



Organización Internacional del Café  
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**2<sup>nd</sup> World Coffee Conference**  
**“Lessons emerging from the crisis:  
new paths for the coffee sector”**  
**23 to 25 September 2005, Salvador, Brazil**

### **Background to the Conference**

From 23 to 25 September 2005, the 2<sup>nd</sup> World Coffee Conference will take place in Salvador, Brazil, chaired by the Minister of Agriculture of Brazil, Mr. Roberto Rodrigues, inaugurated by the President of Brazil, H.E. Mr. Luiz Inácio Lula da Silva, and attended by decision-makers from government and the private sector from over 74 countries.

The Conference will take as its theme “*Lessons emerging from the crisis: new paths for the coffee sector*” and speakers and participants will analyse and discuss the causes of the coffee crisis and ways of avoiding a similar situation recurring in the future, to ensure a sustainable future for the world coffee economy.

The results of the Conference will be discussed at the 94<sup>th</sup> Session of the International Coffee Council, which will meet in Salvador from 26 to 29 September. The papers and proceedings will be widely disseminated to all ICO Member Governments as well as being made available on the ICO website ([www.ico.org](http://www.ico.org)), and ideas for actions arising from the event will help to inform the discussions by Member Governments on the future of the 2001 Agreement.

This document contains three main sections as follows:

- I. THE WORLD COFFEE SITUATION
- II. OVERVIEW OF THE GLOBAL COFFEE ECONOMY
- III. OTHER RELEVANT ISSUES OF CONCERN TO THE ICO

It is designed to provide basic background information on the world coffee economy to speakers and participants.

## **I. THE WORLD COFFEE SITUATION**

### **The Impact of Low Coffee Prices**

1. In the ten years 1980 – 1989 the ICO Composite Indicator Price for coffee averaged 127.92 US cents per lb. and coffee-producing countries earned an average of US\$10.2 billion in annual export revenues from coffee. In the five years 2000 – 2004 the average price had dropped to 54.33 cents and annual export earnings to US\$6.2 billion. The decline over the last few years in prices for commodities such as coffee contributes to increased poverty and makes it more difficult to reach the Millennium Development Goals. This was acknowledged in November 2003 by the Deputy Secretary-General of the UN, Louise Frechette, in a statement to the General Assembly, in which she added that lower revenue from coffee exports had also endangered the HIPC initiative (for Heavily Indebted Poor Countries).

2. The impact on poverty of the coffee price crisis, which lasted nearly 5 years from 2000 to 2004 and has only to a modest degree been reversed, has been well documented. Evidence provided by coffee producing countries to the ICO is compelling. In many countries reductions in the cash income of farmers means less money for basics such as medicine and education. In the latter area girls are particularly at risk of being kept from school. In El Salvador the World Food Programme has had to distribute emergency rations to 10,000 coffee-growing families. There have been widespread increases in unemployment. Moreover the crisis has led in many areas to abandonment of farms, population movement to urban areas and illegal migration. Problems of low prices have also increased incentives to plant narcotic drugs.

3. The economic impact of coffee on many producing Least Developed Countries (LDCs) can scarcely be exaggerated. In 1999, before the crisis years, coffee exports accounted for over 50 per cent of the export earnings of four African LDCs, Burundi, Ethiopia, Rwanda and Uganda. It has been estimated that some 125 million people worldwide are dependent on coffee. For several countries in Africa, Asia and Latin America where coffee accounts for a large percentage of exports it has been estimated that losses in earnings from coffee have more than nullified total aid inflows in terms of value. The graphs in the Annex show the movement of coffee prices over the last 25 years and movements in export earnings and farm-gate prices. The extent of the drop in prices and earnings in the crisis years 2000 - 2004 is very clear. Moreover in spite of the upward price movement initiated in late 2004 the ICO composite price is still below the average for the 1980s and 1990s. The situation revealed here, taken from the perspective of poverty reduction, is clearly a matter of concern. Not only have prices dropped but with them the earnings of the countries themselves and their farmers.

### **Policies for sustainable solutions**

4. The most obvious strategy in the case of uneconomic commodity production is to diversify into a crop or activity which provides a better return. Although this would be the classic economic solution we must emphasise that in many coffee areas there are no realistic diversification options. Because of ecological conditions, infrastructure and restrictions on market access to other crops it can be extremely hard to identify viable alternatives. Many ideas have been put forward to ameliorate conditions for coffee farmers in areas such as diversification of production, technical advances and capacity building in coffee communities. However, we believe that the real challenge is to develop policies and actions

to avoid a recurrence of the type of imbalance between supply and demand that gave rise to the crisis. In view of the continuing economic importance of coffee, and in the context of action to achieve the Millennium Goals, we believe that this is a crucial element for sustainable development. There is one further consideration: because coffee is an evergreen broad-leafed shrub it contributes positively to carbon sequestration. It also stabilises soils and encourages the formation of stable social communities. In fact under almost all conditions of production coffee makes a positive contribution to the environment.

5. In looking for policies to avoid a recurrence of the problems encountered from 2000 to 2004 it is important to note that, linked to the perennial nature of the coffee tree, a 3-4 year lag between planting and initial cropping is normal. It also appears that the policies of market liberalisation implemented in the last 15 years have in many cases helped to accentuate the commodity-dependence of many developing countries, particularly since, as mentioned, diversification options are frustrated in view of the difficulty of access to markets for other agricultural and industrial products. For this reason when a market-oriented approach is promoted as the best way to secure optimal resource allocation for commodities it must be consistent by also promoting the removal of the non-market-oriented protectionist measures used in too many countries which curtail market access and hence diversification options for coffee producers. This is one of the reasons why a successful conclusion to the Doha Round is so important.

6. The overriding need at present remains to guarantee the future of coffee through prioritising the issue of economic sustainability, i.e. to ensure that coffee production does not entail a loss to growers. Of course it may be argued that production should best be concentrated in a few main areas or countries with pronounced comparative advantages but, apart from the immense social costs arising from such an approach, this would lead to a huge potential loss in quality and variety which could pose a serious potential threat to sustained consumption.

7. It follows that the strongest priority is to implement measures which encourage balance in the market. In fact many specific projects and initiatives can often only be successful if market balance maintains prices at levels at which the cost of such initiatives can be absorbed. It is essential to reiterate that economic sustainability for coffee farmers is vital because of the present lack of viable alternative activities in many coffee areas and the social costs associated with the destruction of the sector.

8. In a submission made to the G-8 meeting in Gleneagles in July 2005 we noted that there is a limited number of market-oriented measures that can directly address the supply-demand balance. On the supply side the following policies are put forward:

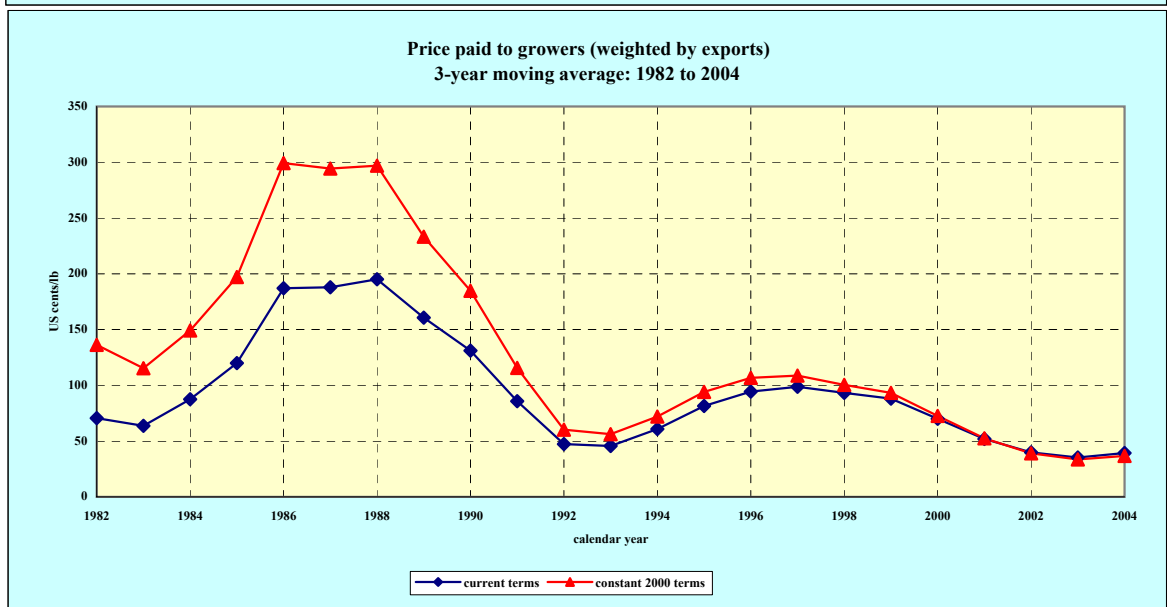
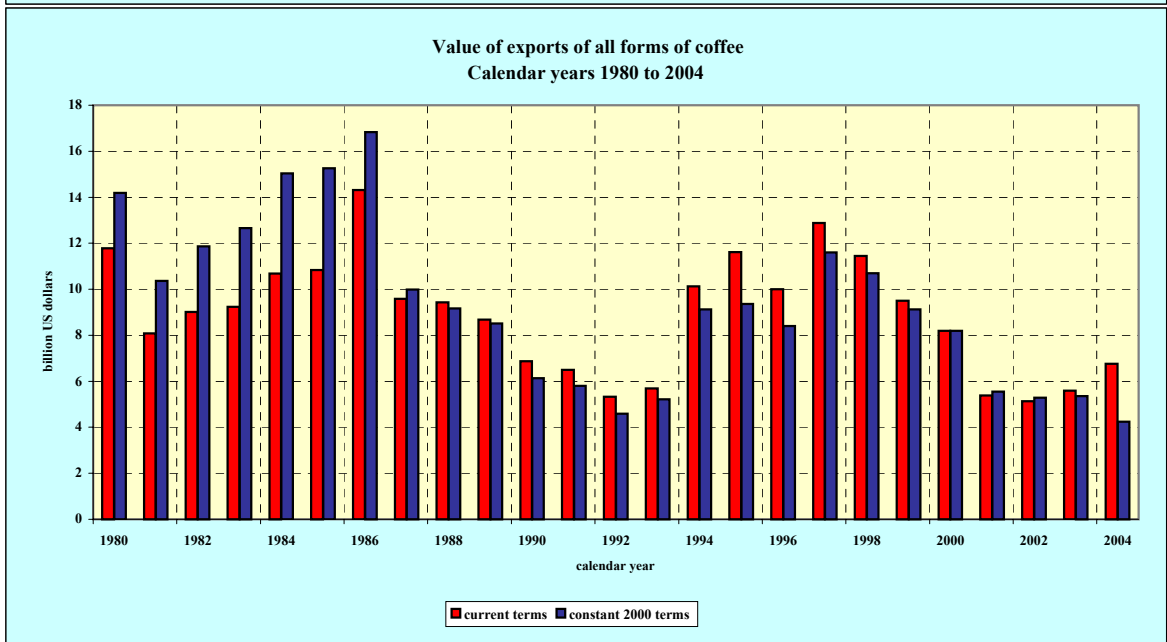
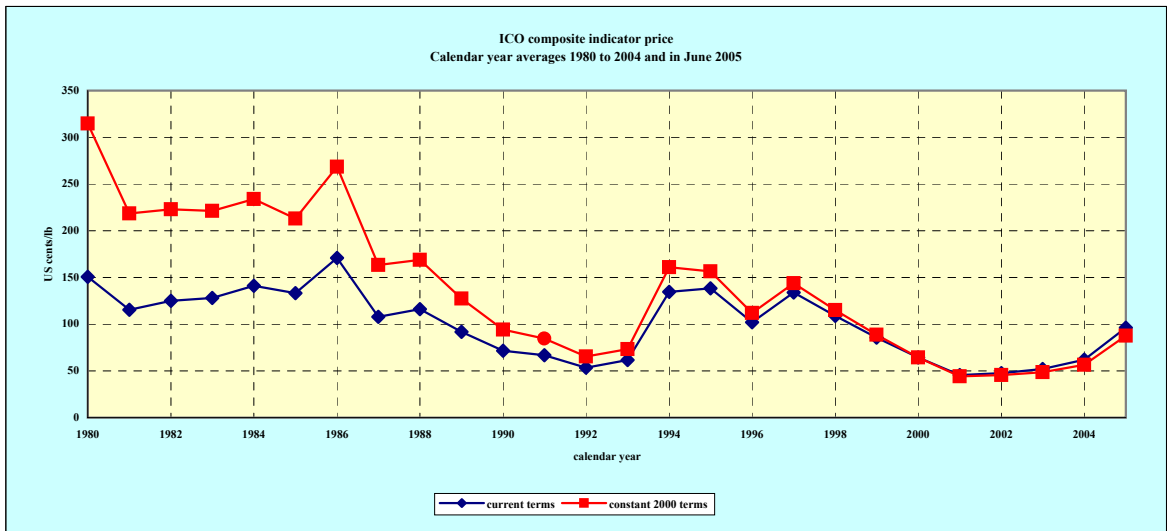
- a) to use the experience of the coffee crisis to create awareness in national and international bodies of the danger of embarking on any projects or programmes which will further increase supply without corresponding growth in demand;
- b) working to increase the benefits accruing from value-added coffee products such as gourmet or organic coffee, rather than traditional bulk commodity exports; and
- c) to provide access to finance for diversified production where possible, including improved food security and supply to the domestic market.

