



Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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World Coffee Conference

International Coffee Council
Eighty-fifth Session (Special)
1 February 2002
London, England

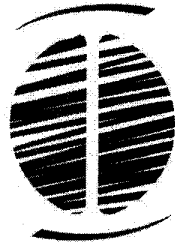
**Communication from the
European Coffee Federation
for a follow-up conference**

Background

The attached proposals submitted by the European Coffee Federation for a follow-up conference and outside financial support will be discussed by the Private Sector Consultative Board at their meeting on 29 January 2002 and by the Council on 1 February 2002.

Action

The Council is requested to consider these proposals.



European Coffee Federation

C.E.C.A-E U C A

International Coffee Organization
Dr. C.A. Lodder, Executive Director
22, Berners Street
W1P 4DD London
United Kingdom

Amsterdam, 25 January 2002
02F024/ECF/RV/mj

Dear Dr. Lodder,

Re : Follow-up to ICO World Coffee Conference

The European Coffee Federation (ECF) shares the concerns expressed in many fora, including the ICO, regarding the current state of the coffee market. The supply/demand imbalance and the resulting persistently low coffee prices are harmful to producing countries, damaging the social and economic fabric of the coffee growing community. Contrary to popular belief low prices are not in the interest of the coffee trade and industry since in the long run quality and ultimately volume of supplies will suffer.

Noting the problem is one thing, finding a solution is quite another! The ECF has noted with great interest the variety of ideas generated at the ICO World Coffee Conference in May 2001. Attached is a brief summary. The ECF feels that many of these ideas deserve to be explored in more detail and – where appropriate - implemented.

We therefore propose that the ICO organise a follow-up conference to the ICO WCC. The purpose would be to discuss practical measures to improve the supply/demand balance, such as for instance:

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- better use of World Bank commodity demand projections for investment decisions
- improved co-ordination between project financing institutions and ICO on utilisation of funds (emphasis on quality rather than volume, diversification)
- more effective utilisation of existing support systems such as STABEX
- export quality standards (picking up on the ICO discussion on this subject).

Participants could be ICO members, project financing institutions (World Bank, FAO, EU, CFC, regional institutions), market researchers (for instance LMC, F.O. Licht), NGO's and private sector representatives of producers and consumers.

We suggest that the ICO explores the possibility of outside financial support for such an event, for instance through the European Union.

The above is offered for open discussion at the next round of ICO meetings from 29 January to 1 February. It would be appreciated if you could distribute this letter as an ICO document to the Members of the Board and also include it in the set of documents for the PSCB meeting on 29 January.

Thanking you for your kind attention and looking forward to a fruitful discussion,

A handwritten signature in black ink, appearing to read 'J.A.J.R. Vaessen', with a horizontal line underneath.

J.A.J.R. Vaessen
Secretary General

**SUMMARY OF IDEAS PRESENTED
AT THE ICO WORLD COFFEE CONFERENCE
17 -19 MAY 2001**

The following is based on the text of the presentations and on reporting in Coffee&Cocoa International (July 2001, page 26-27) and in F.O. Licht's International Coffee Report (vol. 16, no. 1 of 11 June 2001, page 7-9). Please note that the purpose of the summary is to identify ideas, not to enter into the details or the merits of each suggestion.

Robert Thompson (World Bank):

- Access for farmers to risk management via options or derivatives
- Explore niche markets

Roberto Junguito (IMF):

- Room for buffer stocks and retention systems for coffee price stabilisation
- More vigorous promotion of coffee consumption

Rolf Boehnke (Common Fund for Commodities):

- Improvement of consumption especially in countries with low per capita incomes

Juan Santos (Minister of Finance of Colombia):

- Reconsideration of the debt repayment programme
- greater technical co-operation
- new ICO quota agreements

Michael Neumann (Neumann Gruppe):

- Public/private partnerships between producers and major companies in the coffee industry and trade
- Contracts with security for growers running up to five years with price based on production costs plus a risk premium and a reasonable profit
- World-wide internet-based coffee database to provide growers with simple agronomic information on plantings, production figures and crop levels in various countries. To be entrusted to a neutral provider like a university and made available to farmers for a nominal fee. Will make supply more predictable and will help farmers to make rational investment decisions.

Gordon Gilett (Nestlé):

- Increase demand:
 - open up mature markets to young consumers by offering new products (ice coffee)
 - encourage consumption in emerging markets like Russia

Douglas Burns (Kraft Foods):

- Increase demand by offering quality products

Helmut Ahlfeld (F.O. Licht):

- Logical production policy to get production and consumption to coincide more closely
- New trading methods to provide longer term security for both producers and consumers

Mick Wheeler (Papua New Guinea Coffee Industry Corp):

- Removal of triage from the market (but problems include financing, 'free riders' and verification)

Ong Siong Kai (Hiang Kie):

- New trading method: roasters and buyers should renegotiate the differential when the market falls or rises above or below a certain range

Klaus Jacobs:

- Increase demand
 - introduce new products according to consumers dreams and aspirations
 - keep promotion up to the level of competing drinks
- Green coffee marketing: better prices for coffee than the roaster wants

Sergio Amaral (ACPC):

- Supply management through ICO export quotas and supported retention schemes
- Reduction of supplies, including destruction of lowest grades
- Strengthen economies of coffee growing countries by reduction of import duties on agricultural and industrial products by developed countries

Christopher Gilbert (Free University of Amsterdam):

- Diversion of low qualities to other uses
- Reduction of area under cultivation
- Substitution
- Replanting

Vinicius Pratini de Moraes (Minister of Agriculture of Brazil):

- Strengthen economies of coffee growing countries by reduction of import duties on agricultural and industrial products by developed countries

SUMMARY

The above-mentioned listing may be condensed into a few broad categories:

- Market transparency and flow of information
- Management of production
- Quality standards and removal of sub-standard coffee from the market
- Reduction of exposure of farmers to market vicissitudes
- Long-term and more stable trading arrangements between seller and buyer
- Public/private partnerships
- Improve demand in mature markets and development of new products
- Improve demand in producing countries and emerging markets
- Market access for products of developing countries into developed markets

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Amsterdam, 24 January 2002