paid, limiting the potential of improvement in subsequent collections.

3. **A lack of trust.** Farmers and millers maintain a largely adversarial supplier-buyer relationship for coffee crops. The lack of trust between parties and expectation that each is working in its own interest rather than for the joint successes of both reduces the receptiveness to guidance and instruction for improvement. Donor associations face similar challenges when entering coffee producing areas with improvement programs.

“When a farmer is being offered advice from an outsider, and is urged to undertake different practices, not surprisingly there will be a degree of skepticism. Advice will not be taken seriously unless the farmer has a demonstrable reason to trust the outside advice.” (Inder, 2013)

The function of an industry association is to bring all stakeholders with a common interest together in pursuit of solutions that offer advancement potential for all. Farmers are a critical, arguably the most important part of any coffee industry and must be represented within their industry association. Working together through an association, coffee farmers, millers and representatives of NGO or other donor sources can identify and agree to proposed solutions that address the problems hindering improvement at the farm level. As active participants in this process, the matter of trust becomes less of a concern. Solutions proposed and programs supported by the the association are, in part, from the farmers themselves.

Processing

Most coffee in Timor-Leste is processed using the washed or wet process method. Due to wet and humid conditions across most of the country, this is likely the preferred method for

ensuring quality of large volume production. Coffees traded as cherries are first pulped at one of the larger processing wet mills. Pulped coffee is then soaked in fermentation tanks to remove an inner layer of mucilage and then laid out to dry on patios in parchment.

Parchment is a hard protective shell that encases the individual coffee bean or beans at the center of each coffee cherry. Once dried, coffee may be stored in parchment. Storage of coffee in parchment is a common practice, as it protects the green coffee bean inside and assists with the regulation of moisture.

Either process should ideally be completed within approximately 24 hours after harvest to avoid over-fermentation that is caused by bacterial or other pathogenic activity. The coffee industry of Timor-Leste strives to process coffee within industry norms but data confirming on-time performance is not available. In a second stage of coffee processing, dried parchment is taken to a dry milling facility for hulling. During the hulling process, the parchment layer is removed from the coffee bean.

Wet and dry milling facilities and machinery require a significant financial investment and are currently operated only by the country's three dominant coffee export companies. Improved infrastructure leading from coffee farming areas to milling facilities or the addition of new communal mills serving rural areas would improve overall coffee quality.

A small volume of coffee produced in Timor-Leste is processed using the dry natural process, where coffee cherries are dried with cherry skins intact, like raisins. Once dried the coffee cherries (called pods) are sent directly to dry milling facilities. This alternate (and much older) method of coffee processing has some benefits, namely less intensive equipment and water requirements but requires precision to execute well.

Unfortunately, this method is not recommended in the low temperature, high moisture areas where much of Timor-Leste's coffee is grown. Extended drying times resulting from high moisture conditions may lead to mold or fungus growth and over-fermentation that ruin coffee quality. Small privately-funded or NGO projects are experimenting with the production of high quality dried naturals in Timor-Leste and achieving high quality results (and high export prices on the international market) but it seems unlikely that these practices are scalable to accommodate a large percentage of the coffee industry.

Once dry milled, coffees are stored at export company warehouses and later await shipment in the capital port city of Dili. Weather conditions in Dili are problematic for coffee, which deteriorates quickly in high temperature. There is presently no climate controlled storage facility in which to store coffee prior to shipment, which reduces longevity and value.

Most defects in coffee originate from improper processing and storage. Best practices for coffee processing established and communicated by an industry association may improve the processing methods, reduce defects like over-fermentation, fungal and mold growth, and raise the standard for all coffee coming from the origin.

An industry association may also pursue the development of capital improvement projects, like climate controlled storage warehouses to hold processed crops in Dili prior to

shipment. Such a facility may be open for use to all industry members to their mutual benefit – improving both time to shipment and the condition in which coffee arrives at its destination.

Roasting

In-home consumption

Coffee is widely consumed in Timor-Leste, much of it is Timor-grown with some coffee purchased after roasting and some households buying green coffee at local produce markets roasting at home. Imported soluble coffee and “3-in-1” products (coffee, sugar, dairy substitute), are also popular in the local market.

Out-of-home consumption

A limited number of cafés or coffee shops exist in Dili, which are owned and operated by expatriates from coffee consuming nations or sponsored by NGO projects. These businesses cater mostly to other expats or foreign tourists and perform reasonably well under challenging conditions: limited coffees of adequate quality, inexperienced staff, limited training and resources and a high cost of importing machinery and supplies. There are no domestic coffee retail chains and only a small number coffee-focused concepts operating in Timor-Leste.

Restaurants and hotels serve local coffee to guests, which is poorly roasted and brewed, not unlike hospitality businesses in most other coffee producing or consuming countries. Unlike other countries, however, foreign coffee imports like Illy or Nespresso are sold at a premium price.

The overall brand image of Timor-Leste’s coffee industry may be enhanced by the improvement of coffee roasting and brewing in Dili’s cafes and restaurants. Tourists define a place by what they experience and share their experiences with others in person and on social media. If that experience includes excellent coffee, the message travels home with them and builds consumer demand that boosts export value.

Education and vocational training is a benefit that is typically offered to industry association members. Coffee education does not need to be limited strictly to agriculture and processing but can include roasting, retail preparation and other industry-related business topics. As an organized non-partisan group representing an industry rather than any single company, the association may additionally partner with other international coffee organizations, such as the Specialty Coffee Associations of America or Europe. Both organizations have vast collections of coffee-specific education content, which can be made available to the benefit of producing-country association members.

Export

The roasting of coffee for export is not recommended as a viable industry segment for Timor-Leste.

“International experts generally advise against such an option [export of roasted coffee]. Coffee traders usually spend a considerable amount of resources developing their brand and prefer to stay in control of these last stages of processing. In addition, roasted coffee doesn’t store well and packaging costs are high unless distributed over very large volumes. In fact, the current high labour costs in East Timor and the strong US dollar are resulting in less rather than more value adding activities being performed locally.” (World Bank, 2001)

In the 15 years since this report was written, the international market for coffee has seen significant divergence between high and low quality roasted product. High quality, high value coffees are typically roasted in close proximity or with overnight delivery to consumers. Low quality coffee roasting occurs at large scale national roasters within the consuming country or imported internationally from low-cost labor markets like China and India. Improvement of green coffee quality remains the best export opportunity for Timor-Leste’s coffee sector.

Development activity

Development activity by NGOs in Timor-Leste includes a both farmer-facing independent programs and those in cooperation with commercial miller/exporters. These programs promote higher-value activity, by:

- paying premiums for coffee cherries among select farmer groups;
- integrating the value chain, in some cases acting as the exporter and sales representative in overseas markets; and by
- providing education and extension services for coffee farmers.

All three of these models have seen some success on a limited scale but face significant barriers that inhibit scaling projects to address the larger needs of the entire industry.

