



INTERNATIONAL COFFEE ORGANIZATION  
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ  
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**Actions in connection with themes and ideas  
raised in the 2<sup>nd</sup> World Coffee Conference**

## **Background**

1. At its 102<sup>nd</sup> Session in March 2009, the Council noted that it would be useful to review actions related to ideas and recommendations put forward at the 2<sup>nd</sup> World Coffee Conference, in order to assist Members in considering the programme for the next World Coffee Conference to be held from 26 to 28 February 2010 in Guatemala.
2. The 2<sup>nd</sup> World Coffee Conference took place in Brazil in September 2005. The Council considered a preliminary summary report (ICC-94-13) during its 94<sup>th</sup> Session and the Chairman of the Conference, Mr Roberto Rodrigues, Minister of Agriculture, Livestock and Food Supply of Brazil, presented the final report to the 95<sup>th</sup> Session of the Council in May 2006 (circulated to Members on CD-Rom). A review of themes and ideas raised in the Conference presentations was circulated for consideration by the Board and Council in January and May 2006 (see document EB-3901/05 and its revision). The ideas raised were also included in documents summarizing proposals on the future of the 2001 Agreement, which were considered by the Working Group on the Future of the Agreement (see documents WP-Council 140/06 Rev. 1 to Rev. 6).
3. This document contains a report on actions relating to the themes and ideas raised during the 2<sup>nd</sup> World Coffee Conference, based on document EB-3901/05 Rev. 1, with the original text and comments from this document shown in boxes.

## **Action**

The Council is invited to take note of this document.

## ACTIONS IN CONNECTION WITH THEMES AND IDEAS RAISED IN THE 2<sup>ND</sup> WORLD COFFEE CONFERENCE

### I. Common themes

1. Need to look at coffee as an integral part of national economies as a whole with policies raised at the appropriate level.

#### Actions

- ICO Members are invited to report on national coffee policies to each Session of the Council. The Executive Director regularly highlights the contribution of coffee to the economies of producing and consuming countries both at high-level meetings and in reports on the coffee sector.
- The ICO is currently developing short country profiles with key data on each country, which will be posted on the website. These could be expanded to include more detail about the contribution of coffee to national economies and policies (but this may have financial implications).
- See also item 15.

2. Removal of tariffs and other trade barriers particularly affecting processed coffee, including those in coffee producing countries themselves.

*Comment: The removal of tariff barriers to imports into producing countries may cause problems. Removal of barriers should be scheduled into an integrated programme taking into account all national coffee interests. The aim of adding value, mainly by processing coffee in countries of origin, should be highlighted, since prices of processed products are more stable than those of raw materials.*

#### Actions

- A specific reference to promoting the elimination of trade barriers has been included in paragraph 5 of Article 1 (Objectives) of the International Coffee Agreement (ICA) 2007.
- The ICO prepares regular reports on obstacles to consumption (most recently document ICC-100-6). Information on the situation of tariff measures in importing and exporting countries and an analysis of possible implications on the coffee trade have been circulated to Members (most recently document EB-3924/07 and its revision).
- The benefit of increased domestic consumption in generating experience in the production and marketing of value-added products and stimulating small and medium enterprises is included in the draft development strategy for coffee (paragraph 22 of document WP-Council 191/09).

3. Removal of trade barriers to products of interest in the context of diversification.

*Comment: It would be desirable for the ICO to conduct a study to identify specific cases, which would strengthen arguments to secure this objective.*

### **Actions**

- See also Item 2 above.
- In May 2006, the ICO held a workshop with the Natural Resources Institute (NRI) and the Common Fund for Commodities (CFC) on the potential for diversification in coffee exporting countries to discuss the results of the second part of the project 'Worldwide comparative analysis of coffee growing areas'. This included case-studies on the experiences of producing countries. The Executive Summary of the workshop (document ICC-96-3) referred to the importance of making detailed information on tariff and non-tariff barriers and other matters prior to encouraging coffee farmers to diversify into alternative crops and activities.
- In addition, four projects on diversification have received ICO support:
  - Diversification of production in marginal areas in the State of Veracruz, Mexico
  - Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador
  - Access to finance for the development of diversification crops in coffee producing areas (Burundi and Côte d'Ivoire)
  - Enhancing the potential of gourmet coffee production in Central American countries.
- A study focusing on coffee diversification and alternative crops threatened by tariff barriers could be proposed as part of a future programme of activities.

4. Endorsement of policies to develop coffee markets in producing countries, emerging markets and traditional markets.

*Comment: The ICO should pursue this with the CFC and other donors but also consult the industry.*

### **Actions**

- The CFC/ICO workshop on future coffee development priorities held in September 2006 highlighted the importance of developing coffee markets in producing countries (see document CFC/ICO 8/06).

