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**Review of themes raised
in the World Coffee Conference**

Report of the Executive Director

Background

1. The World Coffee Conference took place in Guatemala City, Guatemala, from 26 to 28 February 2010, and had as its theme ‘Coffee for the future: Towards a sustainable coffee sector’. Individual presentations are available on the ICO website (at http://dev.ico.org/wcc2010_presentations.asp), and on a CD-ROM which will be distributed to the Council in September 2010.

2. This document presents the key challenges that speakers identified as facing the world coffee sector. It contains a summary of cross-cutting issues and is not intended to summarize individual presentations. It should further be noted that not all the points are universally applicable to the same degree, as conditions in producing and consuming countries are very diverse. Therefore, interested parties are encouraged to explore the contents of each presentation in greater detail than is possible in this document.

3. In March 2010, the Council noted that Members would need to evaluate the conclusions and recommendations arising from the Conference and decide which elements should be reflected in the draft strategic action plan for the 2007 Agreement. The Annex contains information on how issues are currently reflected in the Strategic action plan of the Organization.

Action

Members are invited to put forward proposals for incorporation of ideas into the draft strategic action plan and the annual programme of activities for 2010/11 (document WP-Council 200/10 Rev. 1).

REVIEW OF THEMES RAISED IN THE WORLD COFFEE CONFERENCE REPORT OF THE EXECUTIVE DIRECTOR

The Conference theme was considered to be timely and efforts to address the three pillars of sustainability (economic, social and environmental) were important for the future of the world coffee sector. Several speakers noted regional challenges, especially the need to revitalize the coffee sector in Africa.

I. SUPPLY

The outlook for world supply presented in the Conference recognizes the existence of significant challenges to producers in the future. The most important areas of concern include:

1. Economic and policy environment

The coffee sector operates in a wider economic environment, where issues such as the provision of adequate infrastructure, access to competitive interest rates and fluctuations in exchange rates can have a significant impact on economic sustainability in producing countries. In addition, not all countries have a clear policy towards the coffee sector and its sustainability. Since coffee is a perennial crop and changing to other crops is difficult, public support must be permanent in nature and has a long payback period. There is a need for dialogue and cooperation to develop coherent and coordinated policies and strategies to address global economic, social and environmental challenges, such as sustainability and climate change.

Conference suggestions:

- In the light of current economic and political environment, re-analyse coffee policy to achieve appropriate policy mix, especially regarding roles of public and private sectors and encouraging partnerships between them.
- Improve institutional coordination and support of the coffee sector (look at responsibilities of national, international, private sector and non-governmental institutions).
- Make public investments in infrastructure (e.g. water-sourcing, post-harvesting, logistics, pollution treatment, etc.) and coffee rehabilitation/development programmes.
- Public support programmes should seek to protect the livelihoods of the most vulnerable.
- Pursue pricing policies that increase share of export revenues to growers.

- Producing countries need to develop plausible sustainable coffee strategies that are part of comprehensive land use strategies.
- Contribute to discussions on future role and strategy of the Common Fund for Commodities (CFC).
- Need for international community to formalize commitments for provision of assistance to fill gaps left by existing funding and extension areas.
- Potential for improved efficiency in design and implementation of technical assistance projects among project donors and developers – an area where the ICO and the CFC could assist.
- Major donors such as the European Union, the United States Agency for International Development (USAID), etc. provide support to the coffee sector – explore cooperation/synergies for investments to assist producers.
- Disseminate Government policies on sustainable development.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 4, 7, 19 and 21.

Comment: The ICO maintains permanent contact with relevant international bodies, such as the CFC, the Food and Agriculture Organization of the United Nations and the United Nations Conference on Trade and Development. A study on relationships between indicator prices and economic variables will be presented to the Council in September 2010.

2. Basic and applied research

Among the issues that need to be addressed are: mapping of the coffee genome; conservation of genetic diversity and biodiversity; methods to manage pests and diseases; development of new varieties that are resistant to pests and diseases as well as better adapted to climate change; increases in yields; improvement in coffee quality; alternative uses of coffee by-products; reduction in the use of water in cultivation and post-harvest processing; measurement of the carbon and water footprint of coffee cultivation; and food safety.