Paying premiums for coffee cherries is a viable solution on a larger scale but unlikely to be implemented without some direct correlation between coffee quality and price that is known by all parties. The present customary manner of trade in Timor-Leste noted in the processing section above does not provide consistent transparency or direct communication between end-buyer and farmer-seller of cherries. Without the ability to identify the source of good and bad quality coffee cherries and communicate needed diagnostic information back to those suppliers, conditions are unlikely to improve.

Small scale projects paying premiums for known cherry quality and the use of other best practices in agriculture are likely to succeed. Those projects paying premiums for cherries without a direct connection to quality and subsequent international market value are unlikely to be independently sustainable without ongoing financial assistance by the NGO.

Value chain integration, specifically establishing an in-country company for the purpose of selling coffee farmed by one community directly to high value overseas markets is viable on a small scale. Some projects taking this direction have been successful in recent years to improve

coffee quality and return the value of export sales directly to the communities from where the coffee originated.

Where the leaders of these projects are knowledgeable about coffee, its cultivation, processing and the international specialty coffee market, they are likely to succeed. As indicated in the section above, significant potential exists to produce high quality and desirable specialty coffee in Timor-Leste for high value returns.

Unfortunately, very few of these smaller nonprofit businesses are staffed with the highly specialized coffee industry expertise needed to produce and effectively sell coffee into the most valuable specialty markets. Instead, they rely on networks of businesses identified through social enterprise activity as opposed to targeted coffee industry marketing activity. Coffee purchased on the basis of a charitable contribution is unlikely to be sustainable as competition from other producing origins increases and fresh philanthropic opportunities arise around the globe.

Additionally, existing NGO efforts aimed at value chain integration are competing within the same market space against one another and with project budgets that are a fraction of the financial resources and expertise available to large export mills.

Providing education and extension services to coffee farmers in Timor-Leste has been an expensive endeavor with very little return. (Inder, 2013) As noted in the farming section of this document, unless conditions are resolved within the supply chain first and training is provided by a trusted resource, additional training is unlikely to improve real world performance.

For NGO's in Timor-Leste, participation in a coffee association can provide direct contact with other industry stakeholders, including other NGO's, for the purposes of planning and coordinating new projects that are beneficial. Enhanced communication brings the possibility of programs that are more relevant to the interests of farmers and industry. Considering the amount of crossover in existing programs, it also seems possible that some cooperation may be possible among NGO's so that they may provide a deeper scope of services to a wider breadth of participants rather than each blazing the same or similar trails independently.

Government

The public sector plays a significant role in Timor-Leste agribusiness, including but not limited to coffee. Work is done primarily through the Ministry of Agriculture and Fisheries (MAF), which is responsible for extension services and agricultural inputs while the Ministry of Commerce, Industry, and Environment (MCIA) leading the government's work on international market development and overseas promotions. The role of government, however, is not to lead an industry but rather to support its people and its industries to prosper.

Strong industry associations become the voice of an industry to government, taking positions agreed upon by the association's leadership and backed by its membership. Associations can be highly influential, as they represent the nonpartisan interests of all private organizations that participate within the sector rather than the single interests of one business.

Industry associations

The American Society of Association Executives defines an association as, "*an organization or group of individuals affiliated with one another who share a common purpose, interest, or mission and exist for the mutual enrichment and advancement of their membership.*" All are volunteer and not engaged directly in the business of their industry. Many are non-profit entities that are charitable organizations or otherwise not taxable.

There are many structures of associations, but the most common are:

- **Industry or trade associations** established by individual industries for the purpose of allowing businesses in the same industry to connect to and benefit from one another;
- **Chambers of commerce and boards of trade** are organizations that are generally similar to industry or trade associations, however, they direct their efforts at promoting the common economic interests of commercial enterprises in a trade or community;
- **Philanthropic organizations** that give or receive support from money allocated for humanitarian purposes;
- **Non-governmental organizations (NGOs)** that are neither parts of a government nor conventional for-profit businesses. Usually set up by ordinary citizens, NGOs may be funded by governments, foundations, or businesses. Some avoid formal funding altogether and are run primarily by volunteers.
- **Professional Associations**, that are organizations that are established to further specific professions and the interests of those who work in them. Unlike trade associations where the businesses are members of the association, the membership of professional associations is comprised of [sic] individual members within the profession who share a common belief or purpose.
- **Federations** are groups of associations or a combination of associations and government unified by a central authority.

Strong industry associations or trade associations are often the leading authority in their area of interest and are viewed as a credible source of information. Unlike government ministries, they lack the executive authority to enforce law but can be equally or more effective through voluntary self-governance and participation by members.

Purpose and function

Industry associations exist to provide value with benefits and services designed to help business and practices for members in that industry. The Trade Association Forum, an umbrella body for U.K.-based industry associations further describes the role of an industry association as, "the trust center at heart of an industry," that is "made up of competing members."

Central to the role of an industry association is its ability to offer economies of scale, the idea that the collective effort of a group of knowledgeable and experienced professionals is more valuable than one working on his or her own. Industry associations pool the intellectual resources and influence of a large group of companies into one organization chartered to use

those services to benefit its members. Larger organizations may additionally offer collective purchasing on commonly used coffee industry materials and services.

The key functions of industry associations are to:

- **Influence** government policy, industry practices and the public to advance common interests through advocacy, public relations activity, publishing, lobbying and the regulation of standards as an impartial body;
- **Inform** members, including through the collection, research, interpretation and distribution of industry knowledge, statistics, and news and to inform and educate members on best practices; and to
- **Improve** overall industry performance by promoting high standards among its members and providing a forum for the sharing of ideas and tools for the advancement of performance and industry competitiveness.

Leadership

Associations provide a forum for voluntary industry leaders to collaborate and advance common interests. The cooperation of opposing competitors working on behalf of a greater good adds credibility to the effort, which is influential to guide other industry participants.

Strategic planning

Through industry associations members participate in the determination of the direction or strategic that industry may take. As individuals, members may not have the resources or influence to shift policy or organize a large number of interests. When decided collectively as a group, industry associations not only offer the potential of setting long range goals affecting a large population of industry participants but also can determine the actions necessary to achieve those goals and then mobilize resources necessary to take action.

Communication

The most effective industry associations communicate relevant information frequently with their members and provide a forum for members to communicate among themselves. Associations distribute a combination of original and syndicated content using media appropriate to reach each audience segment within the membership.

Meetings and conferences (discussion forum)

Meetings and conferences produced by an association allow members to meet face-to-face with each other for the purpose of exchanging information, discussing timely news items or for other business networking. Association meetings are held frequently, often once per quarter, bi-monthly or monthly, sometimes changing venues to reach members in different geographies.

Conferences, held annually or or biannually, additionally offer the opportunity for international exposure and marketing promotion, education and publicity within the broader industry.

See:

African Fine Coffee Association (East Africa): <http://afca.coffee/conference/>

Expo Especiales (Colombia): <http://www.expoespeciales.com/>

SINTERCAFE (Costa Rica): <http://www.sintercafe.com/>

Published materials

Association publish a variety of materials, from general activities, events and industry-related stories to very specific communication designed for historical reference, to set standards and educate members.