- The ICO Step-by-Step Guide to promote coffee consumption has provided the methodological basis for several promotion programmes in producing countries and can be usefully deployed in emerging consumer markets.
- Increasing consumption and market development is one of the strategic areas of action in the draft ICO development strategy for coffee (document WP-Council 191/09).
- The new Promotion and Market Development Committee established under the ICA 2007 will make recommendations on promotion of consumption and market development matters.

5. Promotion of quality.

*Comment: More could be done to promote the target standards of Resolution 420: website, Codex Alimentarius, NYSE Liffe, NYBOT, sustainability programmes, domestic consumption and other promotion projects, etc.*

**Actions**

- The ICO prepares regular reports on the implementation of the Coffee Quality-Improvement Programme which are considered by the Executive Board and the PSCB.
- The ICO has been an official observer to the Codex Alimentarius since 2005/06 and is contributing to the development of a Code of Practice on ochratoxin A by an electronic working group.
- The ICO has also liaised with organizations, including NYSE Liffe and NYBOT on the potential adoption of the new ISO standard in calculating defects, with respect to Resolution 420. A number of changes in 2008 to the NYSE Liffe Robusta coffee futures contract were based on ISO standards which the ICO drew to the attention of NYSE Liffe.
- The project entitled 'Enhancement of coffee quality through prevention of mould formation' which concluded in 2005 resulted in a training tool on good hygiene practices which was circulated to the Council on a CD-Rom in September 2006, and is available from the website [www.coffee-ota.org/](http://www.coffee-ota.org/).
- The recently concluded 'Robusta quality and marketing improvement by optimal use of coffee terroirs' and 'Improving coffee quality in East and Central Africa through enhanced processing practices in Ethiopia and Rwanda' and the ongoing project 'Enhancing the potential of gourmet coffee production in Central American countries' are other examples of projects which are intended to improve quality.
- Quality enhancement is one of the strategic areas for action of the draft development strategy for coffee (document WP-Council 191/09).

6. Effective use of Internet auctions.

*Comment: A study on the Cup of Excellence, Q-auctions and others could be conducted, contrasted with attempts which have been made to conduct reverse auctions.*

**Actions**

- The ICO continues to monitor the Cup of Excellence platform. The approaches proposed by the International Trade Centre UNCTAD/WTO (ITC) in the conclusions of the project to promote gourmet coffee have been adopted by some countries.
- A study on the Cup of Excellence and Q-auctions could be proposed as part of a future programme of activities.

7. Public policies to discourage production if likely to cause oversupply, with appropriate monitoring.

*Comment: This is a matter of national policy, but the importance of such measures should continue to be emphasised.*

**Actions**

- ICO Members are invited to report on national coffee policies to each Session of the Council.
- The Executive Director regularly highlights the importance of avoiding an imbalance in world supply and demand in reports on the coffee market and in presentations to world coffee events. Productivity, quality and diversification are recommended rather than expanding areas planted with coffee.

8. Addition of value; encouragement of niche market products and additional processing in countries of origin.

*Comment: Processing of roast coffee in countries of origin is becoming more technically feasible with temperature controlled containers. Marketing requires addressing the consumers and above all the retailers. The experience of Fair Trade coffee in obtaining retail shelf space could be relevant, and could be incorporated into an ICO study.*

**Actions**

- A number of projects to promote gourmet coffee have been implemented, such as the project 'Developing the potential of Gourmet Robusta coffee in Gabon and Togo'; 'Enhancing the potential of gourmet coffee production in Central American countries' and 'Improving coffee quality in East and Central Africa through enhanced processing practices in Ethiopia and Rwanda'.

- Data on coffee in different market categories will be collected and analysed under the ICA 2007.

9. Encouragement of micro credit schemes for small farmers.

*Comment: This could be pursued with donors on a project basis.*

### **Actions**

- The Consultative Forum on Coffee Sector Finance will address access to credit and other topics related to finance relevant to small- and medium-scale producers.
- The 'Pilot short- and medium-term finance to small-scale coffee farmers in Kenya' which will conclude in 2009 is intended to promote access to credit for smallholder coffee farmers in this country, and other countries will benefit from the dissemination of the results. The project 'Access to finance for the development of diversification crops in coffee producing areas' which was launched in 2008 will develop a sustainable credit programme for diversification in coffee-producing areas.
- Some other proposals on this topic are in the pipeline although alternative sources of funding may be required.

10. Development of price risk management schemes.

*Comment: One project under way with the CFC in East Africa. Experience of Brazil should be widely disseminated by the ICO.*

### **Actions**

- The project 'Coffee price risk management in Eastern and Southern Africa' has not yet been implemented, as the World Bank is no longer prepared to act as Project Executing Agency (PEA).
- The Consultative Forum on Coffee Sector Finance will cover risk management issues.