Conference suggestions:

- Need for actions to reduce losses from weather changes and from increases in pests and diseases such as the coffee berry borer and coffee leaf rust.
- Urgent implementation of global coffee genetic resources, conservation initiatives and other sustainability initiatives to conserve unique the coffee germplasm base in Africa.
- Development of varieties to adapt to climate change with greater resistance to drought, high temperatures, pests and disease – for example, concentrating on improving yields would reduce pressure on forest resources.

- Promote timely and relevant scientific and technological developments/innovative developments such as competitiveness programmes.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 4, 14, 16, 17 and 19.

Comment: The Organization maintains ongoing contact with institutions involved in scientific research on coffee, especially the Association for Science and Information on Coffee (ASIC). With regard to basic research, the ICO is supporting efforts by the International Coffee Genome Network to develop a programme of work for the coffee genome with long-term benefits for the coffee industry. Several projects have been approved by the ICO but have not found the required funding because of the policy of the CFC not to fund projects involving basic research. This highlights the importance of broadening sources of project finance (see priority action 14). In the field of applied research, relevant ICO projects include CFC/ICO/40 'Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries', CFC/ICO/06 'Enhancement of coffee quality through prevention of mould formation' and CFC/ICO/02 'Integrated management of the coffee berry borer'. Seminars on topics such as the 'Coffee Berry Borer' (2009) and 'Genetically Modified Coffee' (2005) have also been held.

3. Capacity-building and strengthening of institutions and support services

In many coffee producing countries, the move towards a more liberalized marketplace in recent years has been accompanied by the dismantling of institutions and much-needed support services for growers (such as training, education, crop forecasting and technical assistance). Support is needed to improve access to markets and strengthen farmers' organizations in order to enable individual farmers, especially smallholders, to take advantage of the benefits of collective action. This capacity needs to be rebuilt or upgraded as appropriate.

Conference suggestions:

- Improve coordination between all agents in the coffee chain.
- Share information and lessons learned on successful models of organization at local, national, regional and international levels.
- Improve technical assistance services. Producers need technical support in areas such as implementing better management and marketing practices associated with quality, technical and sustainability requirements, enhancing opportunities for pursuing diversified livelihoods, strengthening producer organizations, improving access to credit and risk management tools.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 4, 12, 14, 15, 16, 19 and 24.

Comment: Relevant ICO projects include CFC/ICO/46 ‘Competitive coffee enterprises programme for Guatemala and Jamaica’, CFC/ICO/31FT ‘Building capacity for coffee certification and verification in Eastern Africa’, CFC/ICO/43FT ‘Enhancing competitiveness of African coffee through a value chain analysis’ and CFC/ICO/16 ‘Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters’. In addition, Members make regular reports to the Council on national coffee policies, in order to help disseminate best practices in this area.

4. Good practices

Significant scope exists for enhancing the sustainability of coffee farming by adopting better farming and eco-friendly techniques, including: better fertility through use of best agronomic practices; terracing and other methods of erosion control; improved harvesting techniques; mechanization; adaptation and mitigation strategies to compensate for the effects of climate change; and integrated pest and disease management. More efficient post-harvest processing could also improve the income of farmers.

Conference suggestions:

- Improve technical assistance, such as effective extension services and transfer of technology to help producers improve yields, productivity and competitiveness.
- Make greater use of mechanized harvesting techniques to improve labour productivity – when appropriate.
- Improve post-harvest processing by increasing processing at wet mills and making wet mills more efficient, including cleaner technology to reduce water contamination.
- Encourage the definition and adoption of agronomic best practices for sustainable coffee growing for different regions (more efficient varieties; plant nutrition; integrated pest and disease management; rejuvenation and pruning; weeding; water management; mulching; and erosion control).
- Support producers to process and grade coffee properly in order to enhance quality.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 4, 12, 14, 15, 16, 19, 21 and 22.

