



Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

ICC 94-12

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**Decisions and Resolutions adopted
at the Ninety-fourth Session of the
International Coffee Council**

27 – 29 September 2005

1. The International Coffee Council, chaired by Mr. Markus Schlagenhof of Switzerland, met in Salvador, Brazil from 27 to 29 September 2005. The Chairman made some opening remarks expressing his thanks for the excellent arrangements which had been made by Brazil and introducing the matters to be covered at the meeting. The Council expressed its great appreciation to the President of Brazil, H. E. Mr. Luiz Inácio Lula da Silva, the Minister of Agriculture, Livestock and Food Supply and Chairman of the 2nd World Coffee Conference, Mr. Roberto Rodrigues, the Organizing Commission and the authorities of the State of Bahia for hosting the 2nd World Coffee Conference and other ICO meetings taking place from 23 to 29 September.

Item 1: Adoption of the Agenda and schedule of meetings

2. The Council adopted the draft Agenda contained in document ICC-94-0 Rev. 1 and took note of the schedule of meetings.

Item 2: Votes and credentials

Item 2.1: Votes in the Council for coffee year 2004/05

3. The Council took note of the situation of outstanding payments affecting voting rights as at 28 September 2005 and approved the redistribution of votes in the Council and Executive Board for coffee year 2004/05 contained in document EB-3873/04 Rev. 4.

**Item 2.2: Initial distribution of votes in the Council
for coffee year 2005/06**

4. Paragraph (5) of Article 13 of the Agreement provides that the distribution of votes shall be determined by the Council at the beginning of each coffee year. Under the relevant provisions of Article 13, the votes of exporting Members and of importing Members were based on their exports and imports respectively in the preceding four calendar years (documents ED-1962/05 Rev. 3 and ED-1963/05 Rev. 1).

5. The Secretary introduced document EB-3895/05 Rev. 2 showing the initial distribution of votes for coffee year 2005/06, based on the current membership of the International Coffee Agreement 2001. As Equatorial Guinea had not completed the procedures to accede to the 2001 Agreement and OAMCAF no longer wished to be recognized as a Member group of the Organization, it was not included in this document. The Council took note of this information and approved the initial distribution of votes for coffee year 2005/06, which would be used as the basis for assessing contributions.

Item 2.3: Credentials

6. The Council noted that the Secretariat had examined the credentials received from Members and had informed the Chairman of the Council that they were found to be in good and due form. The Council decided to approve the verbal report on credentials presented by the Secretary which was subsequently circulated, together with the List of Delegations, as document ICC-94-10.

**Item 3: Membership of the
International Coffee Agreement (ICA) 2001**

7. The Council noted that as at 27 September 2005, there were 74 Members of the Organization, comprising 44 exporting and 30 importing countries. Under the provisions of Resolution number 421, non-member countries had until 31 May 2006 to deposit an instrument of ratification, acceptance, approval or accession. Procedures for membership were contained in document ED-1800/01 Rev. 8. A number of EC member states were taking steps to complete membership procedures in the next few months. As reported in the meeting of the Executive Board, the Executive Director had had contacts with a number of non-member countries including China, Panama, Peru and the Russian Federation.

8. The Council noted that as provided for in paragraph 6 of Article 6 of the International Coffee Agreement 2001, document WP-Board No. 984/05 contained a communication from Côte d'Ivoire indicating that it was withdrawing from OAMCAF and would be a separate

Member under the 2001 Agreement with effect from 1 October 2005. The Council further noted that document WP-Board No. 985/05 contained a communication from OAMCAF confirming that it no longer wished to be recognized as a group Member of the Organization.