11. Development of new technology to lower costs.

*Comment: Review of global research network concept to facilitate transfer of technology. Possible seminars with FAO.*

### **Actions**

- The development of a global research network for coffee, an idea conceived and formulated by the ICO, is now being undertaken by the Association for Science and Information on Coffee (ASIC). See <http://www.asic-cafe.org/htm/GCRN> for the current state of development.

- Research and development of new technologies is one of the main strategic areas for action identified in the draft development strategy for coffee (paragraph 27 of document WP-Council 191/09).

12. Enhance representation of small farmers at the ICO.

*Comment: Reconsider Sustainability Committee concept or invite representation through the Sustainable Coffee Partnership (SCP).*

### **Actions**

- Although the Council did not establish a Sustainability Committee under the ICA 2007, the issue of sustainability is central to the ICA 2007, and is reflected in the overarching objective and paragraph (3) of Article 1 (Objectives) of the 2007 Agreement.
- The new Consultative Forum on Coffee Sector Finance (Article 31) will facilitate consultations on topics related to finance and risk management in the coffee sector with a particular emphasis on the needs of small- and medium-scale producers and local communities in coffee producing areas. See also Item 10 of Section II.
- Small farmers are the main target of the CFC financed projects and boosting ownership of projects by local communities is one of the main objectives of ICO/CFC interventions via projects. ICO Members benefit from the input of farmers who participate in projects.

13. Capacity building to develop organizations or associations of small producers.

*Comment: Disseminate guidelines and explore new projects with donors.*

### **Actions**

- Research and development of new technologies, with an emphasis on capacity-building measures and training to ensure the dissemination of the results of such research, was agreed as a key development priority for the coffee sector by ICO Members attending the CFC/ICO workshop on coffee development priorities held on 27 September 2006.
- The establishment of the Consultative Forum on Coffee Sector Finance in the new Agreement will enhance existing ICO activities in capacity-building.
- Coffee development activities sponsored by the ICO are demand-driven and designed to have a sustainable impact, particularly in terms of generating learning and knowledge that help primary stakeholders to continue project activities after their conclusion.

- The Executive Summary of the Guide for strengthening of the business and export capacity of coffee cooperatives has been circulated (document ICC-96-5). Funding is currently being sought for the final version of the Guide for circulation to Members.

14. Acknowledgement of the need for priority to be given to economic sustainability.

#### **Actions**

- The new overarching objective of the ICA 2007 (Article 1: Objectives) is “to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the sector”.
- The 2007 Agreement also includes a new objective which specifically encourages Members to develop a sustainable coffee sector in economic, social and environmental terms (see paragraph (3) of Article 1).

15. Analysis of exchange rates in evaluating economic sustainability.

#### **Actions**

- The Executive Director’s monthly reports and other ICO studies on the coffee market include an analysis of the impact of exchange rates on the coffee sector (e.g. ED-Letter December 2008).

16. Need for market transparency and objective estimates of fundamentals.

#### **Actions**

- The Executive Director’s monthly reports on the coffee market include analysis of the market fundamentals, as does the overview of the world coffee market for the coffee year in the Annual Review.
- Transparency is one of the strategic goals of the strategic action plan and is recognized in the development strategy for coffee.
- The ICO regularly contacts Member countries to obtain accurate and up-to-date information on coffee production and consumption.



17. Promote cooperation between all stakeholders within the framework of the ICO.

### **Actions**

- The ICO facilitates cooperation between Governments and the Private Sector Consultative Board. This will be enhanced under the ICA 2007, through mechanisms such as the Consultative Forum on Coffee Sector Finance.

## **II. Innovative ideas**

1. Usefulness of identifying positive externalities in coffee production (this could be complemented by an analysis of negative externalities caused by crisis conditions).

*Comment: Positive externalities include carbon sequestration and maintenance of social stability; negative externalities include crime control costs where narcotics are planted, costs of migration to urban areas, etc.*

### **Actions**

- The Executive Director regularly highlights the benefits of coffee production and adverse impact of low prices in presentations and reports to Members.

2. Develop greater consumer awareness of country of origins as already done in Japan, making use where appropriate of International Geographic Origin (IGO) denominations, at WTO and EU as well as national level.

*Comment: Disseminate EU and WTO rules; describe Japanese practice.*

### **Actions**

- In May 2008 the ICO held a Seminar on Geographical Indications for Coffee with the aim of informing Members about the concept of geographical indications and their development and possible importance for the world coffee sector. The presentations can be downloaded from the ICO website (<http://www.ico.org/workshop.asp>).
- The issue of Geographical Indications has been included as a permanent item on the Agenda of the PSCB at the request of this body in 2008.