9. In working for a balanced market it is also vital to recognize the need for market development to increase demand, with a full recognition that projects to benefit the supply chain should involve action not just from farmer to exporter but from farmer to consumer. This should include:

- a) support for the ICO's Coffee Quality-Improvement Programme and other quality projects as a means of improving consumer appreciation and consumption of coffee;
- b) action coordinated by the ICO to increase coffee consumption in coffee-producing countries themselves, which should have a number of positive effects such as providing an alternative market outlet, increasing producer awareness of consumer preferences, stimulation of small and medium enterprises, etc. as well as increased demand;
- c) ICO action to enhance knowledge and appreciation of coffee in large emerging markets such as China, where (as is usually the case in producing countries too) the private sector is not strong or coordinated enough to embark on the type of action needed without assistance; and
- d) protecting consumption levels in traditional markets through quality maintenance, developing niche markets and disseminating positive objective information on the health benefits of coffee consumption.

10. Market development programmes as outlined above are highly acceptable to most parts of the coffee community, including the private sector, which has worked successfully with the ICO in the past. Recognition of this is now needed from multilateral financing institutions and donor Governments. There are large amounts of funds in multilateral and national institutions earmarked for development projects but not at present readily available for the type of coffee sector initiatives outlined above. This should change. If direct supply management is not possible, diversification is difficult but actions for market development and quality improvement are broadly acceptable, steps to allocate funding for such projects need to be taken without further delay. Viewed from another perspective any future increase in production should be generated only by corresponding gains in demand.

11. This issue highlights the new role of international commodity bodies such as the ICO in the context of genuine partnership between developed and developing countries, since these bodies represent a unique forum where all stakeholders are represented on an equitable basis and where the needs and priorities of the major players can be fully represented. The ICO has shown that it functions as an effective instrument to channel resources for projects in areas such as value added, quality improvement and dissemination of technological advances. This emphasises that our approach, in seeking a sustainable market balance, is not to intervene in the market but to influence the variables which determine it.



## II. OVERVIEW OF THE GLOBAL COFFEE ECONOMY

### Introduction

1. Since the last quarter of 2004 coffee prices have recorded a considerable rise, with the ICO composite indicator price moving between 82.86 and 92.48 US cents/lb during the month of July 2005, compared to a 55.71 and 61.62 cents range in July 2004. In March 2005, the composite indicator averaged 101.44 US cents/lb. Such levels had not been recorded since the last quarter of 1998. Price levels have fluctuated between 107.36 US cents/lb and 82.86 US cents/lb from March to July 2005, but nevertheless confirm that the worst of the crisis, created by weak price levels over five years, is at an end. While the four coffee groups have enjoyed a price rise, the differential between Other Milds and Robustas has grown and reached an average of 85.52 US cents/lb in March 2005, compared to 41.36 cents in March 2004 and 24.58 cents in March 2003.

2. The latest OECD report points to a general firming of economic growth in its Member countries, despite turbulence on the oil market. The total volume of domestic demand for the OECD countries is predicted to increase by 2.9% in 2005, and by 1.9% in the Euro zone, 3.3% in the United States and 2.1% in Japan. This economic growth in the main coffee importing countries contrasts with the rise in poverty in exporting countries, at least in part caused by the fall in the value of their coffee exports.

### I. Market prices

#### *Composite indicator price*

3. Table 1 contains the monthly ICO indicator prices and prices on the New York and London futures markets between 1999 and 2005 (average of 2<sup>nd</sup> and 3<sup>rd</sup> positions), as well as the differential between Colombian Milds and Brazilian Naturals, Other Milds and Robustas and New York and London markets. The average of the ICO composite indicator price for the first seven months of 2005 is 93.28 US cents/lb, compared to 62.15 cents for the whole of 2004, 51.91 cents in 2003, 47.74 cents in 2002 and 45.60 cents in 2001. Graph 1 shows movements in the monthly average of the ICO composite price from January 1999 to July 2005. Graph 2 shows daily movements in the ICO composite indicator price from 5 January to 29 July 2005. The composite indicator price passed the 107.36 US cents/lb mark on 11 March, before undergoing corrections and hovering around an average of 100 US cents/lb. Since that date, prices have fallen back but remain relatively firm, since they are supported by movements in market fundamentals.

### *Colombian Milds*

4. The indicator price for Colombian Milds recorded an average for the month of March 2005 of 135.54 US cents/lb, before falling back to 110.79 US cents/lb in July 2005. This price level is well above the averages recorded in the last five years. Graph 3 shows changes in the monthly average since January 1999, movements in prices for the Arabicas of the group Brazilian Naturals as well as their differential.

### *Other Milds*

5. During the first seven months of 2005, the average of Other Milds was 121.72 US cents/lb, compared to 80.47 cents for the whole of 2004 and 64.20 cents in 2003. The monthly average, which was 135.03 US cents/lb in March 2005, fell to 109.93 cents in July. Graph 4 shows movements in the monthly average from January 1999 to July 2005. Graph 4 also shows changes in the indicator prices for Robustas and the differential between Other Milds and Robustas.

### *Brazilian Naturals*

6. The price of Brazilian Naturals has also followed an upward path, since it reached an average of 120.12 US cents/lb in March 2005, although there was then a correction which brought it to 96.56 cents in July 2005. The average for the first seven months of 2005 is 107.59 US cents/lb, compared to 68.97 cents for the whole of 2004. Graph 3 shows monthly averages since January 1999. The differential with Colombian Milds was 14.23 US cents/lb in July 2005, compared to 13.24 cents in July 2004.

### *Robustas*

7. Prices of Robustas recovered late compared to the other coffee groups. Despite the widening of the differential with Other Milds (Graph 4), the indicator price for Robustas recorded a monthly average of 60.02 US cents/lb in June 2005, compared to 36.02 cents in June 2004, an increase of just under 67%. Graph 4 shows monthly movements since January 1999. The differential with Other Milds rose from 24.58 US cents/lb in March 2003 to 85.52 cents in March 2005.

### *New York and London futures markets*

8. Graph 5 presents daily movements in the average of 2<sup>nd</sup> and 3<sup>rd</sup> positions on the New York and London futures markets. The New York market, which is sensitive to the situation of Arabicas, rose from 76.67 US cents/lb in March 2004 to 131.04 US cents in March 2005,

which is a rise of nearly 71%. The London market, which reflects the supply situation for Robustas, rose from 33.54 US cents/lb in March 2004 to 56.40 cents in June 2005, an increase of over 68%.

### *Retail Prices*

9. Table 2 shows average retail prices for roasted coffee in selected importing countries in current value for calendar years 2001 to 2004. Available information indicates a rise in retail prices in all countries. The highest increases were recorded in Switzerland (+10.95%), Denmark (+10.86%), Norway (+10.26%), Italy (+9.95%), Finland (+9.68%), Luxembourg (+9.57%), Slovakia (+9.28%) and the United Kingdom (+9.15%)

### *Prices paid to coffee growers in selected exporting countries*

10. Information on prices paid to coffee growers in exporting countries in 2005 is not yet complete. However, Table 3 shows average prices paid to growers in selected exporting countries from 2001 to 2004.

## **II. Supply**

### *World production*

11. Preliminary estimates based on data from producing countries indicate that total production for crop year 2005/06 is 106 million bags, a decline of 6.28% compared to production in 2004/05, which totalled 113.1 million bags (Table 4).

### *Production in Africa*

12. Despite a rise during crop year 2004/05, African production has not yet really begun to take off since, with the exception of Ethiopia, the main producers in the area are facing difficulties. Production in crop year 2004/05 should reach 15.46 million bags, compared to 13.72 million in 2003/04. If climatic conditions remain favourable in Ethiopia, the level of African production for crop year 2005/06 will closely match that of 2004/05. In fact, **Ethiopia**, which produces unwashed Arabicas (only 10% are washed), has become Africa's largest producer with a coffee industry which withstood the crisis of low world prices. Domestic consumption was an important factor in this success. Favourable climatic conditions fostered an increase in production in crop year 2004/05 of approximately 29%, which took it from 3.87 million bags in 2003/04 to 5 million. The potential exists for a rise in production since the country has a large 450,000-hectare area planted to coffee, and strong domestic demand.



13. **Uganda** is now Africa's second largest producer. Its production in crop year 2004/05 is estimated to total 2.75 million bags, which is slightly up on that of 2003/04, which was 2.51 million bags. Uganda's coffee industry has been badly hit by the low price crisis and the disease tracheomyces, which causes a deterioration in the coffee tree. A project to combat this disease, funded by the Common Fund for Commodities, is underway in the countries affected, but the abandonment of many plantations during the crisis has proved an obstacle to the swift eradication of the epidemic. **Côte d'Ivoire**, which was long Africa's main producer, now occupies third place. Production, which had reached 6.32 million bags during crop year 1999/2000, has gradually come down to a level of 1.95 million bags in 2004/05. This fall in production has been exacerbated by political and military troubles which hampered crop years 2002/03, 2003/04 and 2004/05. Even if the political and military situation goes back to normal a return to former production levels will take time.

14. Production in **Cameroon** is estimated at approximately 1.1 million bags in 2004/05, a rise of 22.22% compared to 2003/04 levels. Cameroon's production, which includes both Robustas (90% of local production) and Arabicas (10%), fell following the liberalisation of its marketing system in the early 1990s. However, a gradual upturn has commenced, although it is being held back by the long period of crisis in world price levels since the end of 1998. **Kenya**, which only produces Arabicas, is the fifth largest producer in Africa. It is set to produce 917,000 bags in crop year 2004/05. Production has not yet managed to return to levels of previous years. Low prices paid to growers, who are, moreover, heavily indebted, are preventing them from meeting their maintenance charges or costs of agricultural inputs. Unless growers have access to adequate finance, production levels will remain at below the 1 million bag mark. **Tanzania**, Africa's sixth largest producer, which basically produces Arabica coffee, is set to record a total production of 750,000 bags in 2004/05. A very similar level of production is expected for crop year 2005/06.

