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**Statement by the Executive Director of
the International Coffee Organization,
made at the opening ceremony of the
125th Session of the Council**

Ms Stefanie Küng, Chair of the International Coffee Council
H.E. Mr Pablo Anliker, Minister of Agriculture and Livestock of El Salvador
Excellencies, distinguished delegates, colleagues, ladies and gentlemen,

Welcome to the 125th Session of the International Coffee Council and related meetings, which are being held here at the seat of the International Maritime Organization.

When the International Coffee Council last convened here, in September of last year, the attention of all coffee stakeholders was focused on low prices. In fact, the ICO composite indicator price stood at just over 98 US cents/lb on the last day of that meeting. Despite two brief rallies since then, today, twelve months later, the ICO composite price is almost unchanged. So, the price crisis continues and few grounds for a swift reversal of the situation can be seen on the horizon.

For most growers, current prices are insufficient to cover their production costs. The consequences of this situation are stark: reduced use of inputs, leading to decreased output and lower quality; food insecurity; rural impoverishment; social unrest, increased migration to urban areas and abroad; and a host of other social issues.

But today we are gathered to mark a strong, significant and effective change from the past: we are here to act together: to help farmers and their families and the whole coffee sector to show its values, do better, to help all those involved in coffee to earn a decent income, to safeguard the environment and expand demand and markets. We are all together this week in London: those who grow coffee, those who import coffee, those who process and sell it, and those who help development and sustainability, in order to align our positions and obtain funding to be more effective and impactful; we share values and we share responsibilities.

Let me recall how we reached this turning point. In September of last year, you Members expressed your grave concern about low prices by approving Resolution 465, which assigned a number of tasks to the Organization. Specifically, the Resolution instructed the ICO “to promote dialogue among all stakeholders in the coffee value chain to ensure the economic sustainability of the coffee producers” and also “urged the Executive Director to further strengthen ties with the international roasting industry as a matter of urgency, in order to gain support for the implementation of this resolution.”

In essence, the decisions contained in your Resolution can be classified into four categories:

1. To promote a dialogue that includes all stakeholders in the coffee value chain, especially the roasting industry, in order to identify solutions and concrete actions to alleviate the short-term impact of low prices on producers and to achieve a sustainable coffee sector in the long term;
2. To increase transparency and produce high-level and relevant independent research and data on topics relevant to the crisis;
3. To implement advocacy measures, including a communications plan focused on consumers, to call attention to the plight of coffee growers all over the world; and
4. To promote the consumption of coffee, especially in coffee-producing countries.

This is what we accomplished, with very limited resources but with a lot of enthusiasm and dedication.

The first responses of the ICO to this ambitious mandate were seen in the 124th Session of the Council, held in Nairobi in March. At that time, we presented important research studies on the impact of the coffee price crisis on growers, as well as an analysis of coffee futures markets and the role of speculators. In addition, the ICO, in partnership with the Global Coffee Platform and the Kenyan government, organized a seminar on “Coffee: How sustainable is our future?”

This seminar was the first of five consultative events designed to lay the foundations for the structured sector-wide dialogue called for by Resolution 465. It was followed by four other meetings, held in New York, Rome and Brussels, which were organised in partnership and with the support of Member countries, the coffee industry and the international development community.

These consultative events served to assess the sustainability challenges faced by coffee stakeholders and to identify actionable solutions based on best practices that are scalable, as well as new and innovative approaches, while also learning from solutions developed in other similar commodities. More than 80 experts presented their views to over 2,000 participants:

an unprecedented global consultation never done before in the coffee sector. Let me stress two points. First, the industry itself and some countries responded to our call and provided us with ad hoc voluntary resources to supplement the limited regular budget provided by members. Secondly, we managed to successfully organize five events, in addition to our already heavy workload and the two annual Council meetings. This unprecedented effort shows the commitment and dedication of my staff.

But we did not limit ourselves to holding consultations. Over the last three months, we have moved to a phase of consensus building, in which the solutions identified through the Dialogue and the five events have been reviewed individually with key stakeholders in order to establish a common ground on which actions should be prioritised, to map individual responsibilities for industry, governments and other stakeholders, and to identify areas for collaboration between actors and resources.