Comment: Relevant ICO projects include CFC/ICO/22FT ‘Coffee processing study – Rwanda’, CFC/ICO/22 ‘Improving coffee quality in East and Central Africa through enhanced processing practices in Rwanda and Ethiopia’, CFC/ICO/05 ‘Robusta quality and marketing improvement by optimal use of coffee terroirs’, CFC/ICO/11 ‘Pilot rehabilitation

of the coffee sectors in Honduras and Nicaragua’, and CFC/ICO/06 ‘Enhancement of coffee quality through prevention of mould formation’ as well as initiatives related to the control of pests and diseases including coffee berry borer, white stem borer, coffee leaf rust and Wilt.

5. Diversification and multi-functionality

In order to avoid overdependence on a single commodity, coffee growers should seek complementary sources of income from other crops, livestock and activities such as ecotourism.

Conference suggestions:

- Provide public support for cultivation of associated crops.
- Initiate support programmes to assist uncompetitive farmers to find alternative livelihoods.
- Countries must find ways of diversifying their markets and products and learn how to benefit from technological and business knowledge. Ways of profiting from positive aspects of involvement of transnational corporations in production, exports and marketing.
- Strategies in this area should include helping regions with a high concentration of marginal coffee producers diversify into other commodities. Farmers could be helped to diversify production by adding value e.g. roasting and grinding.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 12, 13, 14 and 15.

Comment: Relevant ICO projects include CFC/ICO/32 ‘Diversification of production in marginal areas in the State of Veracruz, Mexico’, CFC/ICO/39 ‘Enhancing the potential of gourmet coffee production in Central American countries’ and CFC/ICO/31 ‘Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador’. A workshop on the ‘Potential for Diversification’ was held in 2006.

6. Finance and risk management

Coffee growers, especially smallholders who are vulnerable to price fluctuations, require greater access to finance and appropriate risk management instruments, including favourable credit conditions; financing for stocks, renewal of plantations, infrastructure and inputs; microfinance; protection (hedges) against price volatility; and weather risk insurance.

Conference suggestions:

- Strengthen bargaining power of growers by training coffee farmers in order to improve access to credit and risk management instruments;
- Credit facilitation for producers is needed in several areas: pre-harvest financing and seasonal working capital, infrastructure development, diversification, debt financing, risk management. Improving access to credit, especially for producers trying to enter new markets, could stimulate product and export market diversification and sustainability.
- Work with the CFC and stakeholders to design new instruments which allocate risk fairly and to those who take the risk, including addressing regulatory and institutional aspects which could facilitate implementation of mechanisms.
- Look at the needs of producers and how they can fit into the framework of commodity derivative markets.
- Specialized credit institutions exist but support for producers and local financial institutions is limited. A centralized information portal for financial services could help to generate efficiencies for producers and financial markets.
- Governments and international organizations could do more to monitor and regulate the commodity economy and financial markets.
- An agreement targeting distortional effects of large-scale speculation in different areas is crucial for stability in the commodities market.
- Alternative market-based means for promoting sustainability should be sought. Assistance and training in the use of risk management tools through a special risk management facility could offer a market-friendly approach for improving sustainability of production in the face of market volatility.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 4, 14, 15 and 24.

Comment: Relevant ICO projects include CFC/ICO/30 'Access to finance for the development of diversification crops in coffee producing areas' and CFC/ICO/20 'Pilot short- and medium-term finance to small-scale coffee farmers in Kenya' and CFC/ICO21FA 'Coffee price risk management in Eastern and Southern Africa'. Issues related to the financing of the world coffee sector will be addressed by the Consultative Forum on Coffee Sector Finance, which will come into operation when the International Coffee Agreement 2007 comes into force.

7. Value addition

Ways need to be explored for producers to add value to their product, especially by differentiation and additional processing. The market for coffee that is differentiated (e.g. by

quality, certification or verification schemes, geographic indications, trademarks and other initiatives) is growing fast, especially in developed country markets, as well as becoming increasingly mainstream. However, more research is required into the cost/benefit relationship of differentiation, especially in the long-run, for coffee growers. At the same time, the trade of processed coffee is often subject to tariff and non-tariff barriers, thus limiting the possibility of adding value for producers.

