



**Productive Partnerships in Agriculture Project
Coffee Component
COFFEE INDUSTRY CORPORATION**



TERMS OF REFERENCE

IC.19: EVALUATION OF COFFEE GRADES AND STANDARDS

1. BACKGROUND OF THE PROJECT

Introduction

The Productive Partnerships in Agriculture Project (PPAP) is an agriculture sector development project designed to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and the sustainability of value chains in cocoa- and coffee-producing areas.

The Coffee Industry Corporation (CIC) was established in 1991 to regulate, promote and service the coffee industry. With its' headquarters and administration centre in Goroka, Eastern Highlands, CIC has research stations at Aiyura and Kagamuga in Eastern and Western Highlands respectively. CIC also has an export monitoring office in Lae, adjacent to the main port for export of PNG coffee. The project consists of the following components.

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Component 1 (US\$9.6 million). This component aims to: (a) improve the performance of sector institutions and enhance industry coordination in the cocoa and coffee sectors; (b) improve transparency and support policy development in these sectors; (c) strengthen quality and promote, where appropriate, the adoption of certified sustainability practices in the two industries; and (d) provide technical advisory services, operational support and training to support project management and monitoring and evaluation. Overall progress under this component is moderately satisfactory. Project Coordination and Management Units have been established and are almost fully staffed. A Project Steering Committee has been established to provide policy guidance for project implementation. Industry Coordinating Committees (comprising representatives of provincial governments, private sector, civil society, the respective industry bodies and support organizations) have been established for both coffee and cocoa and are functioning well. After some delays caused by slow procurement processes, the management information system to support the project's information needs is now being developed. This component is also supporting activities to strengthen quality promotion, and support where appropriate, the adoption of sustainability practices in the coffee and the cocoa industries. Significant emphasis is being placed on training in best management practices in the two industries. However, the overall support provided under the component has not yet been fully utilized by the Cocoa Board and the Coffee Industry Corporation (CIC).

Component 2 (US\$20.1 million). This component supports the development and implementation of public-private alliances in project areas, with the goals of improving productivity and market linkages. Implementation of this component is satisfactory. To date, partnerships involving 11,589 farmers have been approved for coffee and 12 partnerships involving 5,915 farmers have been approved for cocoa accounting for nearly all the funds available under this component. These 25 partnerships represent half the end of project target of 50; however, the current number of partnership beneficiaries represents over three-quarters of the final target. Given the demand-driven nature of these partnerships, the numbers for both partnerships and beneficiaries are the maximum that could be achieved with available resources. Consequently, it was agreed during the project Midterm Review to align the targets to reflect that reality.

Component 3 (US\$16.6 million). This component aims to improve market access for smallholder cocoa and coffee growers in the areas targeted under Component 2. It finances the identification and selection of priority investments in support of Component 2 partnerships, and the related investments in infrastructure rehabilitation and maintenance. Performance of this component has been moderately satisfactory. Component 3 investments were delayed because this component is designed to start only after two rounds of partnerships have been approved under Component 2. Conditions for the commencement of Component 3 activities are now in place and proposals from cocoa and from coffee partnerships will be invited from all current partnerships in early 2014. Competition among cocoa and among coffee partnerships has been introduced into the prioritization process for infrastructure investments. The goal is to ensure that, notwithstanding the disparity of grower numbers and infrastructure needs in each sector, both cocoa and coffee partnerships will benefit from this component.

Geographical coverage. The project was initially implemented in East New Britain Province, the Autonomous Region of Bougainville, Eastern Highlands Province, Jiwaka Province, Western Highlands Province and Simbu Province. Most producers and the major stakeholders in the public and the private sectors are all located in those Provinces. Rural household dependency on coffee and cocoa income for their livelihoods is also high in those Provinces. The coffee component of the project will now expand to all coffee growing provinces following the allocation of additional finance from the World Bank.

2. CURRENT GRADES AND STANDARDS

Coffee cultivation as a commercial crop commenced in the Highlands in the early 1950s as a plantation enterprise and quickly expanded to be the primary source of cash income for the majority of smallholder farmers.

About 99% of coffee grown in PNG is high-grown washed Arabica from the highland areas of the country. The rest is Robusta grown in coastal regions.

Currently, the majority of PNG coffee (95%) is grown on smallholder farms or small village gardens, typically ranging in size from 50 to 1,000 trees. It is estimated that 85% of smallholder coffee is processed to parchment stage by the smallholder using hand operated pulpers to remove the skin, pulped in a sack, washed in a creek and sun dried on plastic sheets. The majority of smallholder coffee processed in this manner has considerable variation and is therefore sold as Y-Grade coffee. However, in recent years the Coffee Industry Corporation (CIC) has advocated for improved

processing practices by smallholders and introduced a new grade – PSC (Premium Smallholder Coffee) to enable smallholders to obtain better prices. PSC grade now constitute more than 10% of smallholder production.

Plantation coffee, plus some 15% of smallholder coffee, is typically processed in large ‘wet factories’, fermented in concrete vats, thoroughly washed at the end of fermentation, partially sun dried on plastic film with final drying in mechanical driers. This yields an uniform product which is then graded according to bean size, in accordance with **Papua New Guinea Standard 1626 : 2001**.

This standard provides specifications and definitions for PNG Green Coffee standard parameters and criteria for physical quality; criteria for sampling analysis and determination of grades and specifications for marking and packaging. It draws upon the provisions of the Coffee Industry Act and regulations which have force under the Coffee Industry Corporation (Statutory Powers and Functions) Act of 1991.