Website

Websites are now the leading hub of information offered by industry associations, providing timely access to a repository of member information, including:

- Member information and contact information
- News and event information
- Market statistics and/or pricing information
- Marketing materials and assets for use by members
- Reference materials and standards
- Organization information and history
- Information about upcoming events and activities
- Access to newsletters, editorial content (blog) and other publications
- Policies and public-facing statements
- Meeting information and minutes from past meetings
- Job postings and career centers offering guidance
- Areas to request assistance or association services

An industry association's website also can become the leading authoritative source of information about a specific coffee origin and its coffees. In nearly all instances, coffee industry association websites in producing countries offer substantial marketing content geared at international promotion. In some instances, multiple websites are created in order to promote the origin to consumers and industry professionals, with a separate set dedicated to the industry association and its activities.

Newsletter

Newsletters are a low cost way of disseminating timely information to members by electronic or printed media. Due to the speed at which they may be developed and distributed, newsletters may contain recent or highly localized information for members, including meeting dates or locations, upcoming events, local industry news and alerts, solicitations for assistance, classified (for sale, job listing) advertisements or a tabulation of results from recent activities like a past meeting.

Reference materials

Association resource libraries maintain a compendium of materials including industry research papers, commercial publications, conference presentations, education materials and association published content, which may be cost prohibitive, difficult or otherwise not practical for any one individual member to collect. Reference materials can be made available to association members either in person at some physical location and/or online through the association's website.

Statistics and pricing

The collection and/or communication of trade statistics is an important function of coffee industry associations. In some coffee producing nations, as in Colombia, India, Uganda and Guatemala, a government-backed association or board is responsible for the collection of production, export and pricing information to the domestic industry and outside reporting agencies (International Coffee Organization). In other coffee producing nations (e.g. Brazil, Ethiopia, Indonesia), a government department of statistics or trade is responsible for collection of the data, with close coordination with the national industry association to report that information to stakeholders.

History

The story of a place, its challenges, successes and the people who made it possible are important for an industry document. Those who ignore history are doomed to repeat it. Historical records add to an industry's accountability, credibility and continuity through future generations of Timor-Leste's coffee professionals. Associations often perform the function of industry record-keeper or historian, collecting and securing information for future research or use in current marketing.

Laws and regulations

Many laws and regulations affect the coffee industry and its activities, both within the borders of Timor-Leste and working in export markets. Pertinent domestic and foreign laws potentially affecting members may be documented by an industry association for convenient reference.

Meeting minutes

Meeting minutes recorded at association meetings:

1. Document where, where, how and why decisions were made and by whom;
2. Inform others who did not attend; but most importantly, meeting minutes
3. **Drive action** by assigning tasks and recording when they are accomplished.

Good meeting minutes kept at meetings increase the productivity and accountability of the association, an in turn the industry that association guides.

Public relations

Communications personnel at associations publicize the values, initiatives and other interests of an industry to consumers and the media. Public relations “engages and informs key audiences, builds important relationships and brings vital information back into an organization for analysis and action. It has real, measurable impact on the achievement of strategic organizational goals.” (Public Relations Society of America, 2009) The public relations function of an industry association has the potential to address and change public perception and attitudes about vital issues.

Dispute resolution

Disputes arise between industry participants that may not be suitable or otherwise actionable to pursue in a court of law. Coffee quality disputes, in particular, require the knowledgeable interpretation of opposing arguments relative to presiding law or custom and specialized training or guidance to objectively evaluate the subject of dispute (the coffee). Industry associations allow for an impartial forum to mediate specialized cases and make binding or non-binding recommendations to all parties. These forums have the additional advantage of being private and therefore, may not necessarily divulge unflattering information to the public that may be averse to the greater industry’s interest.

Standards

Standards are the basis of quality and consistency used by an industry that develop the reputation and subsequent value for which it is internationally known. When established by an association led by the private sector, they are more likely to be relevant to the sector than those prescribed by another authority.

Specific to the coffee industry, these include benchmarks for:

- Farming practices;
- Guidelines for coffee cherry collection;

Quality standards, including:

- National green coffee grades;
- Adoption of standardized methods for the evaluation of cup quality.

Intellectual property

Trademarks, trade names and other intellectual property used to identify and promote the entirety of an origin may be held by its industry association. Marks of geographic indication (e.g. “Made in...” “Product of...”) allow the combined pooling of resources and marketing effort to benefit the entire industry and help to deter counterfeiting. Appellation of origin marks fall within this same category but additionally specify the qualities expected from genuine products originating from within the region.

Take for example Juan Valdez, the successful trademark and spokesperson representing a fictional coffee grower from Colombia, owned and maintained by the National Federation of Colombian Coffee Growers.

“A registered trademark or logo can help protect a successful product from being fraudulently duplicated. The Colombian Juan Valdez trademark needs no explanation or description. It is virtually known worldwide and is protected against fraudulent use because it is registered in all the main import markets.” (International Trade Centre, 2011)

Certification

Industry associations can provide guidance to members when considering or through the process of obtaining certification marks (organic, FairTrade, Rainforest Alliance, etc.). In some cases, offering its own marks of quality assurance; however, those marks are not generally viewed as being impartial and therefore lack authority in overseas markets.

Education

Education and training is often a key feature and member benefit of participation in an industry association. The coffee industry is highly specialized, yet all members may benefit from training programs offered in their industry segment or field of discipline.

Materials supporting best agricultural practices and standards selected by the industry association may be developed or adapted locally from international curriculum with courses offered centrally or in field locations.

International coffee industry associations like the Specialty Coffee Associations of America and Europe offer a comprehensive catalog of curriculum from coffee quality evaluation through roasting and retail preparation, which may be made available to other industry associations in coffee producing nations.

Agriculture extension services

A coffee industry association is a good vehicle to promote the appropriation of funding and resources for agricultural extension services within the government. This organization may provide its own services to coffee farmers on a limited scale but more likely advise on services extension provided by government or help to coordinate private sector or NGO activity.

Vocational training

Industry-specific work education programs offered by the association may provide a pool of new skilled labor for industry, and simultaneously, career advancement opportunities for coffee workers.

Advisory services

The business challenges faced by coffee industry participants are highly specialized and cannot necessarily be solved intuitively. As a service to members, industry associations may offer consultation and guidance on issues as diverse as agricultural practices, obtaining third party certification or international marketing and trade. This assistance may be provided at low or no cost to members and comes from a trusted source with firsthand knowledge of the highly localized issues.

Representation (influence)

As an independent entity working in the interest of all of its members, organized industry associations maintain a high level of credibility and command more influence than any individual or company. Additional influence helps the industry association to more effectively represent the needs of its membership:

- **Within government:** advancing interests of the coffee industry through lobbying, the issuance of position statements or when obtaining funding for projects;
- **Among local industry** by establishing authoritative standards, providing trusted support programs and education content;
- **Representing Timor-Leste overseas** with international groups and industry associations (Specialty Coffee Association of America, Speciality Coffee Association of Europe, Specialty Coffee association of Japan, etc.), when joining trade organizations (ASEAN Coffee Federation), or in matters brought before the International Coffee Organization (ICO).
- **With NGO's and other donors**, by presenting a unified and impartial structure that can attract funding for development projects beneficial to the entire industry.