The culmination of this sector-wide dialogue is today's event, the first CEO and Global Leaders Forum, where a joint declaration of intent with concrete actions and a roadmap for implementation will be agreed upon and signed. I am gratified by the overwhelming response to our call to action from stakeholders throughout the coffee value chain and look forward to a productive meeting.

And we are here today to mark another innovation and evidence of our strong commitment. While conducting this structured sector-wide dialogue, the ICO staff has also been hard at work in laying the analytical foundations for future actions in the form of our first annual flagship report: the 2019 Coffee Development Report. It contains an in-depth and independent assessment of possible actions to address the economic challenges faced by the world coffee sector and to foster its long-term sustainability. The full Report will be released on October 1st, International Coffee Day. Meanwhile, we are providing Members with an exclusive Overview of the Report's most important findings.

The report is structured in two main sections.

The first section assesses market fundamentals as well as other factors determining price levels and volatility. The current coffee price crisis is contextualised within a wider framework that links the commodity price cycle with development indicators at farm, regional and country level.

Market opportunities for farmers that result from the overall growth of the coffee sector are evaluated in relation to more equitable growth. The comparison of the current price crisis with previous slumps in the coffee market highlights important differences that define the scope for potential action.

Key findings in this section include:

- coffee is economically important, but the cyclical nature of the market is a challenge for farmers and producing countries;
- current low coffee prices are primarily the result of excess production, but non-fundamental factors can also affect price levels;
- speculation in coffee futures markets can intensify price movements;
- concentration on the buyer side is increasing, but a link with price levels remains unclear and requires further analysis;
- long-term trends in real coffee prices are negative in some countries;
- price volatility is not on the rise but remains at a critical level;
- spatial concentration of production means less diversity of origins and increased supply risks;
- over 90% of coffee is exported in green form and value addition remains concentrated in importing countries;
- phases of boom and bust are a recurring theme in the coffee market but the sector has changed since the previous coffee crisis;
- the existence of new opportunities related to innovation and new technologies;
- markets are changing and the demand for coffee is expected to keep growing, while long-term sustainability will be affected by climate change; and
- finally, the analysis quantifies how an economically viable coffee sector in producing countries makes a crucial contribution to achieving the Sustainable Development Goals. This includes reduction of poverty and inequality, increased food security as well as social and political stability.

The second section of the Report analyses concrete actions that coffee stakeholders, both public and private, can implement to address the impact of low coffee prices in the short term. It also highlights actions in the medium and long terms that can effect transformational change towards a global sector that is competitive, fair, inclusive and environmentally friendly.

By considering trade-offs and barriers to implementation, the Report prioritizes solutions that are effective and scalable.

The priority solutions and enabling factors identified in this Section include:

- enhancement of market transparency by collecting and assessing costs of production and living income benchmarks and through upgrading of existing market information systems;

- adoption of responsible sourcing practices;
- creation of a level playing field for the industry on trading practices and ensuring the efficient functioning of futures markets;
- achieving a more balanced market;
- promotion of competitive and sustainable coffee production through viable and scalable service delivery models and a level regulatory playing field on production practices;
- development of financial mechanisms that extend access to finance and enable strategic investments; and
- promotion of a multi-stakeholder dialogue, alignment and learning.

I consider this second section of the Coffee Development Report to be a “toolkit” that contains a variety of possible approaches to the price crisis, categorized according to the capacities of the actors responsible for implementation. This also responds to the concerns many of you expressed last year, namely: What are the viable and mutually agreeable solutions?

The section closes by articulating stakeholder roles and responsibilities. In our case, these include enhancing transparency through market promotion, benchmarking of production and living costs, and, above all, coordinating the activities of stakeholders in a multi-stakeholder dialogue. We will work hard on these fronts in coming months.

This summary does not do justice to the study, which I consider to be the most comprehensive analysis of the world coffee sector in many years. I urge you all to read the entire document with great attention when it is released.

The third category of actions in response to Resolution 465 is the implementation of advocacy measures, including a communications plan focused on consumers, to draw attention to the plight of coffee growers all over the world. With this objective, this year’s International Coffee Day campaign focuses on the need of coffee farmers around the world to earn an income that enables them to live decently and with dignity, thereby achieving economic sustainability.

