

# Coffee Supply Chain Development and Tourism in Timor-Leste

David Freedman, Asian Development Bank Country Economist, Timor-Leste. 18  
July, 2016, Pacific Update Conference, Suva, Fiji.

# Today's Presentation

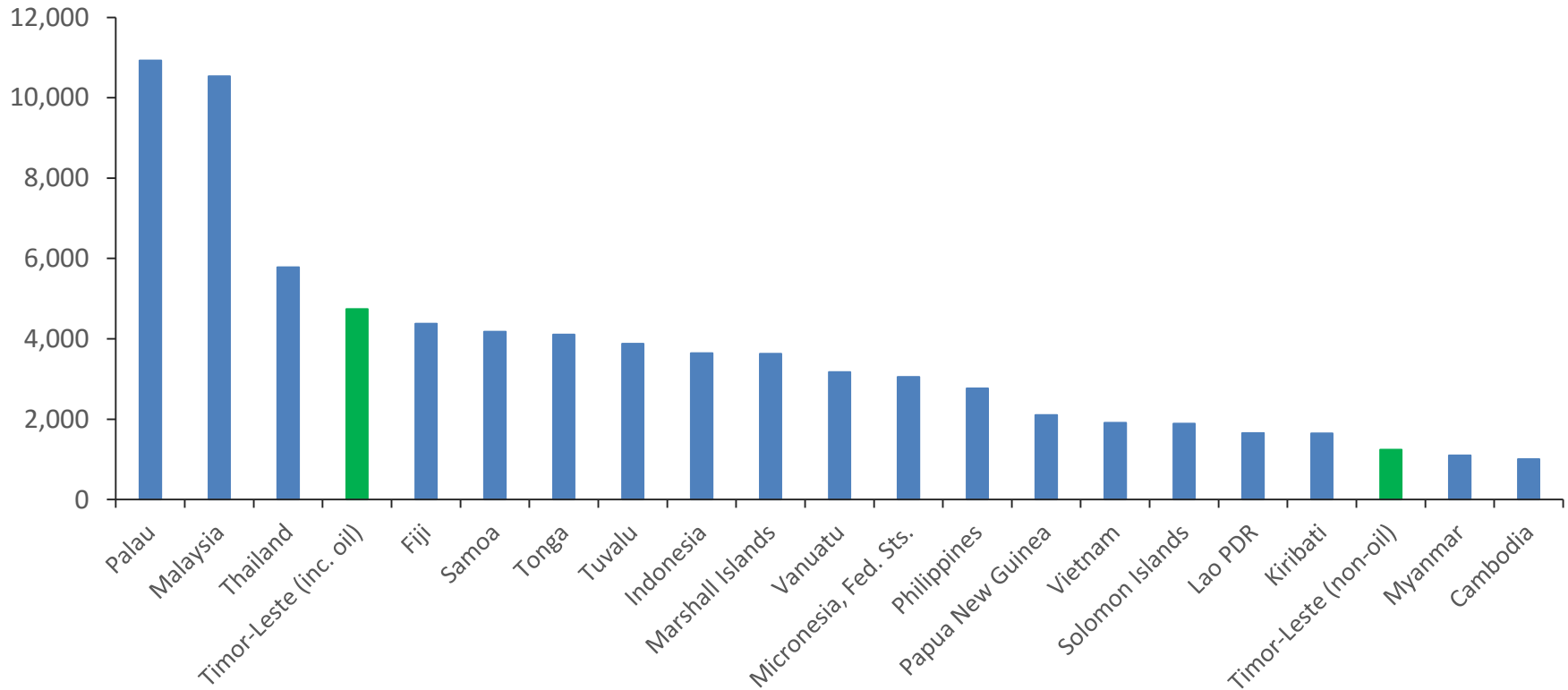
1. Setting the scene
2. Coffee
3. Tourism
4. Coffee – Tourism linkages
5. Concluding thoughts

# Timor-Leste is at the crossroads of Southeast Asia and the Pacific



# The domestic economy is at an early stage of development..

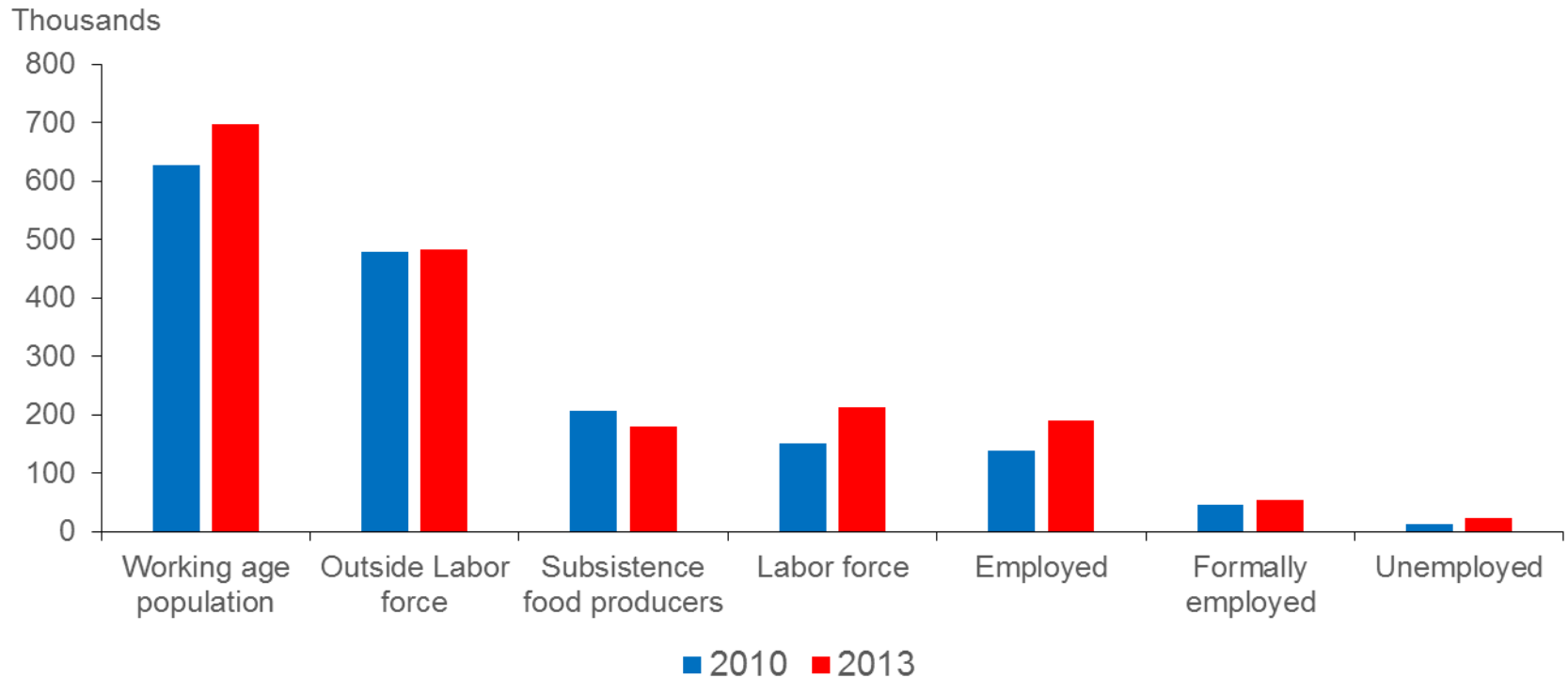
GDP Per capita (\$US)