Science and research

Applied research is necessary to advance the coffee industry of Timor-Leste by identifying new ways of improving productivity and cup quality, solving and overcoming industry-wide challenges. Most importantly, knowledge gained through the association's research effort is shared among all of its members so that all have the possibility of benefit.

Coffee-specific research projects can develop and enhance methods of crop cultivation and processing and gather substantive information through experimentation (e.g. variety trials) that address specific production issues or answer important questions that will help the industry plan for its future. Some of this information may already exist in the libraries of other national research institutions around the world that can be requested and obtained by a knowledgeable party working on behalf of a nonprofit member association.

Not strictly limited to physical science, research may be performed or directed by the association on social or economic issues, such as evaluating new financial models that provide economic incentive to coffee farmers to increase production.

Advocacy

More than strictly promoting the commercial interests of membership, an industry association has the potential, one might say responsibility, to advance commonly held values and beliefs that lead to a better future. In many cases, support for these issues leads to improved long term commercial results.

These areas include but are not limited to:

- **Gender equality** – advancing the roles and authority of women in the coffee industry. In studies conducted by the Coffee Quality Institute, leadership by women in coffee farming and production directly correlates to improvements in coffee quality.
 - despite women’s active involvement in coffee farming, they are generally overlooked or considered second choice alternatives to attend training courses or receive other opportunities;
 - however women contribute a significant portion of total earnings to household income and money is generally managed better in households where women have equal authority to men.
- **Farmworker wellbeing** – implementing programs and promoting initiatives that improve the prosperity of coffee farming and lives of those who work on farms in order to make coffee farming a sustainable way of life;
- **Innovation and technology transfer** – promoting the development of creative solutions to industry problems (e.g. those adopted from other coffee producing regions or other industries) and encouraging the transfer and use of new technology;
- **Sustainability and ecology** – promoting protection of the environment and other initiatives that make Timor-Leste’s coffee production industry sustainable for the future.

Member services

At its most basic level, industry association members benefit from economies of scale for products and services.

Specialized laboratory services

The cost of equipment and skills training to operate a coffee laboratory for quantitative and qualitative analysis is beyond the reach of most of Timor-Leste’s coffee industry businesses. A coffee association may pool resources to develop a lab facility that may provide common industry services like, soil evaluation, green coffee grading and cup quality analysis for a nominal fee to members at less than the cost of independent testing services.

Shipping and supplies

An association has the opportunity to bargain for goods and services on behalf of its membership, including but not limited to commonly used supplies like coffee bags, fertilizers and tools or machinery and services like international freight.

Finance

Programs for financing coffee production or the purchase of capital equipment and supplies may be established or administered by an industry association. Industry associations are a logical impartial body to recommend programs to donor organizations and in some cases, provide funding through other activities.

Marketing

Origin brand marketing in domestic and international markets is a vital function of an industry association. By banding together as the part of an association, Timor-Leste's marketing message about the uniqueness of its coffee may be more widely and authoritatively spread than by any single company with one consistent message. Since materials and messaging promoted by the association come directly from its members through a communications working group, it has the potential to be more relevant to potential customers and the overall needs of industry than if promoted by broader government agriculture trade initiatives.

As an impartial trade group representing the entire industry, associations are often eligible for donor funding or matching grants supporting the development of business activity, which directly benefits members. For example, trade marketing materials like marketing websites, brochures or participation in international trade events may be supported by government trade incentive programs. Association members receive the benefit of having Timor-Leste's brand image and marketing message promoted among potential customers and may also directly benefit with co-sponsored company-specific marketing materials or partially or fully-subsidized participation at international trade fairs.

Marketing and promotions activities conducted by trade associations include:

- **Advertising**, generally focused in trade media (coffee industry publications, online website, blogs or other influential outlets) but potential among targeted consumer audiences;
- **Websites and social media**, promoting a consistent image of the Timor-Leste origin brand and campaigns that engage potential buyers end-users;
- **International trade fairs**, showcasing the many coffees of Timor-Leste and providing a base of operations at high profile events for overseas exporters to meet new potential clients and meet and conduct business with existing clients, as well as learn more about the industry, its trends and the activities of other competing origins;
- **Conference and festival**, that brings international coffee professionals to Timor-Leste to meet its coffee stakeholders in person, learn more about and experience the place, its coffee and people and exchange knowledge and ideas. Additionally, a conference held

annually or bi-annually may be a source of national pride and interests that reinforces Timor-Leste's image as a world leader in coffee production;

- **Origin tours**, hosted by industry associations bring coffee professionals to the country to see and experience its unique coffee production industry and culture, meet its people and develop a connection with the place that becomes the foundation of ongoing trade relationships. Origin tours may sometimes be conducted in collaboration with other international trade associations, such as coffee associations in America, Europe, Japan, or Australia, bringing organized tour groups from those regions;
- **Sponsorships**, of key industry events like barista competitions, brewing and roasting competitions or coffee industry celebrities (current or past champions, luminaries) that make the name Timor-Leste visible and associated with desirable values among audiences of potential current and influential future buyers;
- **Special events** like **cupping competitions**, **cupping roadshows** in targeted buying markets that attract interest and excitement, as well as promote the values of the industry; and
- **Reciprocal membership** privileges in other industry associations, such as SCAA or SCAE are sometimes offered to coffee producing country association members at a discounted price or complimentary, giving national members access to a broader range of resources in foreign markets and international members a direct connection to Timor-Leste.

Industry association models

Costa Rica

Costa Rica maintains a system of three industry associations, each designated to a specific role but working together in overlapping areas:

1. Icafe, the Instituto del Café de Costa Rica (Costa Rican Coffee Institute), is the national coffee authority (or coffee board) of Costa Rica. Icafe regulates all coffee production and sales in Costa Rica. Although operating as a public non-governmental entity, the organization maintains a special status to enforce Costa Rican law specific to coffee and therefore acts as a quasi-government coffee board.
2. SINTERCAFE is a self-governing annual trade export event, which was developed out of the need for international market promotion.
3. Specialty Coffee Association of Costa Rica (SCACR), that focuses on the advancement of the country's differentiated coffee production, education for coffee producers for and promotion of quality-differentiated coffee.

The three organizations maintain a cooperative relationship in order to advance goals of the entire sector.

Icafe

Icafe was founded in 1933 to promote national coffee growing activity. The organization functions as a public, non-governmental entity tasked with the regulation of Costa Rica's coffee industry and enforcement of Costa Rican Law #2762.

In this function as a quasi-governmental agency, Icafe performs two important tasks related to the coffee industry:

- 1) Establishing a fixed sales price of coffee cherries sold by farmer to mills (estates that mill their own coffee are exempt from this process) and enforcing a system of payment. The payment system in Costa Rica requires mills to pay an advance to producers during the harvest, then a settlement "liquidation" payment at rates determined by Icafe at the end of the coffee year.
- 2) Inspecting and grading all coffee exports. All exporters must file applications to export coffee, which is then sampled and inspected by Icafe. Icafe is responsible for filing all ICO export reports and maintains samples of each lot for comparison in case of dispute.

