

50
years



**INTERNATIONAL
COFFEE
ORGANIZATION**

**STATEMENT BY MR ROBÉRIO OLIVEIRA SILVA,
EXECUTIVE DIRECTOR OF THE INTERNATIONAL COFFEE ORGANIZATION
50TH ANNIVERSARY
BELO HORIZONTE (BRAZIL)
9 SEPTEMBER, 2013**

First of all, I would like to convey my warmest appreciation and gratitude to the Government of Brazil and the Government of the State of Minas Gerais for having honoured the International Coffee Organization by welcoming the world coffee community to commemorate the Organization's fiftieth anniversary in Belo Horizonte. In this happy occasion, I want to commend the work of an institution that remains fully committed to achieving a more transparent and balanced international coffee market, anchored on the tenet of international cooperation.

Although the socio-political environment that gave birth to the Organization has changed dramatically, moving away from a post-war consensus that made possible the successful provision of economic clauses in the International Coffee Agreement to a slightly more chaotic multipolar world in terms of competing agendas and centres of power, the need for dialogue remains more crucial than ever. The issues faced by the global coffee industry are too crucial to be left un-tackled, hoping that the market alone will be able to solve the dilemmas of scarce resource allocation, rural poverty alleviation, the fight against environmental degradation, the preservation of diverse origins, and many other pressing questions that must be accounted for when looking at the future of our industry.

The old consensus found a way of reducing poverty and bringing order to a volatile market, a not negligible contribution towards a more secure and stable market.

Today we face equally daunting challenges that must be addressed, albeit firmly rooted in the economic, social and politic realities of our times. We do not look back to our past with nostalgia for a by-gone era of export quotas and hard-wired market intervention, but rather as a source of inspiration in the belief that human agency can be harnessed to bring about meaningful solutions in our present times. Even though the coffee industry as a whole managed to navigate rather successfully the financial crisis of 2008, the current steep fall in prices risks once again creating the conditions of a coffee crisis not unlike the one seen at the turn of the century.

It is in this light that the coffee sector has come to realise that the ICO is well placed to undertake multiple forms of international cooperation which could be beneficial to the sector and produce positive economic results. This perception is reflected in the changes in the Objectives of the Agreement from the 1994 Agreement to the current 2007 Agreement. It has led to very different terms of reference for the second half of the life of the ICO, from 1990 to date.

Today, the ICO has adopted a Strategic Action Plan based on four strategic goals: Serving as a forum for the development of policies and solutions to strengthen the global coffee sector; enhancing transparency of the coffee market; encouraging the dissemination of knowledge; and promoting the development of a sustainable global coffee sector. The organization is working hard to streamline its operations and comply with the requirements of the information age we live in. I can confidently say that it is about to embark in the most ambitious reform plan it has seen over the 50 years that have elapsed since its creation, always with the explicit aim of better serving the requirements of its Members and those of the larger global coffee community.

A concrete example is the commitment undertaken by the world's four biggest roasting industries to increase their purchases of certified coffee, with the specific target of increasing world sales of sustainable coffee from the present level of 8% to 25% by 2015.

The challenges that the ICO will face in both the short and long term are derived from the main issues facing the coffee industry globally, directly linked to sustainability in its three aspects: economic, environmental and social.

- **Economic:** Issues such as price volatility and economic uncertainty have been of long-standing concern, but remain a crucial aspect of the ICO work plan. Focussing on risk management and economic sustainability will remain at the forefront of the ICO's activities. For this reason, the ICO is committed to establish itself as the statistical benchmark for the industry, operating as an information centre that provides consolidated figures on production, consumption, exports and stocks. The coffee sector is unique amongst the universe of soft commodities for presenting a wildly divergent picture when contrasting the various estimates and projections coming from the most respected analysts. This can only contribute to greater distortions in understanding the market, potentially enhancing the divorce between the fundamentals and speculative behaviour we all wish to avoid. As concrete steps towards this task, we have begun a coffee round table on statistics with a select group of leading analysts from industry and research institutions to discuss and compare our results in a spirit of collaboration and good faith. This is an on-going activity that will bear its fruit in the mid and long term.

Parallel to this work, we have put together the first Global Coffee Outlook Report, with the idea of offering to our Members and the general public a comprehensive overview of the coffee sector over the past 50 years and the past, current and future prospects of prices, supply, demand and stocks, as well as some of the key issues pertaining to the sustainability of the coffee industry.

- **Environmental:** The ICO has aimed at establishing itself as a focal point of dissemination of pertinent information on the challenges faced by the world coffee sector in the face of environmental concerns. In particular, we are paying special attention to the effects of climate change and its consequences on present and future supply. We are currently collaborating with the Coffee&Climate Initiative to enhance our outreach in this field and potentially host its toolbox, allowing coffee farmers around the world a practical guide on adaptation to the climate change and mitigation of its harmful effects.
- **Social:** The majority of coffee-growing countries, and therefore ICO members, are developing countries, whereas importers are overwhelmingly developed countries. A key tenet of the ICO programme of activities is focused on poverty eradication, promoting value addition in developing countries and how to contribute towards achieving the Millennium Development Goals (MDGs).

In this respect, the Organization has been working in partnership for over 17 years with the Common Fund for Commodities, serving as bridge for the allocation of resources for coffee development projects. Recently, the Fund has severely curtailed its funding capacities, and in response we are putting together a radical transformation of the way in which the ICO handles its communications and public relations, with the view of strengthening its outreach when seeking sources of funding for these projects that must continue to benefit our Members. Hand in hand with the strengthening of the supply chain through projects, the new communications plans will also allow the ICO to promote coffee in a generic, pre-competitive manner.

Having presented an outline of the strategic areas of work for the organization, allow me to comment on the worrying situation of low prices we are currently witnessing and that makes ever more relevant the action of the ICO. Although the present situation is mainly due to a perceived over-capacity in coffee production, it must be noted that the world coffee market is characterised by a high degree of volatility, marked imperfections and asymmetries.

At the beginning of the previous decade, the value chain was perceived as progressively evolving to the detriment of producing countries, as not functioning in a balanced way and as resulting in a sharp decline in the share of earnings received by those countries. Then from June 2010, prices experienced a recovery in the international markets, providing a much welcomed return to profitability for producers across the globe. Today however, a return to below cost of production prices for many producing countries has reminded us of the inherent volatility of the coffee market, and requires that we look at strategies for managing the structural imbalances in the world coffee chain.

With production costs becoming more rigid as a consequence of greater economic, social and environmental sustainability, and with higher costs required to combat diseases such as coffee leaf rust which is now affecting a number of producing countries, we can expect greater instability in production over the next few years.

We must consider concrete actions to permit the long-term survival of world coffee production through improvement of quality and the promotion of consumption in particular; increased competitiveness; investment in human capital; and attention to the challenges of a changing environment. The ICO in its 50th anniversary is proud to renew its commitment to work for the betterment of the world coffee sector as the focal of international cooperation on all coffee trade matters.

Thank you.