



ORGANIZACIÓN INTERNACIONAL DEL CAFÉ ORGANIZATION
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

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Report of the Private Sector Consultative Board on the meeting of 6 March 2013

1. The Private Sector Consultative Board (PSCB), chaired by Mr Ricardo Villanueva of Anacafé, met for the 36th time on 6 March 2013 in London. The Chairman welcomed delegates to the first meeting of the PSCB in coffee year 2012/13.

Item 1: Adoption of the Agenda

2. The PSCB adopted the draft Agenda contained in document PSCB-134/12 Rev. 2, noting that a discussion of coffee leaf rust would be included under Item 12: Other business.

Item 2: Report on the meeting of 26 September 2012

3. The PSCB approved the report of the meeting of 26 September 2012 contained in document PSCB-133/12.

Item 3: Coffee market situation

4. The Head of Operations introduced an analysis of the coffee market situation contained in the February 2013 Monthly Coffee Market Report. He noted that, in terms of a historical perspective, prices were still relatively high compared to the early 2000s. Prices of Arabicas had generally been more volatile than Robustas, with the arbitrage between the two at roughly the same level as April 2009. In terms of exchange rates, currencies in several countries had appreciated, which, along with increased costs of production in almost all exporting countries, had severely diminished the benefits of high prices for coffee growers. Total coffee production for crop year 2012/13 stood at an estimated 144.4 million bags, but

the damage arising from coffee leaf rust in Central America had not yet been taken into account. He noted that an increase in production was anticipated in Colombia to 8.5 million bags, while Mexico had been revised downwards to 4.3 million bags.

5. He reported that the volume of coffee exports had reached a record 113.1 million bags in 2012, although the value had decreased by 9.5% to US\$22.5 billion. This total included a surge in exports of Robustas, but a decrease in Colombian Milds and Brazilian Naturals. This strong level of exports had led to a drawing down of stocks in exporting countries, although it was likely that carryover stocks in Brazil had increased due to their relatively low exports. In terms of consumption, demand had been strong over the previous ten years, with total consumption in 2012 initially estimated at around 142 million bags, with most of the growth coming from exporting countries and emerging markets. Retail prices had increased in many countries in 2011, but were starting to come down slightly in 2012. Finally, he showed consumption projections to 2020 using three different growth rates, summarizing that demand was increasing by around 2.5 million bags per year on average. The Board took note of this information, along with document WP-Council 233/13, containing a final production estimate of the Brazilian coffee crop for 2012/13 and a first estimate for 2013/14.

Item 4: Coffee Quality-Improvement Programme (CQP)

6. The Head of Operations introduced document PM-22/13, containing gradings results for Arabica and Robusta coffee, and document PM-23/13, containing a progress report on the implementation of the Coffee Quality-Improvement Programme (CQP). He noted that both of these documents had been rewritten to make them simpler and more concise. The total volume of green coffee exported in 2012 by the 23 exporting countries providing information on quality amounted to 68.3 million bags, equivalent to nearly 70% of all exports. In terms of gradings, the pass rate for Arabica coffee had peaked in 2009 at 87.3% before falling to 78.9% in 2012. Furthermore, the percentage pass rate for cup quality had increased from 73.8% in 2005 to 77.5% in 2012. For Robusta coffee, 9 million bags, or 49.6%, had fallen below the standards set out in Resolution 420. Around 450,000 bags had been graded 'P' for premium, mostly from Vietnam and India. The highest volume of rejections had come from Vietnam, followed by Côte d'Ivoire.

7. It was noted that these two reports provided slightly contradictory information, in that more coffee was falling below quality standards, yet on the exchanges it seemed that standards had increased. This could possibly be attributed to changes in the way gradings were judged on the exchanges. It was agreed that more work should be done on these documents to make them more meaningful. The Board took note of this information.

Item 5: Coffee and health

8. The delegate from ISIC provided an update on the HCP-CEP programme. The financial involvement of ISIC had now ended, with national programmes expected to be self-sufficient. He reported that the programme had been a very successful exercise, with appreciation of coffee and awareness by medical professionals significantly increased. He reminded the Board that this would not automatically lead to higher consumption, but rather that it aimed to remove an obstacle to increasing coffee consumption. Furthermore, even though financial support by ISIC had ended, it had not stopped all activities, but continued to support research into coffee and health, with a number of studies currently ongoing.