As an industry association, Icafe:

- Promotes an ethical and unique production model for national coffee growers, millers, roasters and exporters;
- Supports national coffee production and milling, as well as national and international coffee marketing;
- Promotes national and international consumption of Costa Rican coffee; and

- Conducts research and develops farms and industrial technology (through CICAPE). CICAPE was instrumental in the acquisition and disbursement of agricultural inputs and technologies designed to combat a leaf rust fungus outbreak in 2013.

The organization is funded by a 1.5% tax on all coffee exports collected by the Ministry of Revenue. In 2015, ICAPE's total operating budget was approximately US\$11 million, US\$4 million of which was dedicated to marketing. An additional US\$4 million was provided by emergency order of the government to fight the leaf rust fungus in 2013.

ICAPE is organized with a board of directors that oversees operations of the organization and Board of Liquidation that oversees the establishment of coffee prices and enforcement of payment to coffee producers by coffee mills. An independent auditing board oversees financial activities by both groups.

The institute maintains maintains three chambers (or committees) representing the interest of exporters, roasters and retailers. Information collected from the operations of Icafe is presented annually to a National Coffee Congress of delegates that in turn, report to coffee industry workers in each region.

Icafe maintains a large overhead, including over 100 company officers. The complex administrative structure leads to duplication of effort and inefficiencies, making Icafe slow to act and respond to industry needs or implement new policies.

[Costa Rican Law 2762](#)

Law 2762 governs the production and sales of all coffee in Costa Rica, including the establishment of farm-gate prices that must be paid to coffee farmers by export mills for coffee cherries. It additionally specifies that coffee cherries may only be processed within 24 hours after picking and defines Costa Rica's eight distinct geographic regions for coffee production. Six of the eight regions maintain an administrative center for agricultural extension services. Coffees from each region are marketed under the region brand with an indication of expected average cup profile and history for each.

The specific function of Law 2762 regarding the establishment of cherry prices is outlined in the 2006 World Bank Policy Working Research Paper, “Fairtrade” and Failures in Agricultural Commodity Markets (Ronchi, 2006):

“Law 2762 regulates the selling process: Farmers are asked to produce their identity papers with every deposit of cherries at a mill and they must receive a receipt for it. In this way, there is a record of all coffee sold to a mill. After processing the cherries, mills must then register all sales contracts for green coffee, whether for export or domestic sale, with Icafé. They must register the sale of coffee even if the mill is also the exporter or roaster. The quantities from the registered sales contracts can then, if necessary, be verified by the recorded (receipted) quantity of coffee sold by farmers to mills. In theory, this verification can control for mills trying to sell coffee that was purchased ‘under the table’ from (illegal) middlemen. According to Law 2762, mills should also provide agricultural input services such as limited credit and/or input acquisition facilities to all producers, although in practice, this only occurs for large producers.”

“In addition to regulating the roles of different actors in the coffee market, Icafé also undertakes the annual calculation of farm-gate prices. Farm-gate prices refer to the price that each mill must pay farmers for every unit of coffee cherry purchased.”

“They do this by calculating the average processing costs (APC) for different sized mills in different locations. Mills may deduct only these (non-cherry costs) from their output contract prices. By assuming that all mills are operating at the minimum of their long run average cost curves (where APC is equal to marginal processing costs--see next section), Icafé attempts to ensure that mills earn strictly normal economic profit.”

“The farm-gate prices thus calculated are then published in the leading national newspaper, La Nación. These are the minimum farm-gate prices that must be paid within two weeks of their publication. As explained, mills will have already paid a portion of this price in a first, and possibly, second installment on the promise of paying a final installment to the level of the published price (and not necessarily the price promised to producers at the beginning of the harvest). Public knowledge of these prices tends to ensure their payment.” (Ronchi, 2006)

SINTERCAFE

SINTERCAFE was founded in 1987 as a non-profit organization designed to promote the coffee of Costa Rica through an annual exposition of the same name. SINTERCAFE maintains its own board of directors and membership consisting of industry organizations. The event receives funding from private sources (exhibitors, advertisers and attendees) and also a portion of the marketing funds administered by Icafé.

In 2015, the event attracted approximately 500 participants, many of whom are international coffee professionals.

Specialty Coffee Association of Costa Rica

A distinct and separate member association, the Specialty Coffee Association of Costa Rica, was established in 1993 to promote the interests of differentiated specialty coffee producers. SCACR maintains its own membership of 37 organizations, including 3 honorary seats reserved for representation from Icafe, SINTERCAFE and the Alliance of Women in Coffee in Costa Rica (AMCCR).

SCACR maintains strategic partnerships with specialty trade organizations like the Specialty Coffee Association of America and is the designated in-country partner for the Coffee Quality Institute. Through these relationships, SCACR offers advanced cup quality training programs for domestic producers developed by its foreign partners.

Analysis

Costa Rica's coffee bureaucratic industry model was developed for an older era in the history of coffee production, but has kept pace with modern times through the development of its two newer association additions. Coffee production is highly regulated by its national Coffee Institute, which some benefits and significant drawbacks. As a democratic organization that has a mission to protect the wellbeing of Costa Rica's small farmers, it ensures a reasonable and predictable wage for that country's most vulnerable coffee interests but setting fixed rates for coffee cherry purchasing, however, it limits free market competition and the advancement of that industry.

As a result, younger and more flexible parallel member organizations (SCACR, SINTERCAFE) have formed to do those things a larger bureaucratic entity cannot. As one experienced Costa Rican coffee representative described in an interview, *"[Icafe's] budget is audited by the Costa Rican government and that creates a lot of bureaucracy and limits their ability to push for specific projects, this is solved through outsourcing with Sintercafe and SCAR."*

The addition of SCACR and SINTERCAFE make Costa Rica's association model a good one but not ideal. Some model based on this concept led by private industry with voluntary participation in export grading is a more flexible solution for business in the 21st Century.

Brazil

Brazil's coffee industry is not represented by one single coffee industry association or overlapping associations with complimentary interests, but rather by a complex mix of loosely affiliated organizations, each of which is designed to promote the interests of its member segment:

- National Coffee Council (CNC), a coffee farming association representing individual farmers and farmer cooperatives;
- Various farming cooperatives, including Cooxupé, the world's largest coffee farming cooperative;
- Brazilian Coffee Roasters Association (ABIC), a member association representing the coffee roasting, grinding and industrial equipment sector;
- Brazilian Instant Coffee Association (ABICS), a member association for members specializing in soluble coffee;

- Brazilian Coffee Exporters Council (CECAFE), an association that represents and develops the coffee export sector;
- Geographic associations, such as Sindicafé and CACER, representing the interests of coffee industry in Sao Paulo state and the Cerrado region of Minas Gerais; and
- the Brazil Specialty Coffee Association (BSCA), representing producers (farming estates and exporters) of quality differentiated specialty coffee.