#### *Production in Central and North America*

15. In the region of **Central and North America**, production is to fall by 8.78% from 17.10 million bags in 2003/04 to 15.59 million in 2004/05. Production is to decline in almost all countries in the region, with the exception of Costa Rica. In **Mexico**, production in crop year 2004/05 should reach 3.87 million bags, compared to 4.55 million in 2003/04, a decline of 15.01% basically due to the abandonment of plantations by agricultural workers. We should recall that Mexico produces Arabicas (97% of total production) and a small proportion of Robustas, mainly destined for local industry. Coffee is grown over a total area of approximately 800,000 hectares, and the industry employs over 700,000 families throughout the country, of which 282,000 are growers and 300,000 permanent or temporary workers. The agro-industry sector linked to coffee employs some 100,000 additional workers.

16. **Guatemala's** production is expected to fall by 4.43%, from 3.61 million bags in 2003/04 to 3.45 million in 2004/05. Production in the country had, however, passed the 4 million bag mark in 2002/03. **Honduras** estimates its production at 2.75 million bags in 2004/05, a decline of 7.35% in comparison to the level in 2003/04 of 2.97 million bags. Despite quite high production costs in **Costa Rica**, production there is set to rise in 2004/05 to 1.91 million bags from 1.8 million in 2003/04. Nevertheless, these levels are still low compared to those recorded at the end of the 1990s. There are signs that production will quite closely match that of 2004/05 owing to high production costs and indebtedness of growers. Production is also weak in **El Salvador** where a level of 1.27 million bags is estimated for 2004/05, a drop of 12.63% from 1.46 million bags produced in 2003/04. Many farms have also been abandoned in this country. Production has slumped in **Nicaragua** (-34.52%). Production for crop year 2004/05 totalled 920,000 bags compared to 1.41 million bags in 2003/04.

#### *Production in South America*

17. Driven by **Brazil**, production rose by 25.65% in South America from 44.3 million bags in 2003/04 to 55.66 million in 2004/05. Production in Brazil rose by 34.17% in crop year 2004/05 to 38.66 million bags compared to 28.82 million in 2003/04. Production in crop year 2005/06, which has already commenced, is estimated at 32.46 million bags. Production of Arabicas is going to decline by 25.23% from 31.11 million bags in 2004/05 to 23.26 million in 2005/06. On the other hand, Robustas will increase by 21.69% from 7.56 million bags in 2004/05 to 9.2 million in 2005/06. Production in **Colombia** went from 11.09 million bags in 2003/04 to 11.5 million in 2004/05, a slight rise of 3.63%. In crop year 2005/06, production could reach the same level as in 2004/05. **Ecuador's** production is to increase by 22.29% in 2004/05 taking it to 938,000 bags, compared to 767,000 bags in 2003/04. Production in **Peru** surged and is set to continue to rise in coming years. Production in crop year 2004/05 totalled 3.46 million bags, compared to 2.62 million in 2003/04.

#### *Production in Asia/Oceania*

18. Production in the region **Asia/Oceania** is estimated to fall by 7.89% in 2004/05, totalling 26.38 million bags, compared to 28.65 million in 2003/04. **Vietnam's** production is estimated at 12.5 million bags in 2004/05, a decline of 17.93% compared to 2003/04 levels, of 15.23 million bags. Climatic conditions in the main production areas do not seem to favour a continuation of this level of production in crop year 2005/06 in the largest Robusta-producing country. In **Indonesia**, production in crop year 2004/05 is virtually unchanged compared to crop year 2003/04, which is the largest reduction among producing countries in the region. There are limited prospects for an increase in production during crop year

2005/06. The coffee-growing area is 1.1 million hectares in size and coffee production is taking place in 900,000 hectares of these. It is worth noting that Robustas represent 90% of the country's production and Arabicas 10%.

19. **India** has estimated its production to increase by approximately 8% from 4.49 million bags in 2003/04 to 4.85 million in 2004/05. India's production is made up of 60% Robustas and 40% Arabicas. It is worth noting that production of Arabicas in India is threatened by the white stem borer disease, in which larvae make galleries in the trunks of coffee trees, thereby reducing their production potential. **Papua New Guinea's** production is relatively stable at 1.0 million bags in 2004/05 compared to 1.15 million bags in 2003/04. **Thailand's** production is estimated to increase by 24.82% from 846,000 bags in 2003/04 to 1.06 million in 2004/05. A coffee-growing development programme is underway in this country, which could become an important regional producer in the medium term.

20. Table 5 contains supply data for the four coffee groups for crop years 2000/01 to 2004/05 and Table 6 gives the share of supply by coffee group of exporting Member countries. **Arabica** production is estimated at 77.58 million bags in 2004/05, a rise of 14.56% compared to the level in 2003/04 of 67.72 million bags. Arabicas made up 68.59% of world production in 2004/05, compared to 65.26% in 2003/04. Production of **Colombian Milds** rose by 5.81% in 2004/05 from 12.25 million in 2003/04 to 12.97 million. However, their share of world production fell from 11.81% in 2003/04 to 11.46% in 2004/05.

21. Production of **Other Milds** fell by 1.98% in 2004/05 from 26.58 million bags in 2003/04 to 26.05 million. This group makes up 23.03% of world coffee production in 2004/05 compared to 25.61% in the previous crop year. The volume of production of the group **Brazilian Naturals** rose by 33.49% from 28.89 million bags in 2003/04 to 38.56 million in 2004/05. This group makes up 34.1% of world production in 2004/05, compared to 27.84% in 2003/04. Production of **Robustas** is to drop by 1.45% during coffee year 2004/05 from 36.04 million bags in 2003/04 compared to 35.52 million in 2004/05. However, poor climatic conditions in Vietnam and difficulties faced by certain Robusta-producing countries, particularly Côte d'Ivoire and Uganda, could lead to a fall in production in crop year 2005/06. Robustas made up 31.41% of world production in 2004/05, compared to 34.74% in 2003/04.

#### *Stocks in exporting countries*

22. Opening stocks in exporting countries for crop year 2004/05 totalled 28.71 million bags, a reduction of 28.71% compared to crop year 2003/04 (see Table 5). Stocks of Other Milds rose by 7.31%. Stocks of all other coffee groups fell at the beginning of crop year 2004/05.

### *Stocks in importing countries*

23. Table 7 shows movements in stocks of green coffee in importing countries, including free ports, from 2000 to 2004. Recently stocks in importing countries have recovered when world prices were too weak. Stocks, which stood at 10.6 million bags at the end of December 1999, are estimated at 20.4 million bags at the end of December 2004. At the end of July 2005, CSCE certified stocks stood at 4.55 million bags whereas LIFFE stocks stood at 3.65 million bags.

24. Graph 6 shows exports for calendar years 2000 to 2004. Exports for 2004 totalled 90.46 million bags, compared to 85.86 million for 2003. During the same period, exports of Other Milds, Brazilian Naturals and Robustas have risen by 1.61%, 12.09% and 6.01%, respectively. Exports of Colombian Milds have fallen by 3.18%. The value of total exports rose by 21.82% during 2004 to an estimated US\$6.81 billion, compared to 5.59 billion in 2003 (Table 9).

### **III. Demand**

#### *Domestic consumption*

25. Domestic consumption in exporting countries in 2004/05 is estimated at 29.28 million bags. Table 10 shows domestic consumption in selected exporting countries from 2000/01 to 2004/05. Brazil's consumption increased by 8.73% from 13.75 million bags in 2002/03 to 14.95 million in 2004/05, and it represents over half the total consumption of all exporting countries and 12.57 % of world consumption. Mexico, Indonesia, Colombia, India, Vietnam and many African countries possess a significant potential for domestic consumption which should be tapped.

#### *Consumption in importing countries*

26. Table 11 contains summary data on trade and consumption in importing countries (Members and non-members) for calendar years 2000 to 2004. Consumption in importing countries has gone from 78.91 million bags in 2000 to 85.65 million in 2004.

27. Table 12 gives per capita consumption in importing countries from 2000 to 2004. Countries which have seen a fall in per capita consumption are: Switzerland (-15.78%), Belgium/Luxembourg (-15.10%), the Netherlands (-12.57%) and France (-7.85%). On the other hand, others recorded large increases in per capita consumption, particularly Ireland (+43.42%), Austria (+36.35%), Denmark (+16.71%), Germany (+11.29%), United Kingdom (+9.42%) and Finland (+7.25%).

## **Conclusion**

28. Price movements in the last six months show recovery with relation to the extremely low levels seen in most of the period 2000/2004. Market fundamentals should underpin current levels since there is a significant deficit between 2005 production and consumption of some eight million bags. Although the levels of stocks in consuming countries remain fairly high there are signs of a significant drawdown in stocks held by coffee exporting countries. The market is showing a high level of volatility, exacerbated by the speculative intervention of investment funds. Nevertheless it is encouraging to see that world consumption is now growing at a rate of around 2% per year. To reach the objective of remunerative prices, producing countries should endeavour to implement policies which will only foster additional production in line with consumption requirements.

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**Table 1: ICO composite and group prices, and average of 2nd and 3rd positions in New York and London futures markets**

Monthly averages: January 1999 to July 2005

(US cents/lb)

