

In April, C&C/ spoke to Dr Nestor Osorio, Executive Director of the International Coffee Organization (ICO), and questioned him about a wide range of issues, starting with the ongoing renegotiation of the International Coffee Agreement



Osorio seeks to re-invent the ICO

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Dr Osorio said he foresees a greater role for the ICO in poverty alleviation, channeling funds obtained from organisations such as the CFC

Obviously the most important ongoing debate at the ICO, the future of the International Coffee Agreement (ICA) was discussed by the Working Group on the Future of the Agreement when it last met in March to consider proposals made by Members.

Dr Osorio said he was able to note "positive developments" in the discussions, and what he called "a real will on the part of Member countries to continue co-operation on coffee matters within an International Coffee Agreement, with the participation of producing and consuming countries."

At the time of writing the Group was due to hold a further meeting in May in order to finalize points of agreement for submission to the International Coffee Council, and Dr Osorio told C&C/ that he was confident that the May meeting would be successful and that solutions to the remaining issues would be found at that meeting.

"We made substantial progress in the last two meetings," said Dr Osorio. "Almost 80 per cent of the new agreement is ready. Whether you regard it as a new agreement or a re-shaping of the existing agreement, what is happening is a re-shaping of the organisation, with an increased role for the ICO as a forum for the alleviation of poverty

in coffee producing countries, based on the US proposals to constitute a forum for coffee sector finance." As he noted, in the past five years alone, the ICO had secured around US\$72 million from organisations such as the Common Fund for Commodities (CFC) and other organisations for just this kind of work.

"I foresee that the role of the ICO as an institution with a significant role in poverty reduction will continue to grow under the new agreement, and that the organisation will play an important role in channelling funds to coffee growers who need it most," Dr Osorio told C&C/. "The new agreement will also reaffirm the role of the International Coffee Council, and play a greater role in promoting consumption in future."

Asked what were the remaining problems to be ironed out before the text of the agreement could be completed, Dr Osorio said that, looking at the remaining areas where there might be controversy it was more a question of 'tuning' rather than

major problems. Members had, for instance, already agreed to recognise the role of the European Union (EU) at the ICO whilst individual European countries continued to play a full role, and said he was confident that with the first 2-3 days of the next Council session devoted to the issue, that a final draft of the new agreement could be produced.

In his March 2007 Coffee Report, Dr Osorio said coffee prices in that month had experienced a further downward correction in relation to their level in February. The ICO composite indicator price fell by 3.93 per cent from 104.18 US cents/lb in February to 100.09 US cents/lb in March. Prices were relatively more volatile in March than in the first two months of 2007.

"With regard to the El Niño phenomenon, observations made in March indicate that its intensity has weakened - the Southern Oscillation Index (SOI), which measures the strength of the event, was -1.4 in March compared to -2.7 in February and -7.3 in January," said Dr Osorio, noting that he would, however, continue to monitor devel-

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opments in the event that phenomenon strengthened and began to adversely affect coffee production in susceptible countries.

Climate issues and climate change are of course of major importance to agriculture and crops of all types, and as Dr Osorio noted, were average temperatures to rise by just 2 degrees, countries producing crops such as coffee, cocoa, sugar and

many others could be adversely affected. "However, it is important not to panic," said Dr Osorio. "We are tracking the situation."

Realistic figures

"With regard to world consumption, I am continuing my investigations designed to reduce the discrepancies between different sources of information and arrive at much more realistic figures," said Dr Osorio in his most recent market report. "Although consumption in traditional importing countries is showing signs of stagnation, consumption is growing at a dynamic rate in a number of emerging economies and in some non-member countries. In fact, consumption in importing countries that are not members of the ICO totaled around 20 million bags in 2006. Of these countries, Algeria, Australia, Canada, the Republic of Korea, the Russian Federation, Turkey and Ukraine already have a substantial level of consumption, with prospects for a marked increase."