3. Give more emphasis to education for consumers and study effect on retailers' policies.

*Comment: Targeting of food journalists.*

#### **Actions**

- The Positively Coffee and Health Care Professions – Coffee Education Programmes are funded by the PSCB. The Positively Coffee website ([www.positivelycoffee.org](http://www.positivelycoffee.org)) is available in the four official languages of the ICO. Exporting Members have co-funded the Positively Coffee Programme since 2006. The Institute for Scientific Information on Coffee (ISIC) is currently reviewing the future of this programme.

4. Develop sales of processed coffee with appropriate marketing to large retailers or establishment of retail outlets (see also I.8).

*Comment: Need to contract specialists with food retail sector experience. Review technical issues such as temperature-controlled containers. Consider initial marketing for local consumption.*

#### **Actions**

- No specific follow-up action has been taken on this proposal.

5. More extensive use of opportunities using the Brazilian CPR (*Cédula do Produto Rural*) model (options-based) for risk management.

*Comment: Disseminate details of scheme and compare with World Bank risk management projects.*

#### **Actions**

- Minister Rodrigues's presentation at the 2<sup>nd</sup> World Coffee Conference was widely disseminated on the ICO website and on CD-Rom.
- The Consultative Forum on Coffee Sector Finance will address risk management issues.
- Improvement of marketing systems is one of the strategic action areas of the draft development strategy for coffee, and increasing access to credit and risk management schemes is included as an action in the draft strategic action plan.

6. Expand risk management tools to include weather as well as price risk.

*Comment: Discuss with World Bank.*

#### **Actions**

- No specific action has been taken on this proposal. It could be considered in the context of the new Consultative Forum on Coffee Sector Finance.

7. Establishing funds for futures operations.

*Comment: Investigate Colombian project.*

#### **Actions**

- The use of funds for futures operations by farmers will be further developed in the context of the Consultative Forum on Coffee Sector Finance.
- A project on the potential for commodity exchanges and other forms of market-places developed for East Africa and another for West Africa is currently under consideration by the CFC.

8. Consider licensing growing areas in the same way as mining is licensed to safeguard quality and avoid overproduction.

*Comment: Study mining licence legislation and evaluate options.*

#### **Actions**

- No specific action has been taken on this proposal. It could be considered further in the context of a more detailed comparison between the coffee and mining sectors.

9. Develop projects to make use of the Clean Development Mechanism (CDM) of the Kyoto Protocol.

*Comment: Carry out Study identified with the United Nations Environment Programme (UNEP).*

## Actions

- Following discussions by the Executive Board in January 2006, it was suggested that for the time being there was no need to conduct such studies, however the Executive Director should contact the United Nations Framework Convention on Climate Change (UNFCCC) to identify ways of including coffee in the CDM. The Executive Director's letter and the response of the UNFCCC were circulated to Members as document EB-3914/06. While the UNFCCC was not in a position to provide specific advice or develop methodologies, it could guide the ICO to information on the site/tools to assisting developing/applying methodologies. If a project design document was prepared, then a designated entity should be contacted. The Executive Director subsequently contacted the Colombian Institute of Technical Standards (ICONTEC), an institution recognized by the UNFCCC, regarding the possibility of proceeding with a project in this area. The ICONTEC provided information about the CDM services it offers and the Executive Director invited the National Federation of Coffee Growers of Colombia (FEDERACAFE) to advise on suggestions for suitable coffee projects.
- A mission to discuss future cooperation and partnership between the ICO and the UNEP under the ICA 2007 took place in February 2009.

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| <p>10. Support the Sustainable Coffee Partnership particularly with respect to its capacity to bring together all stakeholders including representatives of small farmers and non-governmental organizations.</p> |
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*Comment: Reconsider the optimum relationship between the ICO and the SCP; reconsider the idea of a Sustainability Committee.*

## Actions

- Reports of meetings of the Steering Committee held during Sessions of the International Coffee Council have been circulated to Members, most recently, documents ICC-100-9 and ICC-98-4. COSA representatives presented a preliminary analysis of sustainability initiatives in the coffee sector to the Council in September 2008 (see document ICC-101-4). The SCP also submitted proposals relating to the future of the Agreement, which included the concept of a Sustainability Committee, which were circulated to Members and posted on the ICO website.
- Although the Council did not decide to establish a Sustainability Committee, the issue of sustainability is central to the ICA 2007, and is reflected in Article 1 (Objectives). The new Consultative Forum on Coffee Sector Finance (Article 31) will facilitate consultations on topics related to finance and risk management in the coffee sector with a particular emphasis on the needs of small- and medium-scale producers and local communities in coffee producing areas.