Source: World Development Indicators 2013, Timor-Leste National Accounts, 2013

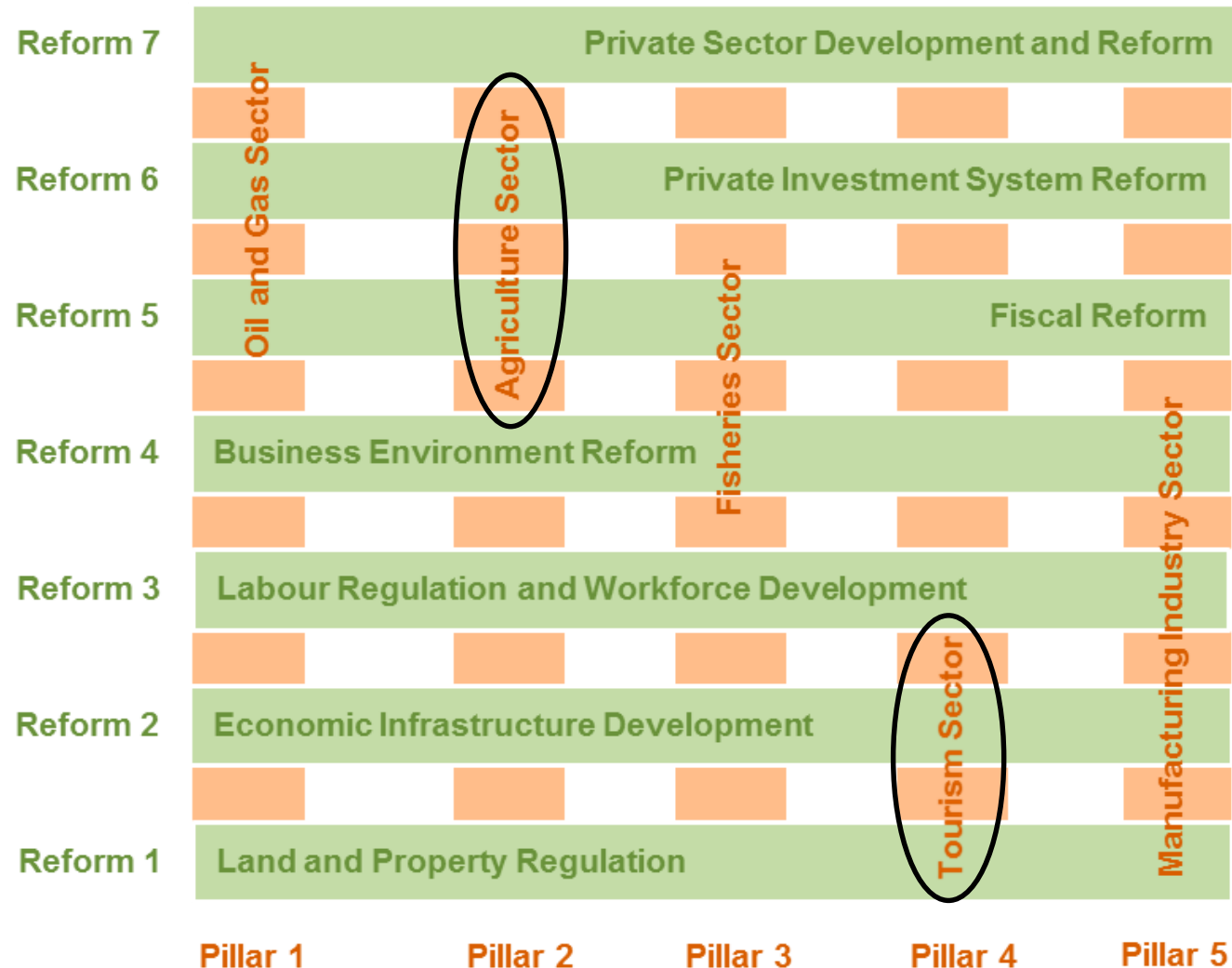
# ..and employment opportunities are limited

Activities of the working age population in 2010 and 2013



Source: International Labor Organization, preliminary comparative analysis of the 2010 and 2013 National Labor Force surveys