The relationship between these organizations is complex, with some working closely in cooperation, such as ABIC and BSCA. In other relationship, these organizations oppose each others efforts, for example ABIC and CECAFE, which promote development of in-country consumption and overseas exports, respectively.

Brazil Specialty Coffee Association

The Brazil Specialty Coffee Association (BSCA) was founded in 1991 by a small group of industrious coffee producers (primarily farmers, many of whom export) that recognized the potential of investment in quality. Today, BSCA is recognized as Brazil's national authority representing specialty coffee, coffee's fastest growing segment.

As the world's largest producer and exporter, Brazil has historically been viewed as a high-volume commercial supplier. BSCA's efforts are focused on transforming a premium segment of those producers into valued partners to customers worldwide that demand high-quality specialty coffees. In order to achieve recognition for the origin and its capabilities, substantial time and effort has been made to differentiate, educate and promote the wide flexibility of characteristics in Brazilian coffees originating from diverse microclimate growing conditions, varieties and methods of coffee processing. Emphasis is placed on differentiation of quality coffee, not volume of large-scale production.

In 1999, BSCA was a founding member and the original host for the Cup of Excellence program, which is one of the world's most recognized and esteemed cupping contests. Operated by the U.S.-based nonprofit Alliance for Coffee Excellence, it today it conducts two contests annually in Brazil (early, late harvest coffees) and four other Latin American countries. Participation in the Cup of Excellence program has become a foundation for BSCA's marketing strategy and is credited as being directly responsible for the global recognition for achievement in Brazil's coffee quality.

BSCA maintains an actively calendar of participation at international trade events and hosts its own annual coffee show, Espaço Café Brasil. Funding for participation in these events is provided largely by Brazilian trade and business development organizations ApexBrasil and SEBRAE, respectively. Members may participate as a part of the BSCA booth for any event where BSCA exhibits at a substantially discounted price, often with travel costs subsidized by the funding organization.

In addition to providing its own BSCA branded certification for sustainably-produced quality coffees and educational opportunities for its membership, the association implements environmental preservation projects through cooperation with private or public entities and supports the advancement of science and production techniques.

The organization maintains control over membership with all applications reviewed and approved by its executive director. Membership fees are assessed to members but a fee schedule is not published. In addition, members must meet specific criteria to maintain membership status each year:

- **Producers:** must receive and maintain one internationally accredited certification.
- **Warehouse / distribution facilities:** must maintain an international certification for sustainability or traceability
- **Roasters:** must roast a minimum of one BSCA certified lot of coffee per year.
- **Exporters:** must export at least one batch of BSCA certified coffee a year.
- **Coffee shop:** must purchase at least one batch of certified coffee BSCA a year.
- **Brokers:** must negotiate the sale of at least a lot of BSCA certified coffee per year
- **Membership organizations or cooperatives:** must primarily focus on specialty coffee production.

Despite the requirements of joining, interest in specialty coffee and BSCA's membership continues to grow. From 2010 to 2013, membership expanded by approximately 125%; adding new producers, roasters, exporters, cooperatives, coffee shops, brokers and others who have joined.

Youth migration to other industries is seen as a significant challenge to overcome in Brazil for the future of the coffee industry. In order to attract younger audiences to farming as a professional career, BSCA strives to enhance the image and appeal of coffee production among youth so being a farmer is no longer seen as unsophisticated but rather, as a modern entrepreneur.

BSCA maintains an office and staff led by the executive director in Varginha, Brazil and has representative agents employed in China, Japan, Europe and the United States to promote Brazilian coffee and advance goals of the association.

The organization is overseen by a permanent council of members, all of whom must be members for a minimum of ten years, and hold veto rights superseding the executive director and board of directors. There are approximately 20 council members, many of whom joined the organization at the time it was established, making a significant initial membership fee (estimated to be greater than US\$100,000 each) to join. A separate nine-member board of directors, including an executive council is elected each year to govern the association. Council members occupy 7 of the 9 seats of the board of directors.

Analysis

Overseas marketing and promotion of Brazil's top tier of specialty coffee is the primary focus of the Brazil Specialty Coffee Association, where the wealthiest and sophisticated of coffee producers benefit disproportionately to other members. The founding council of members maintains control of most functions of the organization and sets its agenda each year. Education services are provided to membership, primarily in the area of cup quality training, but the organization lacks agricultural extension activities that may support its weakest members.

BSCA's certification program is not widely known or used in consuming markets, nor does it carry much influence, despite the organization's emphasis among members. BSCA certification is nothing more than an aggregate of other independent certifications and traceability systems obtained or used by each coffee producer or mill / exporter participating in the program. Value from the certification program comes from these independent certifications.

The Cup of Excellence program originally founded in cooperation with the association has largely been successful at promoting the interests of Brazilian specialty coffees, particularly within Asian markets of Japan, Taiwan and now China, where COE competitions and auctions are highly regarded. Although there is less formal participation in COE auctions from buyers in the United States and Europe, significant trade linkages have been formed through the program from these regions. Winning farmers are announced publicly each year, leading to increased demand and higher sales prices. Small holder farmers are included in the competition, making it a good mechanism of discovery and reward for high quality performance.

This model of association is not recommended for Timor-Leste but there are lessons to be learned from BSCA's programs that can be adapted:

1. government or donor funds may be collected by an association for member marketing and promotion;
2. third party certifications and quality assurance programs achieve higher market value (i.e. poor performance of BSCA's branded certification program and success of external COE);

In order to achieve success when improving the quality of a large spectrum of Timor-Leste's coffee, its coffee association must include and provide services that address the performance of its poorest farmers, not strictly its wealthiest.

Colombia

Federación Nacional de Cafeteros de Colombia

The National Federation of Coffee Growers of Colombia (Federación Nacional de Cafeteros de Colombia, FNC or Fedecafe) is a nonprofit business association tasked with the regulation, management and promotion of Colombia's coffee growing industry.

The organization was founded in 1927 and represents more than 563,000 small family-owned farms. The FNC promotes itself as, "one of the largest rural NGOs in the world." (FNC, 2009) Members of the association are the individual coffee growers, represented by elected delegates from each region in a body called the National Committee of Coffee Growers.

In addition to maintaining the Juan Valdez brand, which is promoted overseas through a network of country offices in consuming nations, the organization

- Provides rural agricultural extension services
- social programs
- regulates coffee policies

- conducts research through its Cenicafé division
- sells and exports coffee
- maintains and administrates the National Coffee Fund.

Colombian Law 76 was passed in 1928 that established a duty (\$.06 / pound in 2013) on all green coffee exports and transferred power for coffee regulation and management of revenues collected by that tax to the FNC. In 1940, the FNC formally established the National Coffee Fund using these revenues.

In addition to sustaining its own operations, technical assistance programs, scientific research and international advertising, the National Coffee Fund also guarantees a minimum purchase price for coffee from its farmers. Participation in the coffee purchase program is not compulsory but available to all farmers at any of approximately 500 collection locations across the country. The purchase rate is set by the FNC each year and does not fluctuate despite changes in the global commodity market for coffee.