Conference suggestions:

- Invest in quality (harvesting, post-harvest processing, production of speciality coffee).
- Differentiation must take into account factors such as quality, occasion and location of consumption, needs of different consumers, traceability and linkages to specific origins.
- Coffee consumption will grow faster in emerging markets, which may open opportunities for value addition in producing countries, such as manufacture of instant coffee.
- More information is needed on the effectiveness (including price premiums) of marketing approaches such as certification.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 4, 6, 7, 8, 21 and 27.

Comment: Relevant ICO projects include CFC/ICO/39 'Enhancing the potential of gourmet coffee production in Central American countries', CFC/ICO/05 'Robusta quality and marketing improvement by optimal use of coffee terroirs', CFC/ICO/42 'Developing the potential of Gourmet Robusta coffee in Gabon and Togo', CFC/ICO/31FT 'Building capacity for coffee certification and verification in Eastern Africa' and CFC/ICO/43FT 'Enhancing competitiveness of African coffee through a value chain analysis'. The ICO has organized seminars on 'Geographical Indications' (2008) and 'Equitable Trading' (2004). Reports on 'Obstacles to Consumption', including tariffs and taxes on coffee, are published regularly.

8. Information and market transparency

The lack of reliable and wide-ranging statistics, at both micro and macro levels (e.g. land area and yields), hamper the ability of the private and public sectors to arrive at optimal decisions. There is also a need to disseminate information such as scientific and technological developments.

Conference suggestions:

- Develop systems to monitor, analyse, forecast and disseminate market information.
- Improve climate data and map potential effects of climate change in local areas.

- Sustainability needs to be measurable, by use of credible metrics, globally comparable data indicators and multi-criteria analysis.
- Need to improve quality and types of coffee statistics, especially on use of land by coffee, including land that is taken out of production and new lands incorporated into production.
- Regular ground truthing censuses could reveal emerging problems, such as diseases or gains/losses in yields, before they become a major crisis.
- Collect statistics on gender in the coffee sector.
- Provide more knowledge, not just information.
- Collect and monitor statistics on trends in speciality segments (iced/frozen drinks/in-home/pods/espresso/use of caffeine in energy shots/in-home and out-of-home consumption).
- Countries setting reference prices for the internal market should monitor compliance.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 5, 6, 7, 8, 9, 10, 11, 19 and 21.

Comment: Market transparency is one of the four broad strategic goals of the strategic action plan. In this context, augmented statistical reporting requirements have already been approved (Rules on Statistics – Statistical Reports and Rules on Statistics – Certificates of Origin) and will enter into effect when the 2007 Agreement comes into force. Dissemination is a component of all project activities.

9. Environmental sustainability

Coffee production is coming under increased pressure from climate change, competing uses for land, reduction in water supplies, deforestation and population growth, among other factors. Although a variety of mitigation and adaptation strategies have been identified, more systematic research remains to be conducted on the ways in which the world coffee sector can face up to the challenges posed by climate change.

Conference suggestions:

- Systematic studies on the possible impact of global climate change and identification of the best adaptation and mitigation strategies
- Adaptation and mitigation actions to face climate change now and in the future include: mulching; terracing/contouring; improved wastewater management and disposal; improved access to climate data; mapping of potential effects of climate change in local areas; improving soil fertility; examining different production models; developing drought, pest and disease-resistant plant varieties; and developing varieties tolerant to high temperatures.