# The Government aims to transform the economy and achieve upper middle income status by 2030.



Source: Government of Timor-Leste - Coordinating Ministry for Economic Affairs



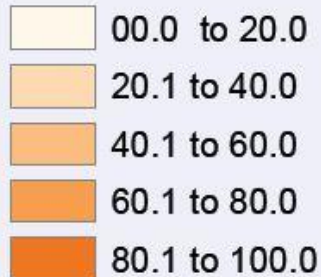
**COFFEE**



# Coffee is Timor-Leste's main non-oil export and is grown by 27.5% of all households

- 51,000 households, 54,000 Ha
- Annual production ~ 10,000 – 15,000 tons
- Annual export earnings ~ \$15 million (approx. 1% of non-oil GDP)

Percent of Households Growing 4 Major Crops in each Sub-district

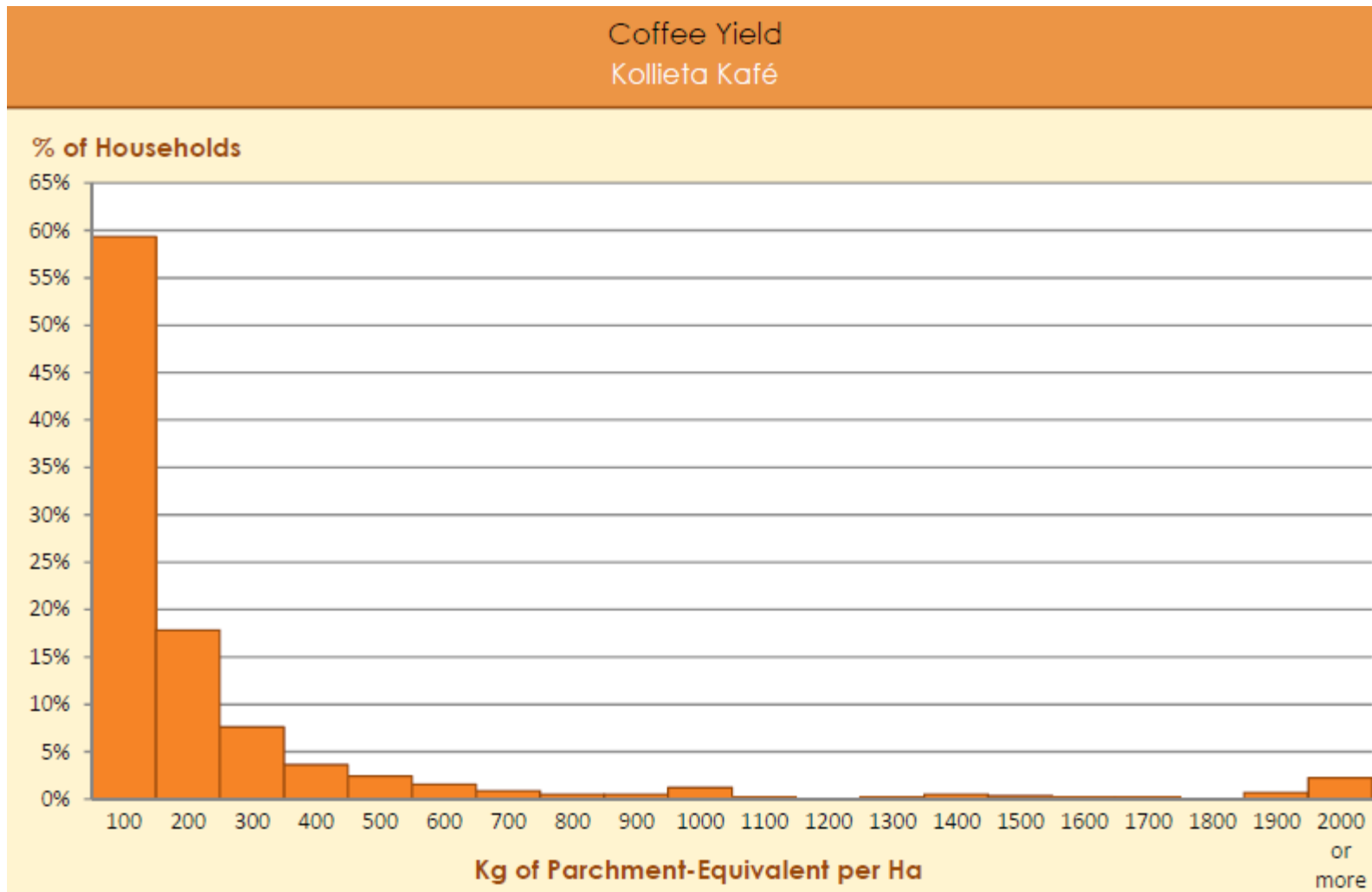


Sub-District Boundary  
District Boundary



Source: Timor-Leste National Census, 2010.