Structure

The Federation is managed by a structure composing of the National Congress of Coffee Grower, National Committee, Board of Directors, Departmental Committee, and Municipal Committees that oversee executive management of the organization.

- **National Congress of Coffee Growers** – an authority overseeing governance of the FNC. It consists of approximately 90 elected delegates representing all members, serving four year terms
- **National Committee of Coffee Growers** – committee that includes a combination of representatives of the Colombian National Government and by the FNC's Board of Directors. The Government participates through various ministries: Treasury, Agriculture, Trade and the director of National Planning. The FNC is represented by one delegate from each Departmental Committee.
- **Board of Directors** – the Board of Directors of the Federation consists of one representative of each of the 15 Departmental Committees of Coffee Growers. The board meets twice monthly and is responsible for strategic administration of the organization, communication with Congress and requests of the Departmental Committee.
- **Departmental Committee of Coffee Growers** – the Departmental Committees manage regional activities on a state or province-wide level. There is a Departmental Committee of Coffee Growers in each state or province that produces more than 2% of the total national production of coffee. There are 15 Departmental Committees of Coffee Growers in Colombia.
- **Municipal Committee of Coffee Growers** – 366 Municipal Committees manage activities at a local level within each farming community. There is a Municipal Committee of Coffee Growers within each municipality that possesses at least 440 federated coffee growers and that has an annual production of at least 60 thousand arrobas of parchment coffee (one “arroba” equals 12.5 kilos).

- **Federated Coffee Growers** – farmers with a minimum 1500 trees planted on at least .5 ha of land, approximately two thirds of total membership. Farm information from these larger farms are tracked in a national ID system, which proves eligibility for participation as a voting member.
- **Staff** – the FNC maintains a staff of more than 2,600 employees led by an executive director nominated by the National Congress of Coffee Growers and confirmed by its committees.

Analysis

The FNC is regarded as an effective organization but it is not an industry association as we know them to be today. The FNC is essentially a large union of farming cooperatives with government recognition. Its long history and highly democratic structure provides stability for Colombia's coffee production industry. As seen in the case of Cost Rica, the FNC is also nearly 100 years old and has developed a large and complex bureaucratic structure.

Unlike other organizations evaluated in this document, however, it is strictly a member organization of coffee growers and does not represent the interests of other industry segments (e.g. coffee exporters, roasters, etc.). In fact, the FNC is responsible for sales of thirty (30%) of the country's green coffee exports, making it a direct competitor to other exporters in the Colombian coffee industry.

Introduction of a similarly structured organization in Timor-Leste would be difficult to achieve, averse to the interests of its present coffee exporters and not necessarily beneficial to the long term interests of farmers. The value of the FNC comes from its stability, resulting from a slow and complex democratic process that has outlasted numerous government administrations.

Indonesia

Asosiasi Kopi Spesial Indonesia

Asosiasi Kopi Spesial Indonesia (AKSI), the Specialty Coffee Association of Indonesia was founded in 2007 by a group of coffee farmers, processors, exporters, roasters and retailers with the assistance of USAID and the Coffee Quality Institute. The organization focuses on education, promotion and quality improvement strictly for Arabica coffee, which represents 25% of Indonesia's total production.

Membership is open to any individual or organization that is working with Arabica coffee from Indonesia. This includes individual farmers, farmers' associations, buyers, roasters, exporters, retailers and anyone else with an interest in Indonesia's specialty Arabica production.

As of 2014, its diverse membership included:

- 23% Individuals involved in the coffee industry
- 22% Exporters
- 20% Cafes and retailers

- 18% Farmers
- 10% Roasters
- 4% Government and institutions
- 3% Importers

The total number of members or is not published, nor is a membership directory.

An early goal upon formation of the association was to establish geographic regions of production, each recognized for its unique terroir. The association recognizes six regions within Indonesia (Sumatra, Java, Bali, Sulawesi, Flores and Papua) with others in development. Members of the association use these geographical indicators in marketing.

Since its formation, the association has provided training and education in the areas of agricultural practices, cup quality evaluation (featuring the CQI Q Grader program), coffee roasting and barista skills. AKSI conducts the annual Indonesia Barista Championship and Cup Tasters Championship, with winners advancing to international world championships hosted by World Coffee Events.

Coffee consumption has increased dramatically in Indonesia in recent years, growing at between 8-9% annually since 2007 to over 3.1 million bags, credited to the combination of coffee industry promotional efforts in combination with Indonesia's expanding middle class and development of an advanced retail café scene, particularly in urban areas. Retail cafes owners are active participants in the association, its retail programs and competitions.

Approximately 20% of Indonesia's total coffee production (Arabica and Robusta) of 10.9 million bags is sold to the United States, primarily to one buyer: Starbucks Corporation. In order to diversify and ease reliance on that relationship, AKSI is actively engaged in specialty coffee promotion efforts in price-differentiated markets. In cooperation with the Indonesia Ministry of Trade, the organization secured the "2016 Portrait Country" sponsorship to be featured at the Specialty Coffee Association of America conference in Atlanta. In a press release, the ministry estimated the total investment in that sponsorship at US\$74,000, which it hopes to boost specialty coffee exports from Indonesia by 10%.

Analysis

Very little information about AKSI, its structure and activities is available publicly for review. Data that is available is generally favorable about the association and its contribution to advancement in the Indonesian market for production of specialty coffee; however, the lack of detail points to a superficial role in the country and an association leadership without organization, depth and transparency.

AKSI appears to be reliant on its foreign partner(s) (i.e. CQI through USAID) and subordinate to the Indonesian Ministry of Trade for progress. Citing one example, AKSI is presently without its own website, a common tool to communicate with members, press and potential buyers of Indonesian coffee that is relatively easy to deploy; in its place, the Indonesian Ministry of Trade has developed an Indonesian coffee marketing site specifically for the 2016 SCAA event in Atlanta.

Education programs offered by the association similarly appear to have been largely prescribed and conducted by the Coffee Quality Institute with payments made by outside donors. Although these good programs have been endorsed and promoted by AKSI as a standard, the routine outsourcing of this function seems unlikely to achieve the depth of buy-in necessary in Timor-Leste to see results, particularly among its small farmer population.

Authoritative industry associations must be driven by the industry stakeholders themselves and maintain independence from outside control in order to build credibility as an authoritative body. Although the activities supported by AKSI (education, marketing and promotion, competitions, etc.) may be similar to those needed by Timor-Leste, it is recommended that members take a stronger leadership role in the association's activities to achieve best results.

Myanmar (Burma)

Myanmar only recently emerged from fifty years of diplomatic isolation and is undergoing rapid transformation. Coffee, nearly entirely Arabica, has been in production in Myanmar for over one hundred years but is not known in international markets. Until 2013, the majority of trade has been with nearby partners in China and Thailand, almost entirely sold as low quality commodity coffee or sometimes traded as coffee cherries over land borders.