This innovative campaign is targeting consumers in particular in order to increase their interest in the coffee sector and thereby stimulate consumption and to show solidarity with the coffee farmers and their families. To mobilize and capture the voice of consumers, we have produced a great video called “Listen to coffee”, to show people all the hard work that lies beyond their cup of coffee and to project a positive image to stimulate consumption. Moreover, we are addressing consumers by encouraging coffee drinkers and all actors to sign

the [#coffeepledge](#) in support of a living income for coffee farmers. Our aim is to use this weight of consumer opinion to support the ICO's efforts to mobilize funds and political backing to address effectively the coffee price crisis.

The fourth component of the ICO's response to Resolution 465 is the promotion of consumption. As well as the International Coffee Day campaign that I have just mentioned, this week we will examine the results of the survey on the updating of the Step-by-Step Guide to Promote Coffee Consumption in Producing Countries, as well as reports on the implementation of promotional campaigns using resources from the ICO Special Fund in Central America and Africa.

In addition to the implementation of Resolution 465, during the week delegates will have the opportunity to benefit from other important elements of the Organization's work.

Tomorrow morning will be marked by the 9th Forum on Coffee Sector Finance, whose theme will be "Responding to the coffee crisis by effectively managing price risks in the coffee value chain". The event aims to explore how innovative and market-based approaches can improve farmers' resilience against price volatility and price shocks – especially for the most vulnerable group of smallholders and female producers – and how risks can be shared more equally among all links in the value chain, including roasters, traders and input providers.

On Thursday, to mark another significant novelty, we will announce the winner of the first edition of the ICO Award for Excellence in Coffee-Related Research, whose objectives are: promotion of high-quality economic research on coffee-related issues; engagement of young economists and researchers in the assessment of economics-related issues affecting the coffee sector; generation of innovative approaches to address development-related issues in coffee-producing countries and the contribution of the coffee sector to the Sustainable Development Goals; and stimulation of debate in the area of sustainable coffee value chain and international development. The panel of distinguished judges was extremely impressed by the high quality of the submissions received and I look forward to this Award becoming a regular fixture of the world coffee calendar in the future.

As requested by delegates in Nairobi, we will also be hosting, on Wednesday, a Workshop on the Role of Futures Markets, in which a representative of the Intercontinental Exchange, responsible for the administration of both the New York and London coffee futures markets, will help shed light on this important, although controversial, instrument for risk management.

In addition, we will be holding regular meetings of ICO advisory bodies to discuss the latest developments in coffee statistics, development projects and promotional activities, as well as examining proposals for the future of the International Coffee Agreement.

At the same time that we are here debating the sustainability of coffee, we should not forget that the United Nations is holding its Climate Action Summit on the other side of the Atlantic. We must not let our focus on economic sustainability lead us to ignore the formidable challenges posed by climate change in the long term, even though low prices discourage the investments necessary to deal with this threat.

Returning to today's event, I am delighted by the presence of so many distinguished representatives of the coffee value chain, especially those from the private sector. This is a powerful demonstration of the ICO's unique convening power as a neutral platform for the discussion of the most pressing issues facing the world coffee sector. I look forward to a very productive day.

Finally, I would like to thank all of those who made this meeting possible and supported the sector-wide dialogue, including: our hosts, the International Maritime Organization; the European Coffee Federation; the National Coffee Association of USA; the Global Coffee Platform; the Sustainable Coffee Challenge; the International Fund for Agricultural Development; the governments of Kenya, Italy and Germany; and the European Commission. I would also like to thank the All Japan Coffee Association, the Ernesto Illy Foundation and the European Union Delegation to Rwanda for helping make possible the International Coffee Day campaign.

Above all, I would like to pay a heartfelt tribute to the staff of the ICO, who worked so hard all year to take us to a higher level in very challenging circumstances.

Distinguished delegates, ladies and gentlemen,

We have come a long way in the last twelve months. I look forward to the results of today's Forum and of the week as a whole. Although significant progress has been made, we are still a long way from achieving our ambitious target of achieving a coffee sector that is truly sustainable. In the words of Winston Churchill after the battle of El Alamein, a turning point in the Second World War: "This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."

Let us all continue to work hard in our respective areas of competence and reunite in one year's time, in Bengaluru, India, during the World Coffee Conference, under the able stewardship of Mr Anil Bhandari, the India Coffee Trust and the Coffee Board of India, to take stock of the progress made over the next twelve months. I am confident that we will then have even more cause to celebrate.

Thank you.