**Yields are very low so households that rely on coffee for their livelihoods are likely to be poor.**



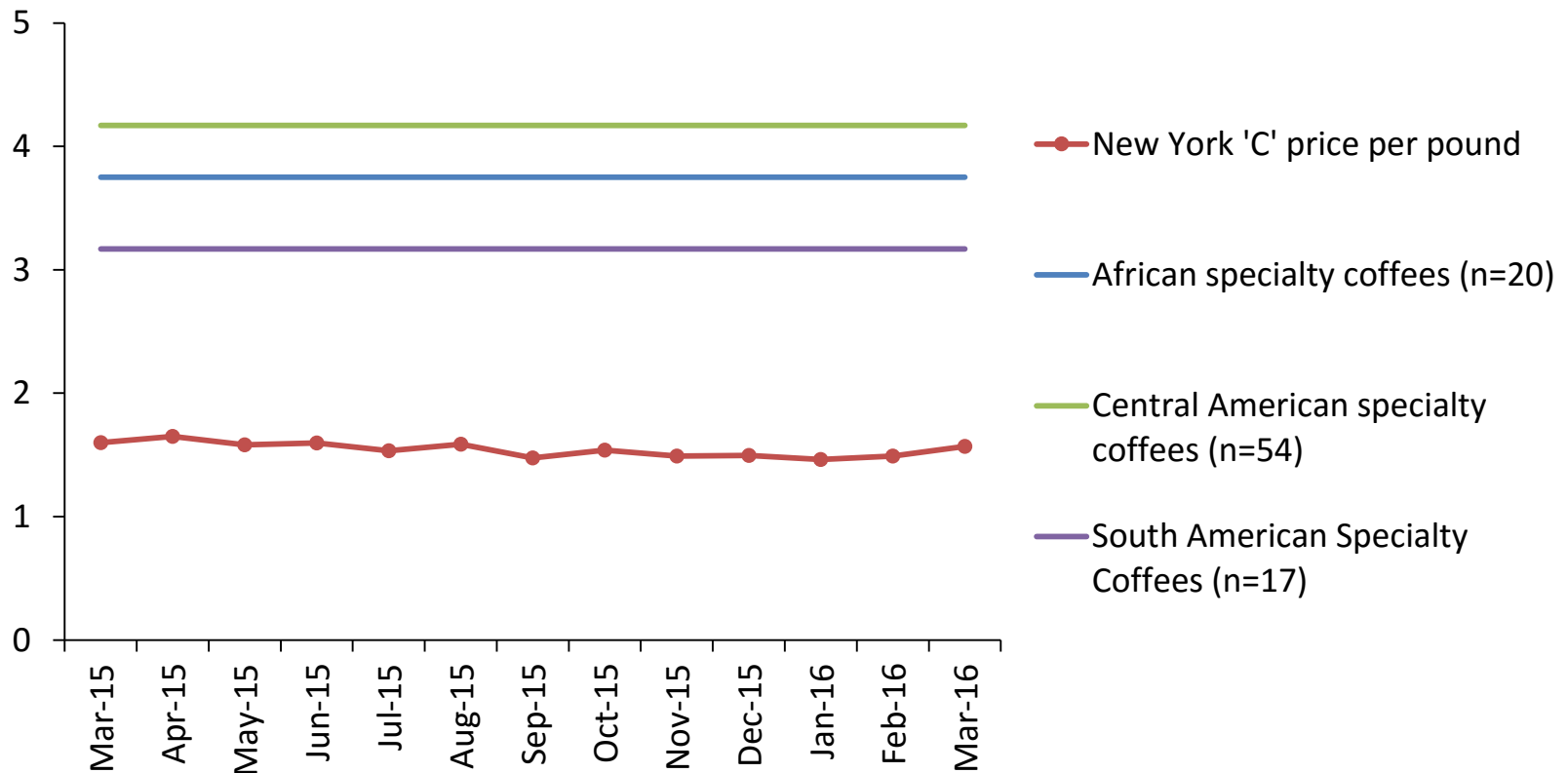
Source: Inder et al. 2013. *Coffee, Poverty, and Development in Timor-Leste*.

## Despite these challenges, there are some real strengths

- Home to a unique and desirable coffee variety – Hybrido de Timor
- Potential to produce exceptional, high quality coffees
- De facto organic
- Historic coffee origin
- Local coffee drinking culture

# These strengths can be leveraged to benefit from trend of 'de-commodification' of coffee

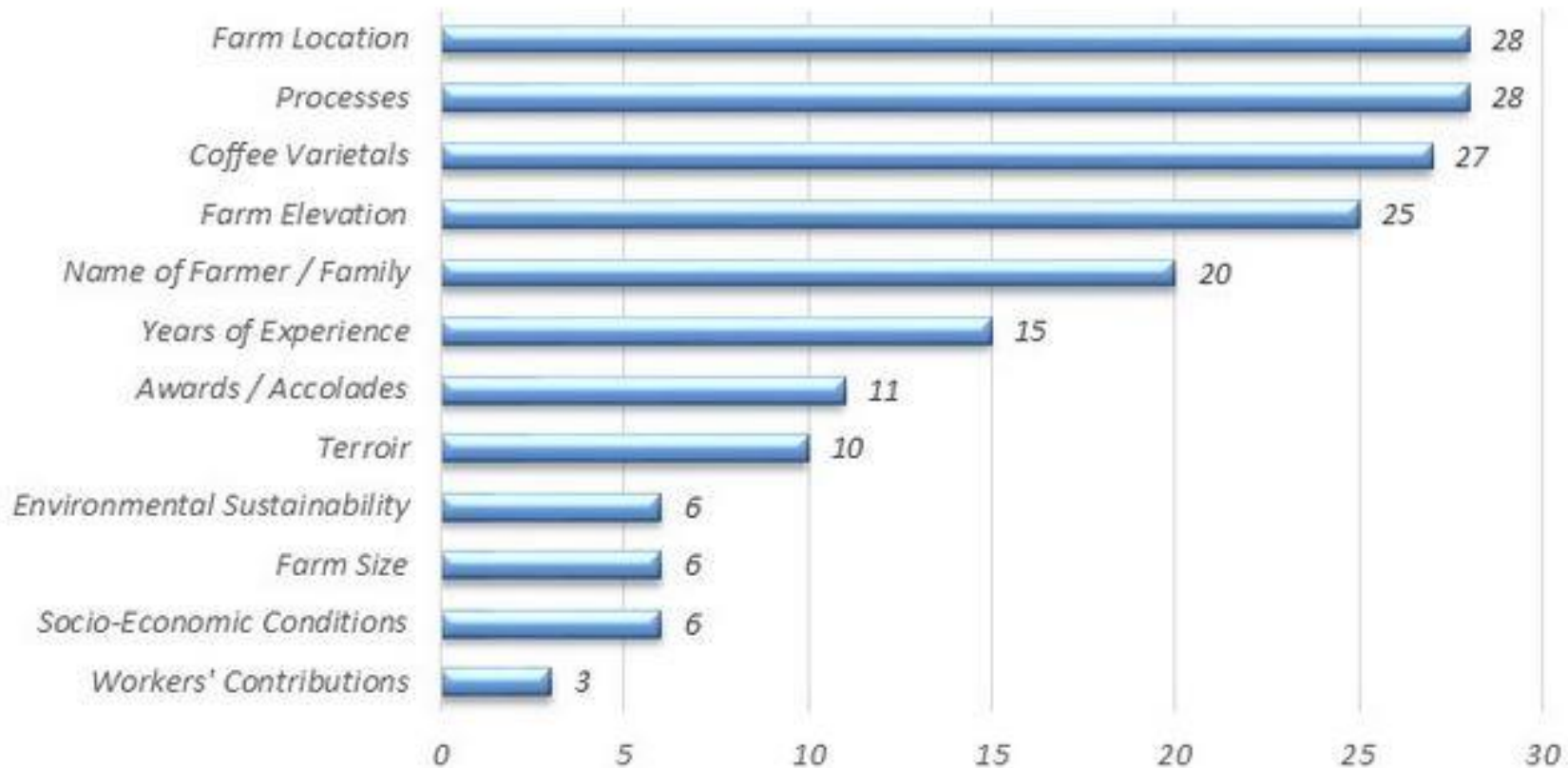
Average prices commodity and specialty grade Arabica coffee  
\$US / 11b