The majority of Myanmar's coffee production originates from two regions: Mandalay, primarily larger (50-150 ha) estates with washing stations, and Shan State, entirely dried naturals from smallholder (<1ha) farmers, many of whom have self-organized into sophisticated village cooperatives.

Myanmar is positioned with suitable growing conditions for specialty coffee but lacks infrastructure and information necessary to improve quality and knowhow and access to international markets. By 2012, the country's coffee stakeholders were already informally organized within their respective regions of production but not collaborating on a national level.

Myanmar Coffee Association

The Myanmar Coffee Association (MCA) was founded in 2014 with a mission to increase the prosperity of the coffee farming industry in Myanmar by a core group of active commercial stakeholders. Development within the sector and the idea of an industry association was championed by Winrock International through the five year USAID Value Chains for Rural Development (VC-RD) project. The VC-RD project addresses productivity and quality increases for a number of crops; assistance in the coffee sector is provided by the Coffee Quality Institute.

Activities

In 2014, with the assistance of the USAID VC-RD project, the association began operations with a baseline assessment of coffee quality, needed facilities and equipment and development of a strategic plan with initiatives to rapidly improve quality. CQI responded with a multi-year development program including coffee cup quality, agricultural practices, processing training.

A combination of CQI and Winrock volunteers and staff with expertise in coffee agriculture and processing were deployed to its coffee producing areas to provide in-person support for the duration of the five-year VC-RD project. Field personnel live within the smallholder communities of Ywangan, demonstrating best practices, assisting with building of tools like raised coffee drying beds and advising on issues like export pricing.

A new coffee laboratory was built and new coffee milling equipment (wet and dry mill) was purchased and installed by MCA at its headquarters facility in Pin Oo Lwin, Mandalay, which is made available to members. Coffees from both Mandalay and dried naturals from Ywangan are transported to the facility for processing.

In early 2015, MCA also organized its first organized outbound marketing events, roasting and retail training, as well as its first national cupping competition.

- A strategic marketing plan was commissioned by the association by an international coffee marketing expert to define market opportunities and develop a strategy to promote Myanmar's coffee exports.
- Elements of strategic market plan were conducted, specifically, participation at the 2015 ThaiFex food and hospitality trade event in Bangkok and representation at the annual Specialty Coffee Association of Japan event in Tokyo and Seoul Café Show in Korea by a hired marketing consultant. Commitments were made for participation at the world's largest annual coffee industry show, the Specialty Coffee Association of America event, among others for 2016.
- The first national cupping competition was held in Yangon, judged by four experienced international cuppers and one local observer. Information about the event was distributed among members of the fledgling association and 60 samples collected. The coffees were roasted and cupped using international SCAA protocols for cup quality evaluation and results announced to press.

In 2016 the competition advanced further to additionally confirm that lots of the representative samples were available and assist bringing them to market with promotion at the SCAA event in Atlanta.

- In 2016, the MCA conducted its first origin tour for prospective coffee buyers, hosting a team of 10 international coffee professionals, primarily from the USA, and coffee industry media to document the event and progress in the industry.

In October of 2015, a five-day workshop attended by twenty-one industry stakeholders representing a broader group of coffee producing businesses and regional groups or "clusters" met in Yangon to further define, enhance and expand the association. The workshop was facilitated by Specialty Coffee Association of America and Coffee Quality Institute Founder, Executive Director and Senior Consultant Emeritus Ted Lingle.

The workshop resulted in:

- The adoption of a new mission and vision statement with articulated core values;
- Defined membership types (voting and non-voting) and targeted recruitment figures;
- Four working groups: 1) events/marketing; 2) finance; 3) membership; 4) technical training and professional development;
- One-year work plans for each committee and budgets;
- One-year communications plan;
- One-year trade plan;
- One-year operations budget;
- Outline and budget for a first annual meeting set for Oct 2016; and
- Governance structure and a transition plan to ensure transparency.

Membership

Membership in the Myanmar Coffee Association is open to anyone with an interest in the country's coffee production.

Voting categories include:

- Growers (involved in coffee farming)
- Producers (coffee farming and processing)
- Processors
- Traders
- Roasters
- Coffee shops

Non-voting categories include:

- Associate members (government, NGO, academic, associations)
- Allied Services (industry suppliers)
- Individuals (baristas, consumer enthusiasts or provisional businesses)

A fee schedule is published with rates for each category, in cases of voting membership, corresponding to the size of the business.

Board of directors

MCA has a board of fifteen directors serving three year terms, striving for equal representation from each of five defined regions. Board members each participate on of the association's committees: events/marketing, finance, membership, training. Board members elected to executive posts participate in the executive committee and past presidents head the nomination committee for new board

MCA Board of Directors Composition (15 total)	
Region	Sector Representation
Pyin Oo Lwin + Mogok + Naung Cho	Grower, producer, processor, trader, roaster , coffee shop
Ywangan + Pe Khom	Grower, producer, processor, trader, roaster , coffee
Yangon	Processor, Roaster, coffee shop
Thandaung + Taunggu	Grower, producer, processor, trader, roaster
Others: Chin, Rakhine, Irrawady, Kachin, Kayin, Shan East, Muse, Thanintharyi	Grower, producer, processor, trader, roaster , coffee shop

members, which additional consists of two other board members and two non-board members. Each board member has a limit of two consecutive terms.

Analysis

The Myanmar Coffee Association is still young and untested by time but promises to be a highly successful model for the development of a thriving coffee production industry in Myanmar. Initiative has been a key factor to early successes, with the drive of its founding board and their collaborative goal to increase pathways to prosperity for members of Myanmar's coffee farming industry. The significant amount of energy and activities undertaken in its first two years have led to quick successes that have made MCA a desirable association for other stakeholders in Myanmar to join as members, continuing the momentum and expanding the association's reach.

To date, a large portion of the organization's costs have been funded by USAID through its Value Chains for Rural Development Program. What sets MCA apart from other models where association funding is received by outside donors is how and by whom the projects are being directed. MCA's board of directors and membership are not passive beneficiaries to activities being performed within the country but rather, an active partner requesting and directing assistance to areas of perceived need. International consultants and technical trainers are not managing the association and its next steps here but rather, being used as resources to transfer information and technologies to the membership for their own benefit.

The model established in Myanmar seems that it can be successful in Timor-Leste, with the presumption that industry stakeholders take on the task of organization with a similar level of enthusiasm and commitment.

Although there is not one donor presently committed to the activity who may entirely underwrite the formation of an association in Timor-Leste, there are several who have express interest in participation to some degree. It seems reasonable that funding will be available to fund the initial activities of the association from various sources.

Unlike the situation in Myanmar, Timor-Leste's smallholder farmers are less likely to be organized into existing cooperative structures and may need some external representative delegation to represent their interests.

Regardless of the structure ultimately selected for Timor-Leste, the example of Myanmar shows that an industry association can be helpful to advance an industry in only a short period of time. What Timor-Leste is capable of accomplishing through (Amaral, 2003) an industry association is only limited by its own imagination.

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