- Better data is required on the carbon footprint of the global coffee supply chain, as well as information on coffee's role in carbon sequestration as part of a larger pattern of land use.
- Monitor changes such as weather patterns and peaks/declines in coffee production.
- Sustainability initiatives are focused on the micro level. There is a need to look at the sustainability of the coffee industry on a much larger scale. Macro level analysis, such as the Millennium Ecosystem Assessment undertaken in Colombia, needs to be developed, which is a responsibility of the public sector. Producer countries need to develop plausible sustainable coffee strategies that are part of comprehensive sustainable land use strategies that make optimal use of resources, forestall spread of diseases and ensure water availability, and are compatible with climate change and population growth.
- Equitable systems for the sharing of benefits derived from ecosystem services and use of forest genetic resources, as well as options for the delivery of appropriate incentive mechanisms, need to be identified.
- Pursue policies and develop innovative models, including greater use of technology and promotion of professional management practices, for growers to achieve sustainability and positive effects on the environment.
- An internationally coordinated response and implementation of a coherent global system is needed to adapt and mitigate the effects of climate change on species and ecosystems. National, regional, and global sustainability programmes are needed to assess vulnerability, forestall the spread of diseases, ensure water availability and ensure rapid responses to developments.
- Coffee to be embedded into climate agreements and compensated for its multiple ecosystem services, such as carbon sinks, in each country. Smallholders should be organized and have enough power to take on their responsibilities in each organizational structure and value chain process.
- Immediate measures are needed to identify and design ways of implementing relevant conservation strategies against possible threats from climate change to coffee ecology and production in Africa to minimize deforestation and forestry degradation.
- Protect and promote the productive value of biodiversity in coffee areas.
- Encourage protection and sustainability of water and forestry resources.
- Participate actively in carbon markets and environmental services.
- Identification of options to deliver incentive mechanisms and equitable benefit sharing from the ecosystem services and use of forest genetic resources, and premium prices for quality coffees are critical issues.
- Need for more professional organization to face climate change and prepare for the challenges ahead.
- Establish alliances with public and private bodies to develop environmental protection.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 4, 7, 16, 17, 19 and 21.

Comment: All project activities are required to address environmental implications. A study on 'Climate change and coffee' was published in 2009 (document ICC-103-6 Rev. 1) and a document is being prepared for the 2010 United Nations Climate Change Conference, to be held in Mexico later this year.

10. Social sustainability

Coffee cultivation is often considered to be an unattractive activity and in some cases the workforce is ageing. A greater empowerment of the large number of women who work in the sector and more incentives to attract youth participation are necessary for the long-term sustainability of the world coffee market. In those cases where the need for labour is reduced as a result of mechanization and other developments, careful advance planning must be conducted to retrain and absorb workers in other economic activities.

Conference suggestions:

- Strengthen links and cooperation with the International Women's Coffee Alliance on developing activities to encourage possibilities for women in the coffee sector.
- Develop policies and implement education and training programmes that inculcate core skills and competencies in young people.
- Introduce programmes targeted to attracting young growers to coffee cultivation and stimulating youth entrepreneurship and involvement in sustainability programmes; (e.g. establish incentives for the private sector to mentor youth entrepreneurship).
- Create social safety net (community service, training schemes, jobs in rural areas) for workers displaced by mechanization/to encourage people to remain in rural areas.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 7, 15, 20 and 21.

Comment: Social issues are taken into consideration in all project activities.

11. Economic sustainability

Concern was expressed that, in light of the combination of the above-mentioned factors, the price levels prevailing on the coffee market in recent years have been insufficient to off-set rising costs and encourage the necessary investment in the expansion of production to meet steadily growing demand. Growers need support in finding ways to increase profitability and mitigate the effects of rising costs, such as those related to land, which is coming under pressure from alternative uses; replacement of ageing tree stock; inputs, especially fertilizers

and fuel, which have risen significantly in recent years; and labour, the costs of which have been rising more rapidly than inflation and the price of coffee in many countries. The current situation is inadequate to meet the needs of producers and help them attain the MDGs. As a consequence, imbalances in the market may arise from the lack of adequate availability of certain types of coffee, especially those of high quality.