Source: International Monetary Fund commodity price statistics; Transparently Traded Coffee

# Where marketing of specialty coffee to consumers is driven by information about the origin and production processes..

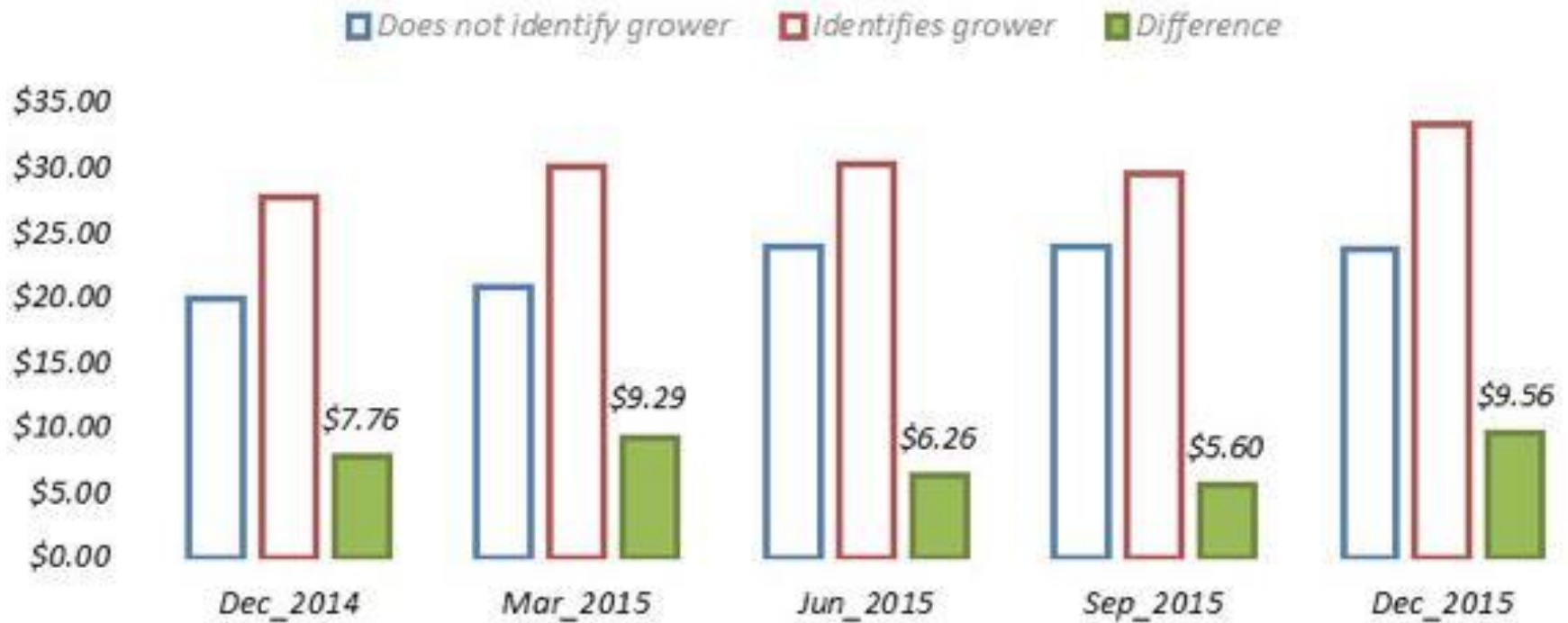
*Attributes Mentioned in Farm Profiles*  
(total N=34)