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	Average 2nd/3rd		Differential		
						New York	London	CM-BN	OM-Rob	NY-Lon
Jan-99	97.63	123.07	112.96	99.43	82.29	114.26	77.41	23.64	30.67	36.85
Feb-99	92.36	116.92	105.48	91.72	79.23	106.13	74.52	25.20	26.25	31.61
Mar-99	89.41	117.05	105.39	88.90	73.42	106.17	70.41	28.15	31.97	35.76
Apr-99	85.72	114.02	102.11	86.14	69.32	102.93	66.86	27.88	32.79	36.07
May-99	89.51	123.95	111.07	96.29	67.94	112.85	65.95	27.66	43.13	46.90
Jun-99	86.41	121.45	107.21	91.69	65.59	109.66	64.12	29.76	41.62	45.54
Jul-99	78.21	107.05	94.85	78.13	61.56	96.74	59.37	28.92	33.29	37.37
Aug-99	77.22	105.28	91.37	76.67	63.07	94.83	60.50	28.61	28.30	34.33
Sep-99	71.94	97.77	84.31	70.43	59.57	88.51	57.00	27.34	24.74	31.51
Oct-99	76.36	103.69	94.20	78.74	58.52	98.20	55.40	24.95	35.68	42.80
Nov-99	88.22	126.76	113.38	98.41	63.05	118.14	59.52	28.35	50.33	58.62
Dec-99	95.63	140.35	124.46	109.47	66.79	129.30	57.72	30.88	57.67	71.58
Jan-00	82.15	130.13	111.11	97.68	53.18	119.02	52.07	32.45	57.93	66.95
Feb-00	76.15	124.73	103.44	91.51	48.86	109.75	48.21	33.22	54.58	61.54
Mar-00	73.49	119.51	100.73	89.93	46.25	106.97	44.99	29.58	54.48	61.98
Apr-00	69.53	112.67	94.61	86.46	44.45	100.89	43.14	26.21	50.16	57.75
May-00	69.23	110.31	94.15	87.23	44.32	101.17	42.75	23.08	49.83	58.42
Jun-00	64.56	100.30	86.44	78.32	42.68	94.30	41.87	21.98	43.76	52.43
Jul-00	64.09	101.67	87.35	79.89	40.82	96.48	39.87	21.78	46.53	56.61
Aug-00	57.59	91.87	76.92	70.57	38.25	86.69	37.31	21.30	38.67	49.38
Sep-00	57.31	89.98	75.78	71.14	38.83	84.85	36.68	18.84	36.95	48.17
Oct-00	56.40	90.25	76.66	72.28	36.14	86.63	34.96	17.97	40.52	51.67
Nov-00	52.18	84.01	71.54	68.95	32.81	77.82	30.81	15.06	38.73	47.01
Dec-00	48.27	75.81	66.16	64.39	30.38	70.43	28.60	11.42	35.78	41.83
Jan-01	49.19	75.33	65.98	62.38	32.40	70.13	29.76	12.95	33.58	40.37
Feb-01	49.39	76.70	67.19	62.50	31.58	66.71	28.81	14.20	35.61	37.90
Mar-01	48.52	76.94	66.50	60.35	30.52	65.30	27.63	16.59	35.98	37.67
Apr-01	47.31	78.25	66.13	55.11	28.49	62.74	26.20	23.14	37.64	36.54
May-01	49.38	80.92	69.22	57.19	29.54	67.41	26.58	23.73	39.68	40.83
Jun-01	46.54	74.38	63.90	51.86	29.17	62.26	26.28	22.52	34.73	35.98
Jul-01	43.07	69.70	58.72	46.43	27.43	57.43	24.28	23.27	31.29	33.15
Aug-01	42.77	73.50	59.72	46.49	25.82	55.73	22.53	27.01	33.90	33.20
Sep-01	41.17	68.80	58.07	42.42	24.27	52.32	20.84	26.38	33.80	31.48
Oct-01	42.21	62.88	56.40	38.63	23.24	48.09	18.02	24.25	33.16	30.07
Nov-01	44.24	64.89	58.85	42.82	23.68	49.74	17.64	22.07	35.17	32.10
Dec-01	43.36	62.33	56.72	42.21	24.35	48.48	18.44	20.12	32.37	30.04
Jan-02	43.46	62.51	58.25	43.14	22.81	51.15	17.43	19.37	35.44	33.72
Feb-02	44.30	62.67	59.12	43.17	24.37	48.49	18.80	19.50	34.75	29.69
Mar-02	49.49	68.27	64.47	48.70	29.10	54.60	22.92	19.57	35.37	31.68
Apr-02	50.19	69.76	65.43	49.70	29.34	57.44	23.93	20.06	36.09	33.51
May-02	47.30	65.95	61.40	45.39	28.32	52.88	23.79	20.56	33.08	29.09
Jun-02	45.56	62.94	58.57	43.00	28.42	52.19	24.29	19.94	30.15	27.90
Jul-02	44.70	60.60	56.48	43.31	28.60	52.37	24.15	17.29	27.88	28.22
Aug-02	42.79	58.10	54.27	40.18	27.88	52.60	23.99	17.92	26.39	28.61
Sep-02	47.96	64.15	60.67	44.53	32.08	60.29	28.53	19.62	28.59	31.76
Oct-02	50.79	67.92	65.73	46.08	33.33	65.68	30.90	21.84	32.40	34.78
Nov-02	54.69	70.70	69.87	49.25	37.93	70.43	35.63	21.45	31.94	34.80
Dec-02	51.68	65.38	64.16	46.55	38.06	66.14	36.11	18.83	26.10	30.03
Jan-03	54.04	67.27	65.57	49.31	41.18	68.60	38.96	17.96	24.39	29.64
Feb-03	54.07	67.47	66.41	48.97	40.67	66.47	38.31	18.50	25.74	28.16
Mar-03	49.61	62.16	61.75	43.77	37.17	61.64	34.15	18.39	24.58	27.49
Apr-03	51.87	64.40	64.69	48.55	37.42	65.16	34.56	15.85	27.27	30.60
May-03	53.19	65.74	66.26	51.12	37.80	67.35	34.47	14.62	28.46	32.88
Jun-03	48.90	61.61	61.04	46.88	34.21	62.28	31.44	14.73	26.83	30.84
Jul-03	50.89	64.87	62.95	49.50	35.35	64.06	33.13	15.37	27.60	31.93
Aug-03	52.22	65.65	63.89	52.48	36.30	65.31	32.54	13.17	27.59	31.77
Sep-03	54.10	67.55	66.41	54.86	37.35	67.53	34.53	12.69	29.06	33.00
Oct-03	51.72	66.17	64.30	52.81	35.88	65.86	33.11	13.36	28.42	32.75
Nov-03	49.81	64.39	62.28	50.73	34.11	62.85	31.28	13.66	28.17	31.57
Dec-03	52.44	66.68	64.86	54.79	35.90	65.82	32.85	11.89	28.96	32.97
Jan-04	58.69	73.76	72.73	62.06	39.84	74.86	35.95	11.70	32.89	38.91
Feb-04	59.87	76.53	76.21	65.52	37.05	75.75	34.68	11.01	39.16	41.07
Mar-04	60.80	77.97	78.06	66.97	36.70	76.67	33.54	11.00	41.36	43.13
Apr-04	58.80	75.22	75.44	63.70	36.37	73.51	33.57	11.52	39.06	39.93
May-04	59.91	77.17	76.99	65.16	36.56	75.62	33.31	12.01	40.43	42.31
Jun-04	64.28	82.51	82.21	69.61	39.87	81.48	35.93	12.90	42.34	45.55
Jul-04	58.46	76.13	74.94	62.89	36.02	73.40	32.18	13.24	38.92	41.22
Aug-04	56.98	75.35	73.61	61.75	33.91	72.73	30.88	13.59	39.70	41.85
Sep-04	61.47	81.02	80.47	68.90	34.24	80.37	30.62	12.12	46.23	49.75
Oct-04	61.10	83.02	80.55	69.91	31.67	79.79	28.23	13.11	48.88	51.56
Nov-04	67.74	92.83	90.27	79.39	32.71	87.98	29.94	13.44	57.56	58.04
Dec-04	77.72	105.75	104.12	91.76	36.92	102.18	35.29	13.99	67.20	66.89
Jan-05	79.35	108.22	107.16	93.63	36.96	104.57	34.13	14.59	70.21	70.44
Feb-05	89.40	121.56	120.86	106.11	41.24	117.13	39.05	15.44	79.62	78.08
Mar-05	101.44	135.54	135.03	120.12	49.51	131.04	45.44	15.42	85.52	85.60
Apr-05	98.20	129.51	129.53	114.48	50.75	124.84	47.36	15.03	78.78	77.48
May-05	99.78	128.87	128.37	114.96	56.07	123.67	52.18	13.91	72.30	71.49
Jun-05	96.29	121.29	121.16	107.23	60.02	117.29	56.40	14.06	61.14	60.89
Jul-05	88.48	110.79	109.93	96.56	57.88	106.67	53.83	14.23	52.05	52.84

<b>Table 2: Retail prices of roasted coffee in selected importing countries Calendar year averages (US cents/lb)</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b><i>European Community</i></b>				
Austria	293.23	285.70	317.98	332.38
Belgium	299.75	305.13	359.53	387.23
Cyprus	358.16	405.01	491.67	523.35
Denmark	318.79	309.24	356.94	395.72
Finland	198.02	184.03	213.11	233.74
France	199.30	207.22	249.82	272.08
Germany	318.05	321.77	368.28	
Italy	433.07	457.12	546.72	601.12
Luxembourg	407.08	428.56	528.10	578.63
Netherlands	255.28	260.34	320.01	
Portugal	383.76	385.32	455.63	484.90
Slovakia	225.63	219.89	247.05	269.97
Slovenia	304.70	310.50	373.95	372.59
Spain	254.15	258.11	300.07	323.38
Sweden	253.54	255.04	293.55	308.34
United Kingdom 1/	1 185.00	1 210.68	1 333.62	1 455.58
<b><i>Other importing countries</i></b>				
Japan	860.15	812.51	818.55	875.00
Norway	285.57	309.10	348.00	383.70
Switzerland	408.58	446.12	512.44	568.54
USA	309.26	292.38	291.63	284.94

1/ Soluble coffee



**Table 3: Average prices paid to growers**  
**Calendar year averages: 2001 to 2004**

	(US cents/lb)			
<b>Exporting Member</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i><b>Colombian Milds</b></i>				
Colombia	57.77	52.43	48.34	60.83
Kenya	69.39	67.67	41.07	71.01
Tanzania	34.86	25.93	24.78	26.37
<i><b>Other Milds</b></i>				
Burundi	32.19	29.17	24.88	27.36
Costa Rica	46.12	46.12	52.92	58.19
Cuba	188.57	188.57	168.93	70.18
Dominican Republic	42.04	50.83	49.57	75.72
Ecuador	27.28	27.36	31.06	51.19
El Salvador	17.63	21.84	25.69	39.30
Guatemala	45.34	49.61	48.42	66.74
Honduras	34.32	37.06	41.73	50.28
India	43.82	39.61	43.45	58.32
Indonesia	53.61	59.66	42.05	80.62
Jamaica	169.59	237.60	185.62	185.42
Malawi	46.42	39.79	39.61	51.68
Mexico	53.98	43.02	59.66	
<i><b>OAMCAF</b></i>				
Cameroon	19.09	24.56	35.27	
Madagascar	12.92	14.50	128.81	230.43
Papua New Guinea	33.09	31.66	36.86	41.10
Peru	34.75	29.50	32.93	41.91
Rwanda	23.26	17.88	24.88	29.60
Uganda	53.43	53.41	58.16	74.49
<i><b>Brazilian Naturals</b></i>				
Brazil	36.87	30.90	42.82	56.33
Ethiopia	43.78	26.88	35.94	48.51
Philippines	49.36	21.72	39.85	68.90
<i><b>Robustas</b></i>				
Angola	21.07	10.71	6.61	9.80
Brazil	19.24	19.99	31.61	34.85
Congo, Dem. Rep. of	81.03			
Ecuador	11.26	12.00	21.86	29.75
India	23.44	22.08	28.60	30.80
Indonesia	13.57	14.55	16.61	24.17
<i><b>OAMCAF</b></i>				
Cameroon	21.11	16.05	22.26	
Central African Rep.	13.21	11.94	18.06	20.17
Cote d'Ivoire		13.44	17.71	17.72
Gabon	47.88	44.58		
Madagascar	10.33	11.14	62.41	83.21
Togo	15.30	18.27	22.77	21.91
Papua New Guinea	12.04	13.31	17.25	22.16
Philippines	23.63	21.44	31.35	33.20
Tanzania	5.21	4.30	6.72	7.55
Thailand	30.59	25.78	31.80	30.79
Uganda	21.93	25.49	41.24	52.74
Vietnam	15.12	18.14	27.92	26.04