9. The Board took note of this information, and also noted that the issue of using the Special Fund for coffee and health programmes was to be considered by exporting Members during the Council Session.

Item 6: Coffee consumption

10. The representative of the ECF made a presentation about the German 'Coffee Day', which had been running since 2006. On this day, various events and activities were organized to show the diversity of coffee and inform consumers about the beverage. Its key message was that coffee is a multifaceted product which represents lifestyle and modernity as well as tradition, enjoyment and sociability. It also helped to create news for the press that would otherwise not write about coffee in general. This approach had been highly successful, generating around 300 media articles on coffee. Social media were also targeted in the campaign, which had yielded very positive results. The representative suggested to the Board that the ICO could create an international coffee day to increase awareness of all aspects of coffee and to celebrate coffee worldwide.

11. The delegate from AJCA reported that there was also a national coffee day in Japan on the 1st October, which was used to disseminate information on coffee through the media, in cooperation with private sector companies.

12. The representative from Rusteacoffee made a presentation on coffee consumption in Russia, noting that in 2000 the ICO had approved a programme of coffee promotion in Russia and China. Consumption has since increased to 3.6 million bags, or 0.8 kg per capita, although this was still relatively low compared to global demand. Most of this growth had come in the roast and ground segment. Value had grown more significantly, to reach US\$2.5 billion in 2011. Instant coffee was still the biggest segment, but its share of the

market and popularity were decreasing. He also noted that in Russia the supermarkets were very powerful, dictating prices to growers, who often had to operate at a loss. This had led to a decrease in coffee quality in Russia. In terms of prospects, he reported that growth in coffee consumption would depend on prices and growth in sustainable income.

13. The Board took note of this information, and agreed to make a recommendation to the Council that the ICO consider initiating an International Coffee Day to celebrate and publicise the benefits of coffee consumption.

Item 7: Food safety aspects

14. The Secretary introduced document ICC-110-3 Rev. 2 on Maximum Residue Limits (MRLs), which contained a report on replies received from Members as well as one former member, Japan. The report consolidated the information received to provide a database of 504 chemicals, showing the MRL in each country where such information was available. The Board noted that several exporting countries had experienced difficulties regarding MRLs, which varied between countries, and in some cases were set at very low levels. The Board agreed to recommend to the Council that the ICO monitor this issue further and advise on any developments.

15. The representative of the NCA gave an update on litigation in California resulting from Proposition 65. He noted that this had slowed down recently as the plaintiff had filed for a summary judgement. This was currently under consideration, and the defendants were preparing to mount a vigorous defence should the case go ahead. He also reported that this was likely to continue to be an issue in the future, and the industry needed to make sure it was prepared for an ongoing legal battle.

16. The delegate from the ECF updated the Board on developments in food safety in the EU. Regarding the issue of acrylamide, the European Council had requested EFSA to conduct a new safety assessment, and would publish its report in September 2013.

17. The Secretary gave an update on EU regulations on labelling of origin. During the 109th Council Session in September 2012, Members discussed the issue of phytosanitary matters and requested more information about Regulation (EU) No. 1169/2011 published in November 2011 which dealt with labelling of origin. The Regulation was due to come into force in 2014 and could have implications for producing countries. The Executive Director had written to the EU to request a report on this topic so that background information could

be made available to producing countries. The representative of the EU had also been in touch with DG Sanco to ask a representative to attend the Council Session and report on this matter, although nobody was available to attend.

18. The Board took note of this information.

Item 8: Jute bags

19. The Head of Operations gave an update to the Board on document ED-2140/12 containing a letter from the International Jute Study Group (IJSG) with respect to the importance of using approved food-grade materials in the production of jute bags and requesting information from Members on food-grade jute bags. Replies from Colombia and Ecuador had been received and forwarded to the IJSG.

