



Organización Internacional del Café
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Organisation Internationale du Café

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World Coffee Conference

Executive Board/
International Coffee Council
25 - 28 September 2001
London, England

World Coffee Conference

Ideas for future action

Background

In various statements Mr. Jorge Cárdenas, Chairman of the Conference, and others have referred to the need to ensure that the ideas generated by the Conference are followed up, analysed and exploited to the extent possible. An executive summary is being prepared for presentation to the International Coffee Council in September 2001. In the meantime the ICO Secretariat has prepared the following preliminary listing of some of the ideas raised in the Conference with suggestions for appropriate actions which in a number of cases have been incorporated into the ICO plan of action for the 2001 Agreement. This is followed by some additional ideas presented which fit less easily into the action plan context but should equally be noted and considered. Items or suggestions are numbered for ease of reference with suggested actions in italics.

Action

The Executive Board and the Council are requested to take note of this document.

**SOME ITEMS ARISING FROM THE ICO WORLD COFFEE CONFERENCE
IN MAY 2001 THAT COULD BE ADDRESSED BY THE ICO¹**

1. General agreement that momentum should not be lost.
 - *Set up ICO email discussion forum so Members can exchange views about next steps.*
 - *Put copies of presentations on the Internet when available and consider translating them.*
 - *Members to comment on the ideas presented with a view to prioritising future action.*
 - *Use the 40th anniversary of ICO in 2003 to launch innovative event/fund.*

2. Role of bilateral agencies in development assistance.
 - *Develop role mobilizing/coordinating resources from development assistance from consuming Members for coffee producing countries for specific projects/events.*
 - *Develop a list of funding institutions/private financing institutions for ICO Website.*
 - *Put guidelines/criteria/deadlines about ICO projects on Internet.*

3. Invitation to the USA and Canada to resume their membership of ICO to permit consideration of possible solutions to the coffee crisis.
 - *Pursue contacts with the USA and Canada and inform relevant contacts about this statement.*

4. New business models and growth in use of the Internet.
 - *Inform and help Members about new models and opportunities.*

5. Efficiency of ICO voting system where consumers and producers have equal votes.
 - *Highlight this efficiency as one of ICO strengths and a benefit of membership.*

6. Lack of international mechanisms to deal with crisis.
 - *Set up some response/early warning system to predict trends and deal with future crises.*
 - *A group of key people in the coffee sector could carry out environmental scanning, and pick up weak signals of what may become important future trends.*

¹ See also the documents on the outline plan of action and the coffee development strategy (documents EB-3767/01 Rev. 1 and EB-3768/01 Rev. 1, respectively).

7. Expansion into Arabica production by Vietnam.
 - *Monitor increase in Arabica plantations.*
8. Importance of food safety issues, strengthening consumer confidence and cooperation of all links in coffee chain.
 - *Continue cooperation with private sector on food safety and on other issues such as positive communication.*
9. Need for transfer of information, for active involvement of farmers, and participatory methods.
 - *Investigate ways of effectively transferring information so that it reaches all small farmers and growers, not just those with access to Internet.*
 - *Develop Website, so there are links to key institutions in every country easily available, and profiles of organizations and services available (so ICO is the resource for coffee).*
 - *Develop fact sheets on key issues and lists of resources (publications/ Websites) on topics (e.g. organic coffee) and make available on the Website, with links to key sites.*
 - *Establish a database of experts who can be consulted on particular subjects that ICO can refer Members or the press to.*
 - *Look at providing ICO statistics in a more user-friendly and accessible form.*
10. Establishment of an international coffee research centre.
 - *Discuss suggestion of centre with Members.*
11. Effectiveness of activities undertaken by FEDERACAFE.
 - *Promote good practice of Members, key functions of coffee boards/ associations and models for effective rural development institutions.*
12. High level of annual resources employed in the fight against drugs.
 - *Explore resources available from budgets for fighting drugs for coffee as alternative crop.*
13. Importance of cooperation on sustainability.
 - *Develop and make available guidelines on sustainable coffee production and information about environmentally friendly technologies through Website and publications (CFC project).*

14. Contribution of international business community to improving the lives of small farmers and plantation workers.
 - *ICO to ask PSCB to consider socially responsible business, how growers could be offered fairer trading conditions and small farmer organizations strengthened.*
15. Different forecasts of future consumption.
 - *Evaluate the different figures on production and consumption quoted by speakers.*
16. World Bank review of its agricultural strategy and need for investment in solving problems of farmers in developing countries.
 - *ICO to work with multilateral organization such as the World Bank to coordinate and have input into international policies/strategies relevant to coffee.*
 - *Pursue idea of World Bank coffee seminar with strong ICO participation in Washington.*
17. Move towards international structure where governance will come out of brands and long-term relationships between producers and consumers.
 - *Use consumer concern on brands to develop solutions.*
 - *ICO to bring all parties together to discuss solutions/ensure smallholders get a fair price.*
18. Impact of GM coffee, long dealer chains, lack of information available to farmers.
 - *Look at making the trading system shorter and providing information about world prices to farmers.*
 - *Review impact of GM coffee on environment, and develop guidelines/policy on this.*
19. Need for multilateral institutions to assist countries which will fall by the way.
 - *Work with the World Bank and other institutions to develop policies to assist countries affected by the crisis.*
20. Provide smallholders with ability to respond to crisis.
 - *Look at how small coffee institutions can be strengthened and farmers assisted.*
21. Need to consider where increased volumes of coffee will go to.
 - *Include in coffee development strategy.*