**Table 4: Total production by continent and by group  
CROP YEARS 2001/02 TO 2004/05**

(000 bags)					
Crop year commencing	2001	2002	2003	2004	% change 2003-2004
<b>TOTAL</b>	<b>106 658</b>	<b>121 945</b>	<b>103 761</b>	<b>113 097</b>	<b>9.00</b>
<i>Africa</i>	<i>14 830</i>	<i>14 782</i>	<i>13 723</i>	<i>15 461</i>	<i>12.66</i>
Cameroon	686	801	900	1 100	22.22
Cote d'Ivoire	3 595	3 145	2 689	1 950	-27.48
Ethiopia	3 756	3 693	3 874	5 000	29.07
Kenya	991	945	673	917	36.26
Tanzania	624	824	611	750	22.75
Uganda	3 166	2 900	2 510	2 750	9.56
Others	2 012	2 474	2 466	2 994	21.41
<i>Arabicas</i>	<i>6 444</i>	<i>6 757</i>	<i>6 438</i>	<i>8 387</i>	<i>30.27</i>
<i>Robustas</i>	<i>8 386</i>	<i>8 025</i>	<i>7 285</i>	<i>7 074</i>	<i>-2.90</i>
<i>Asia&amp;Oceania</i>	<i>27 316</i>	<i>25 637</i>	<i>28 646</i>	<i>26 385</i>	<i>-7.89</i>
India	4 970	4 676	4 491	4 850	7.99
Indonesia	6 833	6 785	6 464	6 488	0.37
Papua New Guinea	1 041	1 108	1 147	1 013	-11.68
Thailand	548	758	846	1 056	24.82
Vietnam	13 133	11 555	15 230	12 500	-17.93
Others	791	755	468	478	2.14
<i>Arabicas</i>	<i>4 444</i>	<i>4 278</i>	<i>4 109</i>	<i>3 558</i>	<i>-13.41</i>
<i>Robustas</i>	<i>22 872</i>	<i>21 359</i>	<i>24 537</i>	<i>20 227</i>	<i>-17.57</i>
<i>Mexico &amp; Central America</i>	<i>17 178</i>	<i>16 384</i>	<i>17 096</i>	<i>15 595</i>	<i>-8.78</i>
Costa Rica	2 166	1 938	1 802	1 911	6.05
El Salvador	1 667	1 438	1 457	1 273	-12.63
Guatemala	3 669	4 070	3 610	3 450	-4.43
Honduras	3 036	2 497	2 968	2 750	-7.35
Mexico	4 200	4 000	4 550	3 867	-15.01
Nicaragua	1 116	1 199	1 405	920	-34.52
Others	1 324	1 242	1 304	1 424	9.20
<i>Arabicas</i>	<i>17 145</i>	<i>16 348</i>	<i>17 056</i>	<i>15 551</i>	<i>-8.82</i>
<i>Robustas</i>	<i>33</i>	<i>36</i>	<i>40</i>	<i>44</i>	<i>10.00</i>
<i>South America</i>	<i>47 334</i>	<i>65 142</i>	<i>44 296</i>	<i>55 656</i>	<i>25.65</i>
Brazil	30 726	48 480	28 820	38 667	34.17
Colombia	11 999	11 889	11 097	11 500	3.63
Ecuador	893	732	767	938	22.29
Others	3 716	4 041	3 612	4 551	26.00
<i>Arabicas</i>	<i>41 085</i>	<i>55 167</i>	<i>37 193</i>	<i>50 480</i>	<i>35.72</i>
<i>Robustas</i>	<i>6 249</i>	<i>9 975</i>	<i>7 104</i>	<i>5 176</i>	<i>-27.14</i>
<b>TOTAL</b>	<b>106 658</b>	<b>121 945</b>	<b>103 761</b>	<b>113 097</b>	<b>9.00</b>
Colombian Milds	13 399	13 381	12 253	12 965	5.81
Other Milds	27 016	26 613	26 575	26 048	-1.98
Brazilian Naturals	28 708	40 968	28 890	38 564	33.49
Robustas	37 535	40 983	36 043	35 520	-1.45
<b>Arabicas</b>	<b>69 123</b>	<b>80 962</b>	<b>67 718</b>	<b>77 577</b>	<b>14.56</b>
<b>Robustas</b>	<b>37 535</b>	<b>40 983</b>	<b>36 043</b>	<b>35 520</b>	<b>-1.45</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	
Colombian Milds	12.56	10.97	11.81	11.46	
Other Milds	25.33	21.82	25.61	23.03	
Brazilian Naturals	26.92	33.60	27.84	34.10	
Robustas	35.19	33.61	34.74	31.41	
<b>Arabicas</b>	<b>64.81</b>	<b>66.39</b>	<b>65.26</b>	<b>68.59</b>	
<b>Robustas</b>	<b>35.19</b>	<b>33.61</b>	<b>34.74</b>	<b>31.41</b>	

**Table 5: Supply of coffee by group**  
**Crop years 2000/01 to 2004/05**

	(000 bags)				
<b>Crop commencing</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b><u>TOTAL PRODUCTION</u></b>	<b><u>114 751</u></b>	<b><u>106 658</u></b>	<b><u>121 945</u></b>	<b><u>103 761</u></b>	<b><u>113 097</u></b>
Colombian Milds	12 170	13 399	13 381	12 253	12 965
Other Milds	28 746	27 016	26 613	26 575	26 048
Brazilian Naturals	32 280	28 708	40 968	28 890	38 564
Robustas	41 555	37 535	40 983	36 043	35 520
<i>Arabicas</i>	<i>73 196</i>	<i>69 123</i>	<i>80 962</i>	<i>67 718</i>	<i>77 577</i>
<i>Robustas</i>	<i>41 555</i>	<i>37 535</i>	<i>40 983</i>	<i>36 043</i>	<i>35 520</i>
<b><u>DOMESTIC CONSUMPTION</u></b>	<b><u>26 228</u></b>	<b><u>27 446</u></b>	<b><u>27 565</u></b>	<b><u>28 418</u></b>	<b><u>29 282</u></b>
Colombian Milds	1 460	1 460	1 459	1 366	1 366
Other Milds	5 129	5 569	5 522	5 662	5 672
Brazilian Naturals	12 359	11 742	12 619	11 697	13 859
Robustas	7 280	8 675	7 965	9 693	8 385
<i>Arabicas</i>	<i>18 948</i>	<i>18 771</i>	<i>19 600</i>	<i>18 725</i>	<i>20 897</i>
<i>Robustas</i>	<i>7 280</i>	<i>8 675</i>	<i>7 965</i>	<i>9 693</i>	<i>8 385</i>
<b><u>EXPORTABLE PRODUCTION</u></b>	<b><u>88 523</u></b>	<b><u>79 212</u></b>	<b><u>94 380</u></b>	<b><u>75 343</u></b>	<b><u>83 815</u></b>
Colombian Milds	10 710	11 939	11 922	10 887	11 599
Other Milds	23 617	21 447	21 091	20 913	20 376
Brazilian Naturals	19 921	16 966	28 349	17 193	24 705
Robustas	34 275	28 860	33 018	26 350	27 135
<i>Arabicas</i>	<i>54 248</i>	<i>50 352</i>	<i>61 362</i>	<i>48 993</i>	<i>56 680</i>
<i>Robustas</i>	<i>34 275</i>	<i>28 860</i>	<i>33 018</i>	<i>26 350</i>	<i>27 135</i>
<b><u>GROSS OPENING STOCKS</u></b>	<b><u>40 501</u></b>	<b><u>41 790</u></b>	<b><u>35 960</u></b>	<b><u>40 268</u></b>	<b><u>28 706</u></b>
Colombian Milds	2 587	1 957	2 051	2 071	1 520
Other Milds	2 413	2 594	3 174	2 886	3 097
Brazilian Naturals	28 606	30 298	24 346	28 306	18 702
Robustas	6 895	6 941	6 389	7 005	5 387
<i>Arabicas</i>	<i>33 606</i>	<i>34 849</i>	<i>29 571</i>	<i>33 263</i>	<i>23 319</i>
<i>Robustas</i>	<i>6 895</i>	<i>6 941</i>	<i>6 389</i>	<i>7 005</i>	<i>5 387</i>
<b><u>TOTAL EXPORTS</u></b>	<b><u>87 519</u></b>	<b><u>85 278</u></b>	<b><u>89 961</u></b>	<b><u>87 421</u></b>	
Colombian Milds	11 339	11 846	11 902	11 439	
Other Milds	23 721	21 107	21 380	20 701	
Brazilian Naturals	18 227	22 900	25 897	23 851	
Robustas	34 232	29 425	30 782	31 430	
<i>Arabicas</i>	<i>53 287</i>	<i>55 853</i>	<i>59 179</i>	<i>55 991</i>	
<i>Robustas</i>	<i>34 232</i>	<i>29 425</i>	<i>30 782</i>	<i>31 430</i>	

<b>Table 6: Supply of coffee by group</b>					
<b>Crop years 2000/01 to 2004/05</b>					
<b>(percentage share)</b>					
<b>Crop commencing</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b><u>TOTAL PRODUCTION</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>
Colombian Milds	10.61	12.56	10.97	11.81	11.46
Other Milds	25.05	25.33	21.82	25.61	23.03
Brazilian Naturals	28.13	26.92	33.60	27.84	34.10
Robustas	36.21	35.19	33.61	34.74	31.41
<i>Arabicas</i>	<i>63.79</i>	<i>64.81</i>	<i>66.39</i>	<i>65.26</i>	<i>68.59</i>
<i>Robustas</i>	<i>36.21</i>	<i>35.19</i>	<i>33.61</i>	<i>34.74</i>	<i>31.41</i>
<b><u>DOMESTIC CONSUMPTION</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>
Colombian Milds	5.57	5.32	5.29	4.81	4.66
Other Milds	19.56	20.29	20.03	19.92	19.37
Brazilian Naturals	47.12	42.78	45.78	41.16	47.33
Robustas	27.76	31.61	28.90	34.11	28.64
<i>Arabicas</i>	<i>72.24</i>	<i>68.39</i>	<i>71.10</i>	<i>65.89</i>	<i>71.36</i>
<i>Robustas</i>	<i>27.76</i>	<i>31.61</i>	<i>28.90</i>	<i>34.11</i>	<i>28.64</i>
<b><u>EXPORTABLE PRODUCTION</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>
Colombian Milds	12.10	15.07	12.63	14.45	13.84
Other Milds	26.68	27.08	22.35	27.76	24.31
Brazilian Naturals	22.50	21.42	30.04	22.82	29.48
Robustas	38.72	36.43	34.98	34.97	32.37
<i>Arabicas</i>	<i>61.28</i>	<i>63.57</i>	<i>65.02</i>	<i>65.03</i>	<i>67.63</i>
<i>Robustas</i>	<i>38.72</i>	<i>36.43</i>	<i>34.98</i>	<i>34.97</i>	<i>32.37</i>
<b><u>GROSS OPENING STOCKS</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>
Colombian Milds	6.39	4.68	5.70	5.14	5.30
Other Milds	5.96	6.21	8.83	7.17	10.79
Brazilian Naturals	70.63	72.50	67.70	70.29	65.15
Robustas	17.02	16.61	17.77	17.40	18.77
<i>Arabicas</i>	<i>82.98</i>	<i>83.39</i>	<i>82.23</i>	<i>82.60</i>	<i>81.23</i>
<i>Robustas</i>	<i>17.02</i>	<i>16.61</i>	<i>17.77</i>	<i>17.40</i>	<i>18.77</i>
<b><u>TOTAL EXPORTS</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>	
Colombian Milds	12.96	13.89	13.23	13.08	
Other Milds	27.10	24.75	23.77	23.68	
Brazilian Naturals	20.83	26.85	28.79	27.28	
Robustas	39.11	34.50	34.22	35.95	
<i>Arabicas</i>	<i>60.89</i>	<i>65.50</i>	<i>65.78</i>	<i>64.05</i>	
<i>Robustas</i>	<i>39.11</i>	<i>34.50</i>	<i>34.22</i>	<i>35.95</i>	

**Table 7: Inventories and stocks of green coffee in selected importing countries and free ports at the end of December  
2000 to 2004**

(000 bags)

<b>Importing Member</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b><u>Grand total</u></b>	<b><u>16 131</u></b>	<b><u>18 645</u></b>	<b><u>20 063</u></b>	<b><u>20 064</u></b>	<b><u>20 385</u></b>
<b><u>Inventories of green coffee</u></b>	<b><u>9 325</u></b>	<b><u>9 430</u></b>	<b><u>10 099</u></b>	<b><u>9 949</u></b>	<b><u>9 581</u></b>
<b><i>European Community</i></b>	<b><i>2 037</i></b>	<b><i>2 297</i></b>	<b><i>2 356</i></b>	<b><i>2 374</i></b>	<b><i>2 369</i></b>
Austria	162	142	135	131	131
Belgium/Luxembourg	100	100	100	100	100
Denmark	89	89	89	89	89
Finland	101	90	77	94	83
France	379	612	747	678	649
Germany	400	400	400	400	400
Ireland	0	0	6	7	10
Italy	150	150	150	150	150
Netherlands	63	63	63	63	63
Portugal	124	106	111	177	177
Spain	250	250	250	250	250
Sweden	87	87	87	87	87
United Kingdom	132	208	141	148	180
Japan	1 400	1 383	1 717	1 733	1 783
Norway	124	124	124	124	124
Switzerland	171	228	182	228	230
USA	5 593	5 398	5 720	5 490	5 075
<b><u>Stocks in free ports</u></b>	<b><u>6 806</u></b>	<b><u>9 215</u></b>	<b><u>9 964</u></b>	<b><u>10 115</u></b>	<b><u>10 804</u></b>
Belgium/Luxembourg	2 087	3 923	4 383	4 519	5587
Germany	2 100	2 450	3 180	2 890	3000
Italy	1 975	2 198	1 757	2 062	1573
Netherlands 4/	644	644	644	644	644