Conference suggestions:

- Pursue policies for growers to achieve sustainability and that increase share of export revenues to growers.
- Improve farm management, including adoption and utilization of procedures for farmers to record and track their costs, sales and returns.
- Provide support for renovation of coffee plantations.
- Provide support for producers to reduce operating costs/deal with rising costs of fuel, fertilizer, and labour e.g. subsidized credit for inputs.
- To achieve maximum output, farmers need support in coffee research, production, processing technologies, post-harvest handling, access to finance for capital assets and working capital.
- Create stabilization fund to support coffee prices and coffee development.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 4, 6, 7, 8, 9, 10, 11, 15, 16, 17, 19, 20, 21 and 24.

Comment: Relevant ICO projects include CFC/ICO/10FT ‘Worldwide comparative analysis of coffee-growing areas’, which generated a tool to assess costs and profitability by examining the distribution of value through the coffee marketing chain. A ‘Study on fertilizer prices’ was presented in 2009 (document ICC-102-2). Studies on coffee stocks, retail prices of coffee, relationships between indicator prices and economic variables and shares in the global coffee value chain are being prepared for distribution at meetings in September 2010. The draft programme of activities for 2010/11 provides for studies on ‘Coffee price volatility: retail prices’ and ‘Coffee price volatility: prices paid to growers’.

II. DEMAND

In general, demand for coffee is considered to be vigorous. The highest growth rates and most scope for expansion lie in coffee producing countries and in emerging markets. At the same time, although many traditional consuming markets show signs of having reached maturity, specific segments of these markets also show dynamic growth. The most important issues influencing world demand for coffee are:

1. Socio-economic drivers

Demand for coffee is closely linked to population, disposable income, prices and consumer tastes. The favourable economic climate of the last decade has demonstrated the potential of many countries to increase coffee consumption, especially producing countries and emerging markets which are expected to be the engines of future growth. Consumer behaviour is changing over time. In developed country markets, the trend towards greater out-of-home consumption is likely to continue, despite the temporary reversal in this trend resulting from the current world economic crisis. Meanwhile, demand in emerging markets and producing countries is expected to continue to increase at a fast rate, as income grows and Western consumption habits linked to aspirational values become more widely disseminated. Soluble coffee plays a key role in attracting consumers in countries that traditionally drink tea. Particular emphasis must be paid to attracting young consumers.

Conference suggestions:

- Establishing links with local partners is important in emerging markets.
- Coffee needs to reach new drinkers and young consumers, especially in mature markets.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 5, 6, 7, 11 and 19.

Comment: The Organization has presented reports on the ‘The world economic crisis and the coffee sector’ (document ED-2059/09) and ‘Coffee consumption in selected importing countries’ (document ICC-104-1). Factors affecting demand would also be analysed in the study on ‘Coffee drinking patterns’, which is included in the draft programme of activities of the Organization for 2010/11.

2. Quality

Consumers demand a wide range of qualities. On the one hand, new consumers in emerging markets and in coffee producing countries, especially those that traditionally drink tea, require low-cost products that are easy to prepare. On the other hand, consumption growth in the mature markets of developed countries is closely associated with the rise of speciality coffee, where high quality is a prerequisite.

Conference suggestions:

- Encourage actions and initiatives to improve quality such as research, development and training to ensure future supplies meet demand.
- Develop markets for lower quality coffees – semi-ripe and unripe cherries etc.
- Assist countries in meeting standards for food safety, health, quality, etc. which are becoming increasingly complex.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 6, 7, 9, 11, 17 and 27.

Comment: The Organization presents regular reports on compliance with Resolution 420 and coffee grading on the New York and London futures exchanges. The draft programme of activities of the Organization for 2010/11 provides for a study on ‘Coffee drinking patterns’, which would include an analysis of demand for speciality coffee.

3. Pricing

Whether a specific product is focused on the low or high end of the market, coffee must represent a favourable value equation for consumers. Availability of coffee at accessible prices is important for the continued growth of world consumption.

Conference suggestions:

- Prices to consumers have fallen in inflation-adjusted terms over the long-term, as a result of decreasing prices in raw material (green coffee) and changes in composition of blends.
- Coffee is often more expensive than other beverages and must remain competitive in terms of price for consumption to expand.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 6, 7, 16 and 24.