PNGS 1626 : 2001 is based on Bean SIZE, Total Defect Equivalent per Kg, Bean Shape, Raw Colour, Odour, Roasting Aspects and Cup Quality. It has been approved by CIC and the Biological Standards Committee (BSC) of the PNG National Institute of Standards and Industrial Technology (NISIT). CIC and NISIT are required to review these standards on a regular basis and update if necessary.

Parties to agreements based on **PNGS 1626 : 2001** are encouraged to use the most recent versions of the following:

ISO 2509 : 1989. Coffee and its product – vocabulary

ISO 4072 ; 1982. Green Coffee in bags – sampling

ISO 4149 : 1980. Green Coffee – Olfactory and visual examination and determination of foreign matter and defects.

ISO 4150 :1991. Green Coffee size analysis – Manual sieving

ISO 6673 : 1983. Green Coffee – Determination of loss in mass at 105°C

ISO 6668 : 1991. Green Coffee – Preparation of samples for use in sensory analysis.

In addition **PNGS 1626 : 2001** draws upon the definitions in **ISO 3509, ISO 4072, ISO 4150, ISO 6668 and ISO 6673**.

3. OBJECTIVE(S) OF THE ASSIGNMENT

The objective of this evaluation is to determine if PNG’s existing Grades and Standards reflect the current and projected future demands of the international market and to update, if necessary, to provide the PNG Coffee Industry the most appropriate framework within which it can maximise the returns to all parts of the value chain.

The evaluation will undertake an independent assessment and provide all stakeholders with an opportunity to participate in the process of updating the grading system to ensure it reflects the requirements of all current and potential markets.

The review will require compilation and analysis of all available information and data related to the specific requirements of PNG’s current markets, document trends in international markets with

respect to certification and boutique coffees and conclude with development of an appropriate classification system.

4. SCOPE OF WORKS

The consultant is expected to cover in the review the following issues:

- Analyse CIC Institutional Framework and Regulatory capacity;
- Review the current PNG Standards, assess the industry's understanding of them and how they are being applied for both smallholder and estate coffee;
- Document the Grades and Standards being applied in competing countries (other milds, washed coffees) to enable all industry stakeholders to attain an understanding of different systems;
- Consult with all stakeholders – Estates, Large Scale Wet-Processors, Smallholder Coffee Traders, Smallholders Representatives, Exporters and the Coffee Industry Corporation;
- Advise on market requirements and trends within PNG's current markets and potential new markets;
- Taking into account the views of all industry participants and market requirements recommend a suitable Grading and Standards System for PNG;

The methodology will be subject to a proposal by the Consultant, but should provide for adequate consultation (individually and through workshops) with the different stakeholders: Coffee Industry Corporation and its' functional divisions – RSGD and IOD, coffee associations, coffee traders, coffee processors, coffee exporters, etc. It should also include quantitative analysis with an emphasis on making clear recommendations based on factual findings and objective analysis.

The Final Report should include the following:

- Section I: Introduction and Coffee sector overview (institutional structure of coffee sector, responsibilities for application and enforcement of grades and standards, current sector priorities, trends in policy in the sector, etc.);
- Section II: Analysis of current Grades and Standards (PNGS 1626 : 2001) and their application and appropriateness to market requirements;
- Section III: Documentation of market requirements in current and potential future markets for PNG Coffee;
- Section IV: Recommendations and proposed/agreed Grades and Standards for the PNG Coffee Industry;
- Appendices.

The Consultant will disseminate the Reports' conclusions in a Workshop organised in Goroka. The participants, estimated to 30 – 50, would include representatives of CIC, including CIC, Department of Agriculture (DAL), Exporters, Processors, Coffee Traders, Coffee Associations and other interested parties. The Consultant would be assisted with the logistics. PPAP PMU will take responsibility for all costs associated with organising of the Workshop.

5. ACTIVITY DURATION

The Consultant will commence the activity within 21 working days from contract effectiveness.

The Consultant is expected to perform the services within 30 working days.

6. REPORTING OBLIGATIONS

The implementing agencies comments will be incorporated in the final Report. The Consultant conclusions after the Workshop will be summarised in a Workshop Report.

Activity	Time (working days)
1. Inception Report including Work Plan	2 days
2. Submission of the Draft Report (at a workshop with the stakeholders)	22 days
3. Review of draft documents by the Client and provision of comments to the Consultant	5 days
4. Submission of the Final Report with all the comments included	1 day

7. REQUIRED RESOURCES

7.1 Personnel

The Consultant must have minimum qualification as follows:

- Degree in agriculture, economics, food technology or equivalent;
- Extensive experience in coffee trading and marketing;
- Previous experience with deriving coffee grading and standards;
- 10 years of work experience in tropical crop marketing;

Competencies and skills:

- Strong interpersonal skills with ability to work under pressure and to establish and maintain effective work relationships with people of different backgrounds;
- Proven capacity to organise and facilitate workshops and meetings;
- Excellent oral and written communication;

7.2 Equipment, transport, telephones, offices

The Consultant shall be responsible for the following:

- Computers, software and any other equipment required;

8. DATA, SERVICES AND FACILITIES TO BE PROVIDED BY THE BENEFICIARY

The Client will assist with liaison between the Consultant and stakeholders.