**Table 8: Total exports by exporting countries**  
**Calendar years 2000 to 2004**

	(000 bags)				
<b>Exporting country</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b><u>TOTAL</u></b>	<b><u>89 445</u></b>	<b><u>90 349</u></b>	<b><u>88 465</u></b>	<b><u>85 862</u></b>	<b><u>90 462</u></b>
<i>Colombian Milds</i>	<i>11 141</i>	<i>11 672</i>	<i>11 365</i>	<i>11 767</i>	<i>11 392</i>
<i>Other Milds</i>	<i>27 080</i>	<i>22 880</i>	<i>21 442</i>	<i>21 056</i>	<i>21 394</i>
<i>Brazilian Naturals</i>	<i>18 309</i>	<i>22 078</i>	<i>24 646</i>	<i>23 753</i>	<i>26 625</i>
<i>Robustas</i>	<i>32 916</i>	<i>33 719</i>	<i>31 012</i>	<i>29 286</i>	<i>31 050</i>
Angola	22	14	9	16	6
Bolivia	106	70	79	73	93
Brazil	18 016	23 172	28 161	25 694	26 412
Burundi	444	301	289	476	339
Colombia	9 177	9 944	10 273	10 244	10 194
Congo, Dem. Rep. of	334	154	201	194	228
Costa Rica	1 965	2 018	1 784	1 702	1 424
Cuba	113	109	57	50	25
Dominican Republic	155	95	112	145	46
Ecuador	697	756	565	623	704
El Salvador	2 537	1 533	1 533	1 304	1 325
Ethiopia	1 982	1 376	2 055	2 229	2 491
Ghana	32	45	23	17	12
Guatemala	4 852	4 110	3 491	3 821	3 310
Guinea	292	349	136	283	345
Haiti	72	87	41	37	31
Honduras	2 879	2 392	2 711	2 425	2 779
India	4 445	3 740	3 544	3 707	3 643
Indonesia	5 358	5 243	4 286	4 795	5 173
Jamaica	29	28	26	24	29
Kenya	1 328	1 082	736	920	753
Malawi	61	64	44	49	26
Mexico	5 304	3 333	2 645	2 595	2 361
Nicaragua	1 367	1 365	955	1 013	1 311
Nigeria	7	7	5	7	3
<i>OAMCAF</i>	<i>8 017</i>	<i>5 596</i>	<i>4 234</i>	<i>3 692</i>	<i>3 727</i>
Cameroon	1 205	1 125	640	814	734
Central African Rep	203	94	95	40	64
Cote d'Ivoire	6 110	4 095	3 253	2 647	2 603
Equatorial Guinea	-	0	0	0	0
Gabon	1	2	-	1	0
Madagascar	216	87	145	119	177
Togo	283	193	100	72	149
Panama	72	57	83	86	99
Papua New Guinea	1 043	1 095	1 057	1 147	1 048
Paraguay	5	1	6	6	6
Peru	2 362	2 663	2 789	2 503	3 184
Philippines	5	3	7	12	29
Rwanda	270	279	330	245	450
Sierra Leone	40	38	53	24	16
Sri Lanka	3	3	2	4	5
Tanzania	740	866	496	883	553
Thailand	970	1 117	117	226	403
Trinidad and Tobago	2	-	1	1	1
Uganda	2 513	3 060	3 358	2 522	2 627
Venezuela	38	26	192	214	165
Vietnam	11 615	13 946	11 771	11 631	14 859
Zambia	65	115	99	131	136
Zimbabwe	117	105	112	97	92

**Table 9: Total value of exports by exporting countries**  
Calendar years 2000 to 2004

(million US dollars)

Exporting country	2000	2001	2002	2003	2004
<b><u>TOTAL</u></b>	<b><u>8 196</u></b>	<b><u>5 386</u></b>	<b><u>5 127</u></b>	<b><u>5 592</u></b>	<b><u>6 812</u></b> <sup>1/</sup>
<i>Colombian Milds</i>	<i>1 415</i>	<i>1 017</i>	<i>978</i>	<i>1 040</i>	<i>1 211</i>
<i>Other Milds</i>	<i>3 207</i>	<i>1 829</i>	<i>1 701</i>	<i>1 737</i>	<i>2 097</i>
<i>Brazilian Naturals</i>	<i>1 876</i>	<i>1 417</i>	<i>1 312</i>	<i>1 477</i>	<i>2 067</i>
<i>Robustas</i>	<i>1 698</i>	<i>1 123</i>	<i>1 136</i>	<i>1 338</i>	<i>1 437</i>
Angola	1	1	3	1	-
Bolivia	14	9	9	6	10
Brazil	1 772	1 412	1 370	1 533	2 017
Burundi	39	20	17	26	30
Colombia	1 196	870	874	903	1 060
Congo, Dem. Rep. of	13	6	5	7	12
Costa Rica	260	171	157	163	159
Cuba	18	11	7	6	3
Dominican Republic	22	11	13	17	6
Ecuador	46	44	42	36	59
El Salvador	302	116	105	103	121
Ethiopia	251	141	161	173	228
Ghana	2	2	1	1	1
Guatemala	571	305	270	297	328
Guinea	19	16	6	14	18
Haiti	8	7	3	4	4
Honduras	335	161	184	183	251
India	417	245	243	248	272
Indonesia	312	216	278	236	254
Jamaica	33	31	32	29	36
Kenya	148	96	76	93	111
Malawi	5	4	2	3	2
Mexico	647	290	232	246	249
Nicaragua	172	105	80	93	129
Nigeria	-	-	-	1	-
<i>OAMCAF</i>	475	236	192	214	216
Cameroon	77	55	42	62	63
Central African Rep	9	3	2	1	3
Cote d'Ivoire	367	169	139	143	137
Equatorial Guinea	-	0	0	0	0
Gabon	-	-	-	-	0
Madagascar	8	3	5	4	7
Togo	14	6	4	3	6
Panama	9	7	10	10	14
Papua New Guinea	107	77	73	87	95
Paraguay	-	-	-	-	1
Peru	222	180	188	181	290
Philippines	-	-	1	2	3
Rwanda	35	34	16	15	32
Sierra Leone	2	1	2	1	1
Sri Lanka	-	-	-	1	-
Tanzania	78	62	33	58	47
Thailand	47	31	8	13	16
Trinidad and Tobago	1	-	-	-	-
Uganda	125	98	98	104	121
Venezuela	7	4	14	16	16
Vietnam	459	343	303	450	578
Zambia	8	10	8	9	12
Zimbabwe	15	10	10	8	9

<sup>1/</sup> Provisional

A dash "-" indicates less than US\$500,000

**Table 10: Domestic consumption in selected exporting countries  
Crop years 2000 to 2004**

**(000 bags)**

<b>Crop year commencing</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b><u>TOTAL</u></b>	<b><u>26 229</u></b>	<b><u>27 446</u></b>	<b><u>27 564</u></b>	<b><u>28 417</u></b>	<b><u>29 281</u></b>
Brazil	13 289	13 490	13 750	14 200	14 950
Indonesia	1 667	2 000	1 833	2 000	2 000
Ethiopia	1 667	1 833	1 833	1 833	1 833
Mexico	1 305	1 500	1 500	1 500	1 500
Colombia	1400	1 400	1 400	1 300	1 300
India	917	1134	1134	1134	1134
Philippines	820	821	829	917	917
Venezuela	690	690	690	690	690
Thailand	500	500	500	500	500
Vietnam	500	500	500	500	500
Madagascar @	90	128	217	333	433
Dominican Republic	325	340	340	378	378
Haiti	340	340	340	340	340
Cote d'Ivoire @	317	317	317	317	317
Guatemala	300	300	300	300	300
Honduras	213	200	200	200	230
Cuba	200	220	224	224	224
Costa Rica	230	255	225	272	220
Congo, Dem. Rep. of	249	200	200	200	200
Nicaragua	176	181	185	190	190
Uganda	120	150	150	150	160
El Salvador	101	144	153	153	153
Ecuador	200	200	150	150	150
Others	613	603	594	636	662



**Table 11: Trade and consumption in importing countries**  
**Calendar years 2000 to 2004**

	<b>(million bags)</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004 1/</b>
	<b>Importing Members</b>				
a. Imports	85 585	85 371	87 077	89 180	92 353
b. Re-exports	17 922	19 716	20 963	22 136	24 071
c. Net Imports (a)-(b)	67 663	65 655	66 114	67 044	68 282
d. Inventories of green coffee at the end of year	9 325	9 430	10 099	9 949	9 581
e. Disappearance	64 312	65 550	65 445	67 194	68 650
	<b>Non-members</b>				
Net imports	14 568	16 232	17 112	16 168	16 500
	<b>Consumption by country</b>				
<b>All importing countries</b>	<b>78 880</b>	<b>81 782</b>	<b>82 557</b>	<b>83 362</b>	<b>85 150</b>
<i>European Community</i>	<i>36 650</i>	<i>36 556</i>	<i>37 001</i>	<i>37 176</i>	<i>37 980</i>
Austria	888	1 049	952	757	1 032
Belgium/Luxembourg	1 304	987	1 635	1 719	1 458
Czech Republic	551	655	646	556	546
Denmark	784	863	806	726	847
Finland	972	952	974	971	1 041
France	5 400	5 241	5 492	5 428	5 001
Germany	9 183	9 468	9 064	9 133	10 168
Greece	713	579	865	1 003	927
Hungary	732	739	710	582	561
Italy	5 163	5 252	5 180	5 503	5 405
Netherlands	1 911	1 732	1 641	1 827	1 599
Poland	1 765	1 958	1 952	2 096	2 202
Portugal	681	768	739	679	771
Spain	3 058	2 869	2 908	2 826	2 790
Sweden	1 182	1 259	1 235	1 181	1 241
United Kingdom	2 363	2 185	2 202	2 189	2 391
Other EU members	993	1 188	1 185	1 216	1 350
Japan	6 626	6 935	6 874	6 770	7 117
Norway	658	711	692	682	709
Switzerland	826	819	824	844	711
USA	18 558	19 343	18 870	20 505	20 783

1/ Includes estimates

**Table 12: Per capita consumption in importing countries**  
**Calendar years 2000 to 2004**

	(kilograms)				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>TOTAL</b>	<b>4.43</b>	<b>4.49</b>	<b>4.47</b>	<b>4.57</b>	<b>4.65</b>
<i>European Community</i>	<i>5.01</i>	<i>5.00</i>	<i>5.06</i>	<i>5.08</i>	<i>5.21</i>
Austria	6.57	7.74	7.10	5.64	7.69
Belgium/Luxembourg	7.32	5.52	9.13	9.60	8.15
Cyprus	5.23	4.18	3.98	4.00	4.22
Czech Republic	3.22	3.85	3.80	3.27	3.21
Denmark	8.84	9.66	8.97	8.08	9.43
Estonia	4.34	4.85	4.94	5.21	5.87
Finland	11.26	11.01	11.22	11.18	11.99
France	5.50	5.31	5.54	5.48	5.05
Germany	6.70	6.90	6.59	6.64	7.39
Greece	4.27	3.47	5.18	6.01	5.55
Hungary	4.38	4.35	4.19	3.46	3.33
Ireland	1.31	2.29	2.08	2.28	3.27
Italy	5.36	5.44	5.41	5.73	5.63
Latvia	2.84	3.97	3.87	4.38	4.33
Lithuania	2.95	3.50	3.60	3.28	4.08
Malta	2.92	2.31	3.90	5.10	3.90
Netherlands	7.21	6.47	6.10	6.76	5.91
Poland	2.74	3.04	3.03	3.29	3.46
Portugal	4.08	4.47	4.28	3.91	4.44
Slovakia	2.92	3.45	3.32	3.55	3.56
Slovenia	5.34	5.82	6.03	5.46	5.85
Spain	4.60	4.27	4.27	4.08	4.03
Sweden	8.00	8.49	8.31	7.88	8.28
United Kingdom	2.37	2.19	2.23	2.23	2.44
Japan	3.13	3.27	3.24	3.18	3.35
Norway	8.79	9.46	9.15	8.95	9.31
Switzerland	6.90	6.80	6.78	6.90	5.81
USA	3.96	4.09	3.95	4.25	4.26