Source: Transparently Traded Coffee

# And at the very top of the market, naming the coffee grower attracts a large premium

## *Price Premiums for Identifying Growers (among highest priced SCRPI coffees)*



Source: Transparently Traded Coffee



# Realizing this potential will require action to address three core challenges

## Increasing yields

- Pruning
- Replanting
- Farm management

## Improving quality

- Farm management
- Harvesting techniques
- Processing and trade

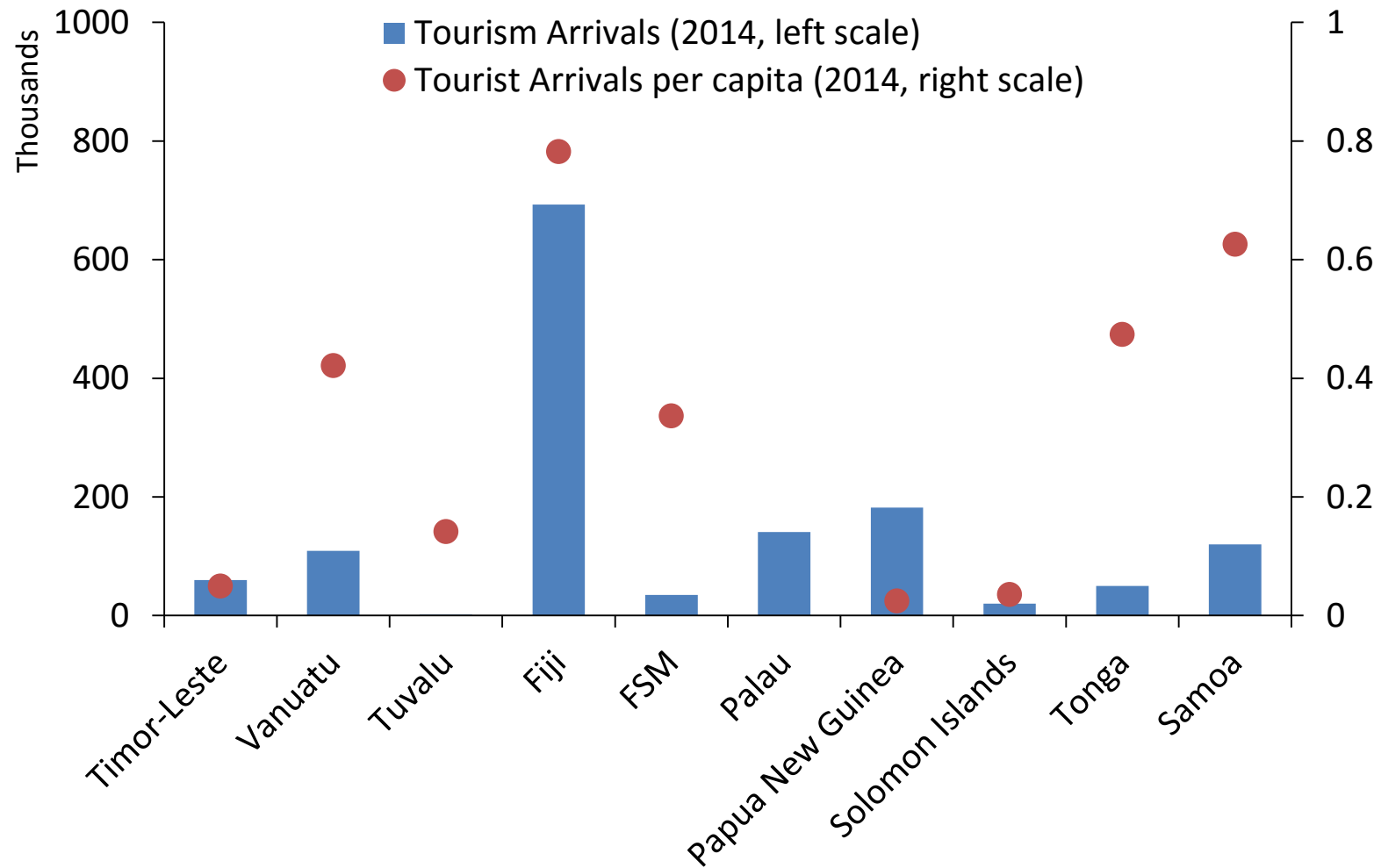
## Marketing

- Certification
- Quality assurance
- Branding

# TOURISM

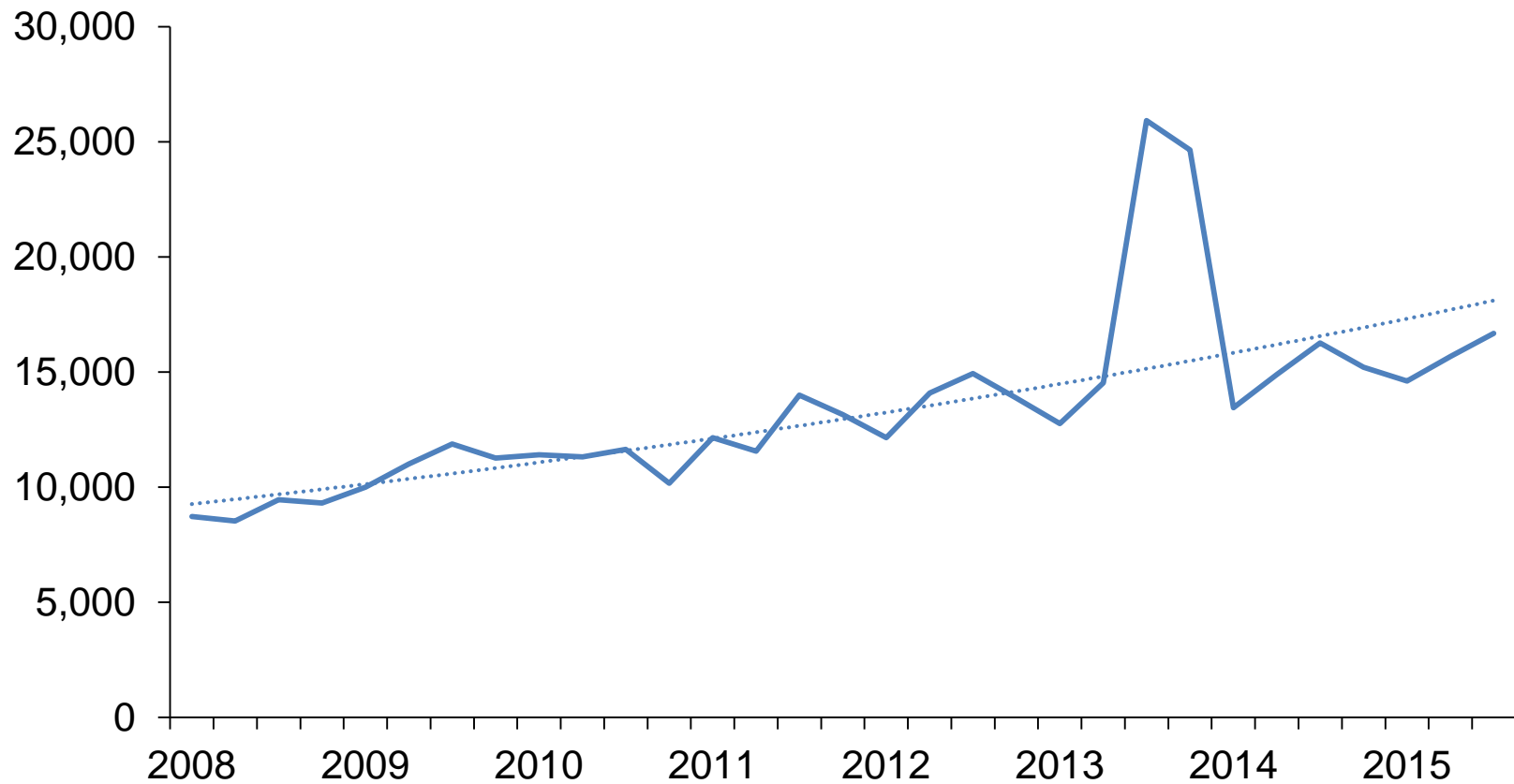


# Timor-Leste is one of the least visited countries in the Pacific region



Source: World Development Indicators

# But international visitor numbers are increasing steadily



Source: *Timor-Leste in Figures*

# The broad strategy for tourism is to leverage Timor-Leste's history, culture, and environment.

## • Target niches

- Eco / adventure tourism
- Cultural / historical
- Religious tourism
- Conferences /conventions.

## • Challenges

- Infrastructure & connectivity
- Cost structure
- Land tenure,
- Branding / marketing
- Workforce readiness
- Business environment

# Potential for good visitor experiences but challenge of market perceptions



# COFFEE AND TOURISM LINKAGES



# Using tourism to support growth and value creation in the coffee sector



# Coffee related visitor experiences




# Buying and drinking coffee



# Coffee cupping / tasting



# Day trip to a coffee farm / mill



LIKE NO PLACE ON EARTH

- FIND A CRUISE**  
*Help Me Choose*
- TODAY'S DEALS**  
*Specials & Packages*
- EXPERIENCE P&O**  
*See, Do, Play & Stay*
- DESTINATIONS**  
*The World of P&O*
- PLAN**  
*All you need to know*

**QUICK SEARCH**

**Departure port**  
Select

**Cruise duration**  
Select

**View 109 cruises**

AU

Live Chat

Cruise Control