Comment: A study on ‘Value shares in the global coffee value chain’ will be presented at the September meeting. In addition, the draft programme of activities of the Organization for 2010/11 provides for a study on ‘Coffee price volatility: retail prices’.

4. Sustainability

In many consuming markets, the question of sustainability of supply is increasingly important for the industry, retailers, governments and consumers. Coffee certified as being sustainably cultivated is likely to command an increasing share of both niche and mainstream markets in the future.

Conference suggestions:

- Mainstream sustainability programmes must: (a) fit with consumer requirements in terms of quality and price; (b) address producer needs by rewarding quality and improving profitability; and (c) fit within business context (include wide range of origins, have prices determined by market mechanisms and be fully traceable).

- Certification should focus on the entire supply chain and not on individual components.
- Innovative techniques are available to recycle waste coffee grounds/keep coffee by-products.
- Need for clear, credible information on costs and benefits for farmers and strategies to manage farms in economic, environmental and sustainable way.
- Very few companies have developed hard data to clearly measure their supply chains/ long-term value of Corporate Social Responsibility (CSR) investments which are often seen as separate from core business/shareholder value.
- Increasingly consumers are making purchases with values such as ethical/ commitment to environment – customers and retailers want a clear CSR positioning for companies and brands / want to be associated with good brands.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 3, 4, 6, 7, 14, 15, 16, 17, 19, 20 and 21.

Comment: The draft programme of activities of the Organization for 2010/11 provides for a study on ‘Coffee drinking patterns’, which would include an analysis of demand for sustainably sourced coffee.

5. Innovation

A key element in growing demand has been the ability of the industry to develop innovative forms of consumption, such as liquid or ready-to-drink coffee, iced and frozen coffee beverages; domestic single-serve brewing machines; recyclable materials; and ‘3-in-1’ packaging. Innovations in marketing, such as use of new technologies, are becoming increasingly mainstream.

Conference suggestions:

- Encourage and disseminate research and development into new coffee products and technologies to maintain demand.
- Explore and disseminate innovative tools, such as traceability technologies, which create link with origin.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action Plan: 2, 3, 4 and 7.

Comment: The draft programme of activities of the Organization for 2010/11 provides for a study on ‘Coffee drinking patterns’, which would include an analysis of innovative forms of consumption.

6. Promotion and market development

Generic promotion campaigns have proven to be successful tools for market development, especially in emerging and producing country markets, helping to educate and inform consumers about coffee. In the field of coffee and health, significant headway has been made in providing a more balanced view of the health effects of coffee consumption, but further work needs to be done with consumers and health-care professionals.

Conference suggestions:

- Invest in promotion and market development campaigns.
- Invest in programmes for the development of internal consumption in coffee producing countries and emerging markets.
- Evaluate and disseminate successful experiences.
- The industry needs to continue working to dispel the notion that coffee is bad for health.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 4, 25 and 26.

Comment: The most relevant ICO promotion activity is the Step-by-Step to Promote Coffee Consumption, which has played a significant role in the establishment of promotional campaigns in several coffee producing countries. Until now, the participation of the ICO in promotion and market development initiatives has used resources from the Promotion Fund, which is almost exhausted. Members will examine proposals for the replenishment of the Fund at the next meeting of the Promotion Committee.

7. Competition from other beverages

Coffee faces strong competition from other beverages, especially soft drinks, water, sports beverages, energy drinks and tea.

Conference suggestions:

- Provide information on/monitor coffee consumption trends in relation to other beverages.

Implications for the work of the ICO

Relevant priority actions of the draft strategic action plan: 2, 6 and 7.

Comment: The draft Programme of Activities of the Organization for 2010/11 provides for a study on 'Coffee drinking patterns', which would include data on other beverages.

CONCLUSION

Underlying many of the presentations is the recognition that many of the challenges facing the world coffee sector cannot be dealt with by individual countries in isolation. Efforts by international organizations, national governments, the private sector and non-governmental organizations are needed. As one speaker noted, commodity agreements are key to achieving the Millennium Development Goals. The only intergovernmental organization wholly dedicated to coffee, the ICO has an important part to play in overcoming these challenges and providing a forum for countries to discuss actions and exchange practical experiences.