*1/ Estimated*

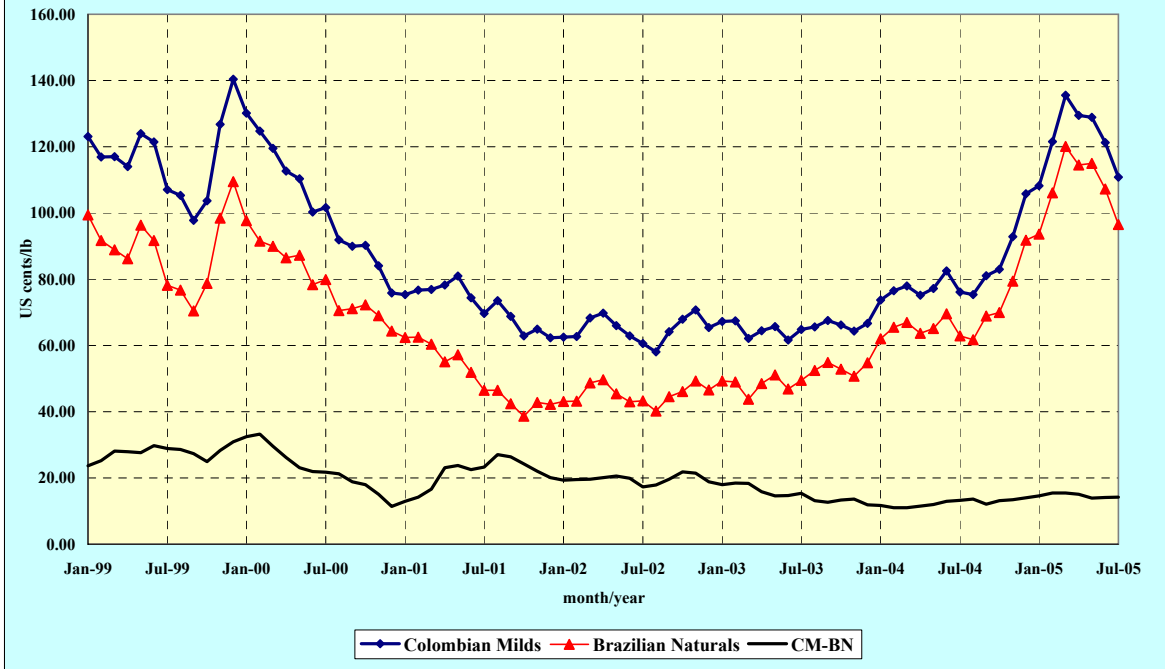
**Graph 1: ICO composite indicator price**  
**Monthly average: January 1999 to July 2005**



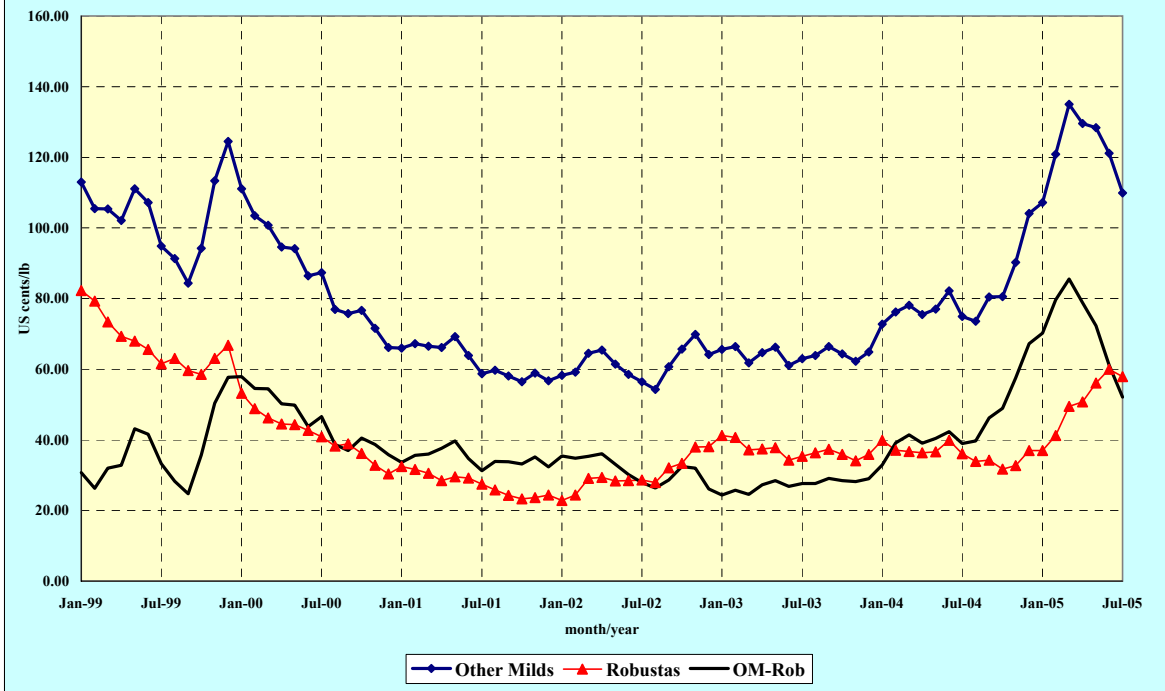
**Graph 2: ICO daily composite indicator price**  
**5 January to 29 July 2005**

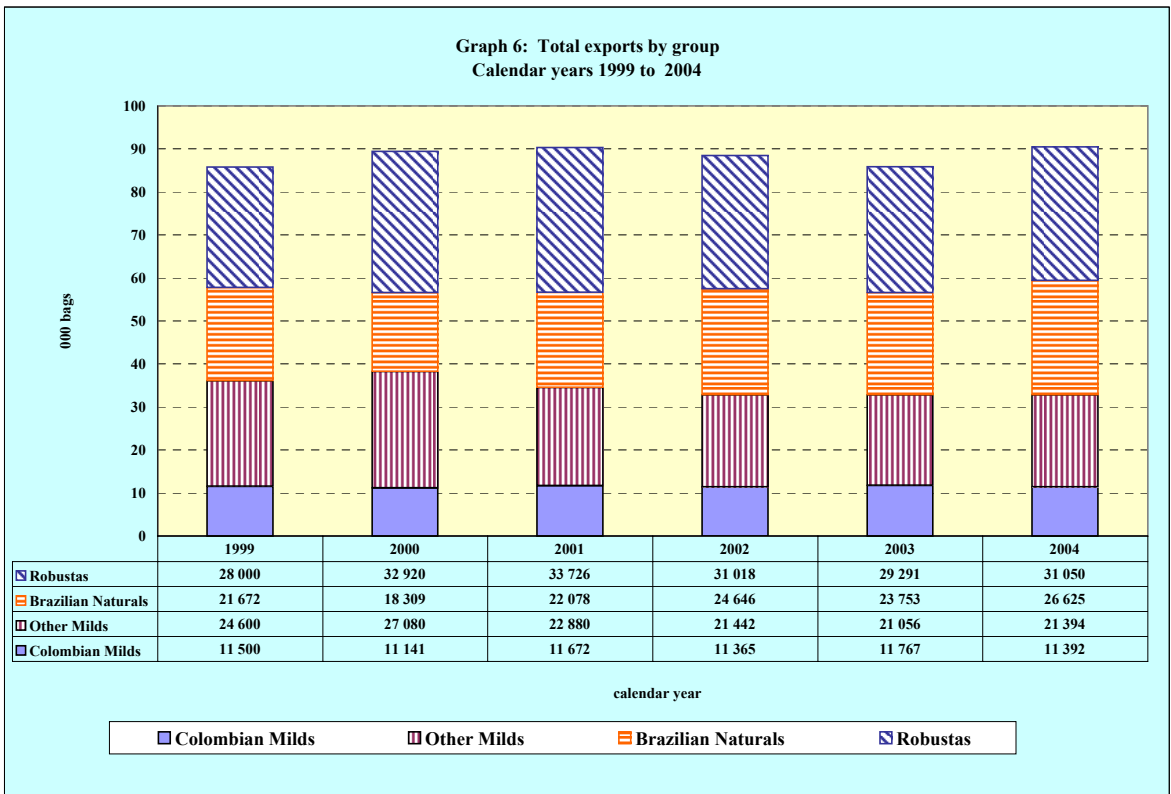
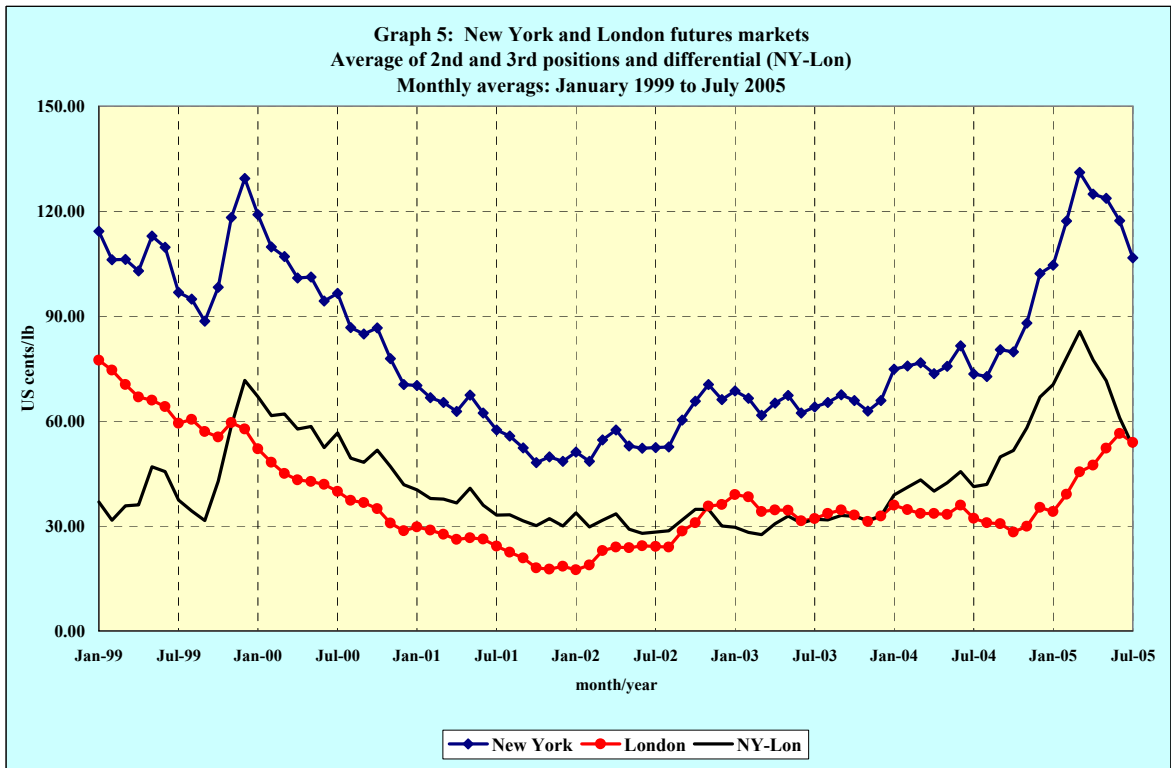


**Graph 3: Colombian Milds; Brazilian Naturals and differential (CM-BN)**  
 Monthly averages: January 1999 to July 2005



**Graph 4: Other Milds, Robustas and differential (OM-Rob)**  
 Monthly averages: January 1999 to July 2005





### **III. OTHER RELEVANT ISSUES OF CONCERN TO THE ICO**

#### **SUSTAINABILITY AND THE ICO**

1. One of the aims of the International Coffee Agreement 2001 is to encourage Members to develop a sustainable world coffee economy. Moreover, Article 39 of the Agreement obliges Members to bear in mind the principles in Agenda 21 agreed at the UN Conference on Environment and Development in 1992.