## ERMERA & COFFEE ACADEMY

Depart your ship and travel west along the esplanade through East Timor's laid-back capital of Dili. Pass by many historical buildings, monuments & religious places including the Farol Lighthouse, Statue of Integration, & Dili's oldest church, Motael. Arrive at the Tasi Tolu Peace Park (Tasi-Tolu literally means "three sea's" in local language). The area is of national cultural significance being an important symbol of the struggle for Independence, and was declared a national park in 2000. Next, travel to the Railaco Cooperativa Café Timor (CCT) Academy, founded in the wake of the destruction of much of East Timor after it gained independence from Indonesia in 1999. The coffee academy is home to the experimental farm where they are trialling a wealth of tropical fruits for commercial production including mango, mangosteens, passion fruit, pineapple and vanilla. Enjoy light refreshment before embarking on a tour of the farm visiting the wet processing plant for the coffee, where the bean is extracted from the "Cherry" and prepared for drying. Be delighted by a delicious buffet lunch before travelling to Gleno, the next village in the valley and home the colourful traditional markets. Return to your ship via via the CCT drying fields where the coffee is sun dried prior to roasting.

**TOUR CODE**  
DIL010

**LOCATION**  
Dili - Timor L'Este

**ACTIVITY TYPES**

**EXPERIENCE TYPES**  
Sightseeing, Sightseeing

**DURATION**  
7.5 hours

**FITNESS LEVEL**  
Low

**PRICE**  
Adult from \$179.99  
Children (12 & under) from \$149.99

**LUNCH INCLUDED!**

**SNACK INCLUDED!**

**On Your Wishlist**

# Case study 1 - community farm visits in Tanzania



## **Kilimanjaro Native Cooperative Union**

- Umbrella body for 60 village level co-ops
- 60,000 small holder farmers
- Fair-trade certified, fine Arabica coffees
- Serious challenges