Item 9: Consultative Forum on Coffee Sector Finance

20. The representative of the NCA informed the Board that the next Consultative Forum on Coffee Sector Finance would take place in September 2013 in Belo Horizonte, Brazil with the theme of aggregation. A Working Group has been formed to focus on the details which will work intersessionally. Furthermore, he introduced documents ED-2146/12 and CG-7/13 containing information on the studies on risk and finance in the coffee sector being prepared by the World Bank.

Item 10: Certification and sustainability

21. The Head of Operations introduced document ICC-109-14 containing a report of the Seminar on the economic, social and environmental impact of certification on the coffee supply chain, and gave a summary of its key points. The delegate from GAEKI noted that there was a speaker from Indonesia at the Seminar who spoke about domestic national certification schemes, and that the response to these national initiatives was generally very positive.

Item 11: Association Management Issues

22. The representative of the NCA gave a presentation entitled "We have always done it that way", based on the book *101 Things About Associations We Must Change*. The presentation focused on change in three areas: changing the way we lead, changing the way we think and changing the way we involve others. It was recommended that strategic planning should be separated into the different components of a stable strategy and a more

flexible plan. The Board was also advised that eliminating committees could be a simple high impact idea for all associations, and that they could be replaced with collaborative groups which do not produce reports, but rather stimulate discussions.

Item 12: Other business

23. The Board noted that South Korea was currently initiating the process of forming a private sector association to represent the Korean coffee sector.

24. The Board discussed the issue of coffee leaf rust affecting Central America. In Guatemala, rust had affected almost 70% of plantations, damaging 60% of production. The consequences were likely to be seen more strongly in the 2013/14 crop year, with production falling from 3.8 million bags to between 2.8 and 3 million bags. Agrochemicals had been applied to the crop, but the rust was still evident after treatment. It was noted that there were likely to be severe social consequences from this outbreak, as most coffee was produced by small producers, who would be unable to meet their financial commitments.

25. The representative from PROMECAFE reported on the situation in the PROMECAFE area, where around 600,000 hectares out of a total of 1 million had been affected by rust. Two million people in the region worked in coffee, of which some 500,000 would likely be out of work. The 2012/13 crop was expected to lose around 2.5 million bags, worth some US\$600 million, due to rust. For 2013/14, these figures could be expected to double. The economic and social impact on the region was therefore likely to be immense. The representative also emphasized that this outbreak would have long-term implications for coffee production in the region, and cooperation with other producing countries and multilateral institutions was needed as a matter of urgency.

26. It was also reported that coffee leaf rust had implications for consumers, given the potential loss of industry clusters focused on the production of Washed Arabicas in Central America. If these were replaced by supplies of Brazilian Naturals and Robustas, then the future supply of Washed Arabicas could be severely threatened.

27. The Board took note of these updates, and agreed to recommend highlighting the economic and social impact of coffee leaf rust in Central America to the Council.

Item 13: Interaction between the PSCB and the Council

28. The Board agreed to make several recommendations to the Council, including creating an International Coffee Day to celebrate coffee globally; monitoring developments in MRLs for coffee; recognising the merits of national certification schemes, such as the one in Indonesia; and emphasizing the economic and social impact of the outbreak of coffee leaf rust in Central America.

Item 14: PSCB representatives and office holders

29. The Chairman reminded Board members that representation on the PSCB for the next two coffee years would be considered by the Council in September 2013. He asked PSCB members to advise their Member Governments if they are willing to be reappointed, so that a list of nominees could be circulated in good time for the September meetings.

Item 15: Future meetings

30. The PSCB noted that the next meeting would take place in Belo Horizonte, Brazil during the 111th Council Session from 9 to 12 September 2013.

List of acronyms used in this report

AJCA	All Japan Coffee Association
CQP	Coffee Quality-Improvement Programme
ECF	European Coffee Federation
EFSA	European Food Safety Authority
EU	European Union
GAEKI	Indonesia Coffee Exporters Association
HCP-CEP	Healthcare Professions – Coffee Education Programme
ICO	International Coffee Organization
IJSG	International Jute Study Group
ISIC	Institute for Scientific Information on Coffee
MRLs	Maximum Residue Limits
NCA	National Coffee Association
PSCB	Private Sector Consultative Board