**PRIORITY ACTIONS UNDER THE
STRATEGIC ACTION PLAN (ICC-105-19)**

Goal 1: Forum for the development of policies and solutions to strengthen the global coffee sector

Priority actions

1. To facilitate consultations on coffee-related issues through regular Council sessions, meetings of ICO advisory bodies and committees, and other relevant meetings and activities, including missions and briefings.
2. To identify priority issues, emerging concerns and opportunities arising from international and domestic trends, including technological developments, that may affect the coffee economy, and to advise on responses to these issues.
3. To investigate and promote means for achieving equilibrium between supply and demand, as well as fair prices for both producers and consumers.
4. To enhance cooperation and communication on coffee policies and actions, including project activities, with appropriate intergovernmental, international, regional and other organizations, as well as with the private sector.
5. To encourage non-member countries to become Members of the Organization.

Goal 2: Market transparency

Priority actions

6. To provide detailed statistical coverage of the coffee value chain, including data related to production, consumption, trade, stocks, differentiated coffees, value distribution and evaluation of efficiency.
7. To prepare reports and studies on the market situation and trends and developments in the coffee sector, especially with regard to structural conditions in international markets, and long-term and new trends in production and consumption that balance supply and demand.
8. To take into account actions related to Article 24 (Removal of obstacles to trade and consumption) in implementing the ICA 2007, including preparing periodical surveys on the effects of tariffs, non-tariff barriers and indirect taxes on coffee consumption and trade.
9. To submit to the Council periodic reports on compliance with Article 27 (Mixtures and substitutes) of the ICA 2007.
10. To review and revise, as appropriate, statistical matters related to the ICA 2007, including the Rules on Statistics, the system of indicator prices and conversion factors for types of coffee.
11. To promote private-public partnerships to enhance the transparency and reliability of coffee statistics.

Goal 3: Development and dissemination of knowledge*Priority actions*

12. To enhance the viability and execution of projects that benefit Members and the world coffee economy by defining coffee development strategies, monitoring project proposals submitted to relevant donors and supervising their implementation.
13. To screen project proposals submitted with the support of Members, using consistent mechanisms and involving experts from Members, so as to select proposals that are suitable for potential donors.
14. To seek finance for projects and other activities, such as training courses, that benefit Members and the world coffee economy.
15. To strengthen country ownership of projects and encourage the capacity-building of local communities and small-scale farmers.
16. To encourage greater technology transfer and technical cooperation, particularly among producing countries, so as to enhance remuneration to producers.
17. To promote scientific research and development throughout the coffee chain, including alternative uses for low-quality coffee and by-products of coffee processing, and enhancing existing coffee varieties.
18. To develop the role of the ICO as Project Executing Agency in appropriate cases.
19. To organize seminars, round-tables and workshops on coffee-related matters, including project results, and disseminate information presented at these events.

Goal 4: Sustainable coffee sector*Priority actions*

20. To promote a sustainable coffee sector so as to contribute to the achievement of the Millennium Development Goals, in particular with respect to poverty eradication.
21. To disseminate information about economic, environmental and social sustainability, sustainable techniques and practices, and the efficient use of environmental resources throughout the coffee supply chain, including performance indicators and appropriate organizational structures.
22. To disseminate information on the effects of climate change on the coffee sector, in the light of the United Nations Framework Convention on Climate Change.
23. To seek finance for, evaluate and give feedback on project proposals aimed at developing a sustainable coffee sector.

24. To improve understanding of market structures, including methods of financing stocks and providing wider access to credit and risk management instruments in producer countries and appropriate for smallholders.
25. To develop an action plan to encourage increased consumption and market development under the ICA 2007.
26. To disseminate, in conjunction with the private sector, information about issues related to coffee and health.
27. To encourage quality assurance measures, including the implementation of quality standards for exported coffee (as provided for in Resolution 420).