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According to the latest figures available from the ICO at the time of writing, world consumption in 2006 is estimated at around 118 million bags, of which 31 million bags is accounted for by domestic consumption in exporting countries and just under 87 million bags by consumption in importing countries. On the assumption of a growth rate of 1.5 per cent a year, it can be reasonably expected that world consumption will be around 120 million bags in 2007.

Despite rising consumption in some markets, Dr Osorio reaffirmed his belief that the coffee industry is at unique point in its development and that producers should resist the urge to grow more coffee. Having largely recovered from the recent coffee crisis, today we have what he described as "a very interesting scenario." The situation is, he noted, very different now to 2000-2004, and we have had a third year in which supply has been more or less in line with consumption.

"What is still very important is that there should be no rush to plant new coffee trees," he said. "Certainly, now is the time to begin renovating existing plantations, but we must not forget that the policies adopted today in producing countries will determine prices in 3-4 years from now. We should not forget that in some countries the coffee trees are 30-40 years old and quality has been in decline for a long time. Prices at the levels they are at now give more room for renovation, always assuming that factors outside producers' control, such as currency fluctuations and the Dollar allow this."

One of the most successful of the ICO's initiatives in recent years, the Positively Coffee Programme, looks set to continue to be used extensively by both coffee sectors around the world, and by the general public.

Positive about web site

"In the past year, there have been many new developments," said Dr Osorio, highlighting the fact that the Positively Coffee website is now operating fully in the four ICO languages. "Numbers of page views doubled during 2006 from 8,000 to 16,000 (the number of hits was approximately 10 times greater), and the Positively Coffee website is now itself listed on well over 80 websites via a direct hyperlink (including sites such as Wikipedia).

Positively Coffee newsletters are now also published in all four ICO languages, with two new issues published in 2006. The English print version is distributed to delegates at many coffee events worldwide, and more than 1,000 individuals from 71 countries (60 per cent of whom are from the coffee sector) signed up in 2006.

This year, the Positively Coffee Programme is continuing with the successful strategy used in 2006, namely bringing authoritative information to coffee sectors, globally; developing new and updating existing resources; assisting the coffee sector with the use of materials; funding continues to be supported by both Producer Members of ICO and by Institute for Scientific Information on Coffee (ISIC), with funds secured for 2007 and 2008.

Realistic levels

On the issue of Ochratoxin A, Dr Osorio said the revised EC regulation on OTA will have no impact on the coffee trade, since the situation remains unchanged for coffee and, "as

far as we can ascertain, there are no current plans to change this."

Residual pesticide levels are another important issue, and as Dr Osorio noted, the harmonization of approaches to this issue has been the subject of a long process within the EU. "Coffee had previously been regulated only at national level, with each country having its own system and own list, and disparities between countries' national measures were exceedingly unhelpful to the coffee trade," he explained. "The EU has approached this hugely complex task by setting temporary limits based on an amalgamation of national limits. There are not expected to be any difficulties for the trade, as long as the EU sets realistic levels in line with the potential threat, which is extremely low."

Pesticides are applied to the coffee tree with no transmigration through the roots, and the bean is protected by the cherry. Spot checks by the industry on processed coffee have indicated no detectable traces of pesticides, so the main issue is to prove that there is no problem by establishing the required frequency of such checks. This should not be more than necessary but in line with the actual risk. According to industry sources, only if the coffee is shipped in a contaminated truck or held in a contaminat-

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ed warehouse could there be a problem.

Asked about the EU Customs Code and security of the EU supply chain, Dr Osorio said this issue has been addressed by the European Coffee Federation's Transport & Logistics Committee, which concluded that the impact will not be huge, since the new measures follow the same basic outline as those already in force in the US.

"One of the measures that will affect coffee exporters is the requirement for 24-hour pre-notification. Prior to the loading of cargo on to a vessel, a list of contents must be supplied in electronic format. This requirement has already existed for some years within the framework of the US bio-terrorism regulations, however, for countries without significant exports to the US, mainly African (especially West African), this will be a new phenomenon," Dr Osorio concluded.