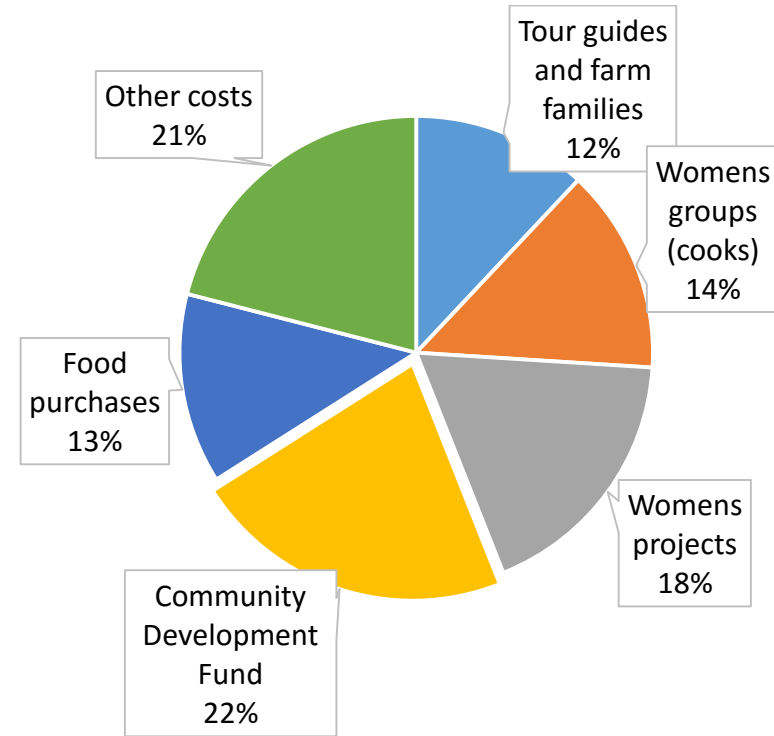
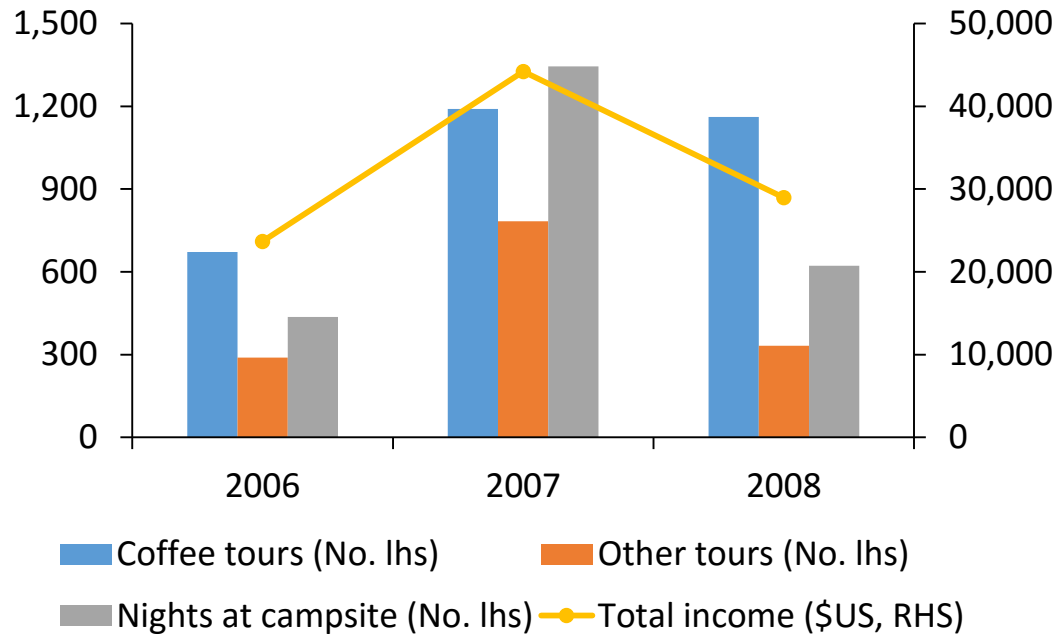
## **Farm visit model**

- Initial partnership with Dutch tour operator in 2005
- Small groups visit one farm
- Lunch with family → tour of farm → coffee tasting
- Extremely high visitor satisfaction

## **Staged development**

- Introduction of overnight stays
- Additional activities
- Expansion to additional region

# Economic impacts of farm visits in Tanzania



	Uru District	Hai District
Income from coffee farming	30%	38%
Income from coffee tours	36%	20%
Income from other activities	34%	42%

# Case study 2 – Kona coffee cultural festival



# Kona Coffee Cultural Festival - Profile

## Festival Profile

- Annual 1 week festival, founded in 1970
- Support from Hawaii Tourism Authority (\$63.5 k), private sponsors (cash and in kind)
- Includes cupping, farm visits, competitions, arts and culture
- Driver of symbiosis between coffee and tourism in Kona

## Visitor Profile (2014)

- 19,500 visitors (39% from outside Hawaii)
- 60% of all attendees had included festival as a part of their travel itinerary before attending
- More than 50% had attended before
- 82% of attendees surveyed indicated they would come again



# Kona Coffee Cultural Festival - Impacts

## **Economic Impact (2014)**

- \$196 average spend per person per day
- Average visit of 7.6 days
- Total economic impact - \$20.4 million (assume multiplier of 1.8)

## **Market Development (2014)**

- HTA recorded approximately 100,000,000 media impressions, mostly Internet search impressions, but also 60 consumer print, radio and television media
- Estimated values of media coverage - \$358,000 in combined additional advertising value

# IMPLICATIONS FOR TIMOR-LESTE



## Great potential but no magic bullet..

- Not all of the coffee sector's challenges can be solved through 'visitor experiences' – need to get on with pruning, replanting, extension and quality management.
- Coffee related tourism is unlikely to drive big ↑ in visitor flows. (e.g Kona) – but can contribute to positive destination image.
- But coffee-tourism linkages can play important role in developing sector / destination
- Suggested approach - industry leads development of visitor experiences and feed that into destination marketing.

# Suggested Focus areas

1. Improving the coffee retail experience –
  - ↑ use of Timorese coffees
  - Training to support improved roasting and preparation
  - Improved packaging / labelling for ↑ direct sales
  - Cupping and tasting experiences
2. Developing farm visits –
  - Community / farmer focus
  - Linkages with single-origin retail
3. Coffee festival
  - Focal point for training /networking / promotion
  - Competitions to incentivize excellence
  - Gradual development of brand and market links

**Thank You, Obriagdo!**