22. Research and develop improvement of quality/diversion scheme.
 - *Pursue work with the ACPC on diversion options.*
23. Plant alternative crops/look at early replanting to take land out of production.
 - *Investigate use of alternative crops and replanting.*
24. Promotion of consumption in new markets, and domestic consumption.
 - *Continue to develop promotion activities.*
25. Establish worldwide Internet database.
 - *Investigate feasibility of this idea.*
26. A logical production policy.
 - *Explore feasibility of this proposal.*
27. Consider suitable rather than highest productivity for highest economic effectiveness.
 - *Include in coffee development strategy.*
28. Investigate private/public partnerships to correct cyclical imbalances, e.g. joint stock programmes.
 - *Explore feasibility of this proposal.*
29. Design contract farming patterns to give security to farmers by making volume/price arrangements for longer-term periods.
 - *Explore feasibility of this proposal.*
30. Programmes and policies with a positive impact on small producers (and sustainable development) are within scope of Inter-American Development Bank's priorities.
 - *Explore opportunities for cooperation with the Inter-American Development Bank.*
31. A cooperative model of production could decrease costs and reduce intermediate agents.
 - *Explore this idea further.*
32. CABI's publication of different articles.
 - *A valuable resource – ICO to explore a follow up publication with CABI in the future.*

33. Financial mechanisms to reduce volatility, improve quality as well as environmental and social conditions, adding value.

- *Monitor WTO matters, possibly via CFC.*

34. Creation of funds to assist producers, e.g. buffer funds (without conditionality).

- *Explore the feasibility of this suggestion.*

Other points raised that should be considered

New Coffee Age – Quebec declaration

- Strengthen mechanisms for cooperation and consultation between producing countries to permit application of measures for a concrete solution.
- Invite the USA and Canada to resume their membership of ICO to permit, within the framework of that forum and in dialogue with producing countries, consideration of possible solutions to the coffee crisis.
- To instruct Ministers to explore forms of consensus designed to cope with the problem, including regulation of supply and demand/measures such as establishment of standards for export coffee.
- To seek assurances from multilateral, world and regional credit agencies that they will not grant loans or grants designed to increase world coffee production.
- To promote the creation of appropriate financial instruments for the regional multilateral banks which will permit the regulated management of world coffee supply, including price cover instruments and instruments for financing stocks in producing countries.
- Carrying out these initiatives and policies will enable producing countries to promote establishment of a second generation ICA.

Presentation by Mr. Cárdenas

- (a) Adopting strict quality standards at international level.
- (b) Promoting and adopting responsible production policies and seeking to ensure that the international community does not grant credits which will increase the area under coffee.
- (c) Providing financing to enable producers to regulate their marketing processes and the accumulation of stocks.
- (d) Intensifying promotion efforts to increase consumption.
- (e) Supporting diversification efforts in producing countries by opening up markets in high-income countries.

- (f) Strengthening programmes for human capital formation, increased productive efficiency and sustainable development in coffee-growing countries.
- (g) Increasing local processing in countries of origin through strategic alliances with multinational companies.
- (h) Supporting the use of futures markets.

Publication by Oxfam: “Bitter coffee: How the poor are paying for the slump in coffee prices” (May 2001)

The World Coffee Conference needs to propose an international initiative which will stabilize coffee prices at a more remunerative level, i.e. above US\$1/lb.² Current prices are as low as 49 US cents/lb. In order to achieve this goal, the WCC needs to adopt a plan which includes:

- *The destruction of 15 million bags of low-grade coffee in exporting countries to reduce exports and stocks. Oxfam estimates the cost of the physical destruction of coffee and equitable compensation to farmers to be approximately US\$250 million.*
- *A three-year retention of 20 percent of world coffee exports. Together with stock destruction, export retention will help reduce the overhang of stocks in importing countries, which is at the heart of the current price slump. Should prices still fail to reach more remunerative levels, the retention plan should be coupled with a longer-term contingency stock disposal strategy.*
- *A windfall tax on large coffee roasters such as Nestlé, Kraft, and Sara Lee to part-finance the stock disposal plan.*
- *The development of an international fund under the aegis of UNCTAD to share the cost of stock destruction and retention between producing and consuming countries.*

These initiatives must be backed up by longer-term reforms towards a more sustainable coffee market, which secure decent livelihoods for farmers, limit environmental degradation, and provide tasty coffee to consumers. These reforms should include:

- *An end to government and donor policies favouring the expansion of coffee production, such as subsidies to land-clearing, fertiliser use, and the introduction of higher-yielding hybrid trees.*
- *The adoption of strict labour and environmental standards within the International Coffee Agreement.*
- *National policies which provide a better market environment for small coffee farmers, such as credit, technical assistance, market information, and assistance towards sustainable diversification.*

² This refers to the ICO indicator price, which is a weighted average of Robusta and Arabica prices.

In order to emulate the model provided by fair trade, the following changes are needed along the supply chain.

- *Stable, decent, and transparent prices for small producers (close to fair-trade level).*
- *Greater use of contract farming with small producer cooperatives to share production risks, transfer technology, and promote sustainable production methods down to farm level.*
- *Monitoring of the buying practices of intermediaries.*
- *Monitoring of the labour and environmental practices of large suppliers (plantations).*
- *Decent labour conditions in coffee-processing plants in developing countries, and priority use of domestically grown coffee rather than imports.*
- *Full access and promotion of fairly traded coffee products and brands to retailing outlets, such as supermarkets and the major coffee chains.*