#### **Environmental sustainability and coffee**

2. Relative to many other economic activities, the environmental impact of coffee growing and processing is highly positive. The coffee tree generates oxygen and has important carbon sequestration properties, it stabilises soils and, varying according to the technologies used, allows many of the biodiversity features of the original environment to survive. The main problems are the adverse effects on biodiversity of un-shaded plantations in areas which were originally forested, and water pollution caused by untreated wet processing effluents. However, these are problems with relatively straightforward solutions.

3. Compared with industrial or mining activities, stock raising or even annual crops, coffee makes an almost universal positive contribution to the environment. It is worth recalling that it is specifically stated in Agenda 21 that “an environmental policy that focuses mainly on the conservation and protection of resources must take due accounts of those who depend on the resources for their livelihoods. Otherwise it could have an adverse impact both on poverty and on chances for long-term success in resource and environmental conservation. Equally a development policy that focuses mainly on increasing the production of goods without addressing the sustainability of the resources on which production is based will sooner or later run into declining productivity, which could also have an adverse impact on poverty.” Increased production may also impact on poverty through its economic consequences.

#### **ICO actions**

4. The Organization is focussing on a number of areas with respect to sustainability:

## **A. Collaboration with UNEP**

5. A framework of studies has been defined in cooperation with the United Nations Environment Programme (UNEP) on coffee, environment and international trade. The studies will facilitate a better understanding of the relationship between the coffee supply chain and the environment, and of the multilateral arrangements that affect the coffee trade and its quality. The four studies in question are:

- Understanding the impact of production, processing, marketing and consumption that trading in coffee may have upon the environment
- Natural resources efficiency, series of quantified scenarios
- Data and comparisons on the environmental impact and efficient use of natural resources between coffee and other crops in the agro-industrial sector
- Current discussions on multilateral regulations and agreements which affect both trade and environmental quality

6. The third study has been developed as a project proposal aimed at providing an overview of the rules, procedures and criteria developed under the Kyoto Protocol for the Clean Development Mechanism (CDM) and Greenhouse Gas (GHG) market, in which emitting parties can offset their pollution discharges through investments in carbon sequestration projects in developing countries. A similar project dealing with carbon sequestration for tree crops has been successfully developed with funding from the CFC.

## **B. Analysis of sustainability initiatives**

### **Government-backed**

7. Common Code for the Coffee Community: a joint initiative of the European Coffee Federation (ECF) and the German Federal Ministry for Economic Cooperation and Development (GTZ), its aim is to draw up and implement a code of conduct that describes the criteria for sustainability in the production, processing and marketing of “mainstream” green coffee and that can form the basis for commercial transactions. The main objectives of the Code as stated by its Steering Committee are to:

- Expand the share of sustainable coffee in mainstream
- Define quality referring to production conditions and the product as such
- Exclude worst social and environmental practices
- Create conditions to transfer value
- Encourage continuous improvement in an inclusive system
- Strengthen cooperation along the chain

8. The Code embraces the three aspects of sustainability as defined in the principles of Agenda 21, and is being developed by a tripartite Steering Committee responsible for the outcome of the project. It consists of representatives from producers, traders and processors, trade unions and NGOs. Extraordinary members from other organizations and institutions such as the ICO relevant to the process have an advisory function to the constituent groups, and can facilitate transparency in the development process. As initially formulated, representatives of producing countries have expressed concern over the possible cost burden of implementing the Code and its implications for small producers.

#### **Private sector-led**

- NCA/Technoserve Global Coffee Initiative
- Sustainable Agriculture Initiative (SAI)
- NKG partnership for sustainability
- Starbucks Sustainable Sourcing Principles
- Utz Kapeh

#### **Initiated by other institutions**

- Fair Trade Coffee (FLO)
- Smithsonian Migratory Bird Centre
- Rainforest Alliance
- Sustainable Coffee Partnership: coordinated by the International Institute for Sustainable Development (IISD) with the support of UNCTAD, it would act in an advisory and consultative capacity for the ICO and as a rapporteur in all matters within its area of interest. A proposal for the creation of a Sustainable Committee at the ICO was put under consideration of the Executive Board in September 2004, but it was decided that it was premature to introduce a formal structure at this stage. A number of documents have been submitted by the IISD, including a proposal for a cost recovery fee schedule generating revenue for the implementation of the CCCC and a proposal to carry out a cost-benefit study of various sustainability initiatives.

#### **COFFEE DEVELOPMENT PROJECTS**

9. The ICO has sponsored a significant number of coffee development projects, providing practical assistance to the world coffee economy and improving living standards in coffee-producing developing countries in Africa, Asia, Latin America and the Pacific region. Since 1995 and to this date, 20 projects with a total cost of nearly US\$70 million have been approved and funded mainly by the Common Fund for Commodities (US\$36 million), with the remainder provided by bilateral and multilateral donor institutions. Some 35 new projects



are in the pipeline with a value of around US\$65 million. Most of these projects are funded by grants rather than loans. Organizations which have contributed co-financing for coffee projects include the European Union (mainly for ACP countries), the International Trade Centre, the Food and Agriculture Organization (FAO), the World Bank, and Governments (in particular Governments of the Netherlands, Belgium and the United Kingdom). This means the ICO has gained experience in the field in 32 coffee-producing countries. Around 15 international institutions specializing in coffee are participating in these projects, which cover all strategic action areas defined by Member countries.

10. An important aspect of the ICO coffee projects is that they address issues facing the commodity as well as being relevant to the country. They can therefore be implemented in several countries at the same time to obtain maximum coverage of varying conditions or be formulated as pilot projects in one country but also with a view to further dissemination. It is worth stressing that both for projects already completed and for those being implemented, the Organization emphasises the dissemination of results, making this activity an important means for the transfer of technology between producing countries based on the results achieved by the completed projects. Full details of these projects may be obtained from the ICO website [www.ico.org](http://www.ico.org). The main areas covered are diversification, improvement of marketing systems, plant protection, quality improvement and reconstruction after natural or other disasters.

## **PROMOTION OF COFFEE CONSUMPTION**

### **Action Plan to increase worldwide consumption**

11. Efforts to promote consumption have a key role to play in achieving a balanced and more sustainable world coffee economy. In September 2003, the Council approved an Action Plan designed to achieve a substantial increase in world coffee consumption. The Plan focuses on market development with activities tailored to the geographical areas of coffee producing countries, emerging markets such as Russia and China and traditional markets. Four key areas have been identified for the increase in consumption of coffee: Promotion of consumption in producing countries; Dissemination of positive health-related information on coffee; Promotion of consumption in new and emerging markets and Improvement of quality. Currently the main problem is to mobilize funding for promotional activities.

### **Promotion of consumption in producing countries**

12. One of the areas identified in the ICO Action Plan on Promotion is enhancing consumption in producing countries which, together with that of emerging markets, has considerable dynamic potential. A Step by Step Guide to promote coffee consumption

particularly in producing countries has now been produced and is the first stage of a larger project to increase domestic consumption of coffee in producing countries, for which funding is being sought from multilateral donors such as the Common Fund for Commodities.

### **Dissemination of positive health-related information on coffee**

13. A constraint for increasing coffee consumption is the linking of coffee with fears about its effects on health by part of the population, particularly in certain countries. However, there is now significant scientific information available on a number of positive health effects of coffee drinking, including its high content of antioxidants. The Positively Coffee Programme was launched as a pilot project in 2001 by the Private Sector Consultative Board (PSCB) to disseminate information on coffee and antioxidants to consumers. This proved successful and implementation of this positive news communication project is continuing. A Positively Coffee website is available at [www.positivelycoffee.com](http://www.positivelycoffee.com). Additionally a new project is underway to disseminate positive scientific information specifically to the Healthcare professions.

### **Promotion of consumption in new and emerging markets**

14. Another area for market development actions identified in the Action Plan is that of emerging markets such as China and Russia and building on the very successful activities such as Coffee Festivals undertaken in these countries under the previous International Coffee Agreement. A proposal for research designed to identify the most appropriate form of activities to further develop the coffee market in China is currently under consideration. The proposal involves two options. The first involves identifying an appropriate event and sponsorship opportunities, and the second involves qualitative and quantitative research to evaluate the perceived benefits of coffee consumption.

### **Sales strategy**

15. On the basis of recently-commissioned work it appears that companies competing on the basis of high quality are increasing their coffee sales in mature markets more rapidly than those which use the traditional strategy of competing on price. Obviously it is in the interests of all to increase sales so this situation needs to be carefully analysed by roasters with a view to drawing appropriate conclusions.

## **TECHNICAL ISSUES**

16. Because quality improves sales performance and in most cases adds value to the product throughout the supply chain the ICO has instituted a Coffee Quality-Improvement Programme which establishes (under Resolution number 420 of the International Coffee

Council) voluntary target standards for coffee exports in terms of moisture content and defects tolerance. The range for moisture content is designed to eliminate mould formation which, apart from off flavours, can give rise to the formation of mycotoxins. The maximum defects levels also help avoid contamination and is designed to help consumers get a good product. Compliance with the Programme by exporting countries is good with respect to Arabica but more progress is needed on the Robusta front. Nevertheless, figures show a regular improvement since the Programme was initiated.

17. The ICO has also sponsored projects designed to improve the availability of gourmet coffee which can act as an ambassador for a country's coffee as well as being able to secure valuable premiums if suitably marketed and enhance the overall imager of coffee.

### **THE INTERNATIONAL COFFEE ORGANIZATION**

18. The International Coffee Organization (ICO) is the main intergovernmental organization for coffee, bringing together producing and consuming countries to tackle the challenges facing the world coffee sector through international cooperation. It makes a practical contribution to the world coffee economy and to improving standards of living in developing countries by:

- Enabling government representatives to exchange views and coordinate coffee policies and priorities at regular high-level meetings.
- Improving coffee quality through the Coffee Quality-Improvement Programme.
- Increasing world coffee consumption through innovative market development activities.
- Initiating coffee development projects to improve quality and marketing.
- Encouraging a sustainable coffee economy and environmental standards.
- Working closely with the private sector through a 16-strong Private Sector Consultative Board which tackles issues such as food safety.
- Providing objective and comprehensive information on the world coffee market.
- Ensuring transparency in the coffee market through statistics.

19. The ICO was set up in London in 1963 under the auspices of the United Nations because of the great economic importance of coffee. It has administered six International Coffee Agreements (ICAs), the most recent of which entered into force provisionally on 1 October 2001 and definitively in 2005. Its Members include coffee exporting and importing countries, and it functions through the International Coffee Council, the Executive Board, the Private Sector Consultative Board, the Executive Director and a small Secretariat.

20. Coffee is one of the world's largest traded commodities produced in more than 60 countries, providing a livelihood for some 25,000,000 coffee farming families around the world. Many of these countries are heavily dependent on coffee, which can account for over

75% of their total export earnings. Among consumers coffee is a universally popular drink, with over US\$70 billion in retail sales a year. ICO exporting Members account for over 97% of world coffee production and its importing Members are responsible for 80% of world coffee consumption.