Item 4: Coffee market situation

9. The Executive Director introduced his report of the market situation. He said that although there had been some indications earlier in the year that the coffee market was emerging from the crisis, it was not yet over. Factors such as speculation were causing substantial fluctuations in coffee prices. In the last few days, the ICO composite indicator price had fallen from 86.22 US cents per lb at the start of the month to 76.59 on 26 September 2005. Coffee prices had fallen back during August despite a sharp rise in the last week of the month immediately following the passage of Hurricane Katrina, since the New Orleans infrastructures were responsible for a significant share of the coffee processed in the United States and held some 27% of the volume of stocks in the USA. The fall in prices was more marked in the case of Robustas, which were down 10.2% compared to the July average. In the light of recent information provided by Members his estimates of production for crop year 2005/06 had been revised upwards to 108 million bags, with around 33.33 million bags likely to be produced by Brazil, according to the estimate published by CONAB in August. He noted that Minister Rodrigues had highlighted the importance of developing mechanisms such as options programmes and accurate crop forecasts to reduce price volatility and avoid new crises. The success of Brazil in developing domestic consumption was a valuable model for other countries. In conclusion, he noted that the setback in prices recorded in July continued in August despite some rallies following Hurricane Katrina. With the first rainfall in Vietnam on the one hand and the upward revision of the Brazilian production figure on the other, investment funds had shortened their long-term positions on futures markets speculating that, contrary to initial market perceptions, there was not likely to be a supply shortage. However, since roasters would need to provide for the high level of consumption during the winter months in the northern hemisphere, this might help to provide some support for the market. The Council took note of this report.

Item 5: 2nd World Coffee Conference

10. The representative of Brazil, on behalf of the Chairman of the Conference, introduced the preliminary summary report on the 2nd World Coffee Conference held in Salvador, Brazil, from 23 to 25 September 2005. He expressed his thanks to all those who had contributed to the success of the Conference, including the Organizing Commission, the authorities of the State of Bahia, the Executive Director and ICO Member countries which had attended it. He noted that Brazil was willing to share with other countries the developments made in areas such as crop forecasting, risk management, domestic consumption and research and technology.

11. The Council congratulated the Minister of Agriculture, Livestock and Food Supply of Brazil and Chairman of the 2nd World Coffee Conference, on the success of the Conference, the high quality of the presentations and the excellent organization and hospitality provided.

12. In discussions on this item the Council was informed that a speaker at the Conference had suggested that the ICO should hold a seminar on income stabilization, and it would be useful if this proposal could be followed up and the seminar arranged for next year. The issue of sustainability had been raised by a number of speakers; however it should be noted that the costs of complying with this could be a barrier for producers. Another delegate suggested that in view of the importance of coffee and science, collaboration with the *Association Scientifique Internationale du Café* (ASIC) should be considered.

13. The Council noted that the ICO would arrange for the annals of the Conference to be prepared in cooperation with the Chairman of the Conference. The ideas raised at the Conference would be discussed and followed up at the next meeting, and Members were invited to also consider actions which could contribute to the discussions on the future of the Agreement. Finally, the Council took note of the desirability of closer links between the Council and future Conferences.

Item 6: Future of the ICA 2001

14. The Chairman of the Board reported that the Board had considered document WP-Board No. 975/05 which outlined the main options for the future of the 2001 Agreement, which included commencing negotiations for a successor Agreement or extending it (with or without amendments). The representative of the USA had made a preliminary statement (subsequently circulated as document EB-3896/05), indicating a preference for negotiating a new Agreement and outlining broad areas where change was required, while noting that this was not a definitive position. Other Members had pointed out that as the present Agreement had only recently entered into force definitively, and a full renegotiation would require considerable time and resources, it would be preferable to consider the option of extension, possibly with amendments. Following some discussion, the Board highlighted the importance of avoiding any break in continuity in the legal framework of the Agreement, and of considering financial implications. It had decided to recommend to the Council that as provided for in Article 32, the Secretariat should prepare a report to enable Members to examine the progress made in achieving the objectives of the present Agreement. The Executive Director would invite Members to submit their proposals, in writing a month in advance of the January meetings, on areas for possible change or additions to enable these to be circulated to Members. During this meeting, Members would take stock of the progress made under the current Agreement, consider proposals received from Members, assess areas

where changes might be needed, and determine the best way to proceed. Finally, the Board noted that the Secretariat should establish how best to minimize any financial implications involved in discussions on the future of the Agreement.

15. The Council took note of this information and decided to authorize the Board to consider the options for renegotiation or extension with amendments in January, and to develop a plan of work for the future of the Agreement so that discussions and negotiations could begin in May 2006.

Item 7: Coffee development projects

**Item 7.1: Projects already approved by the
Common Fund for Commodities (CFC)**

16. The Head of Operations introduced the progress report on projects contained in document in EB-3878/04 Rev. 2 and said that to date 20 projects totalling almost US\$70 million had been approved and funded mainly by the CFC. He informed Members that a workshop for the project entitled “Improving coffee quality in East and Central Africa through enhanced processing practices” would take place in Kigali, Rwanda from 19 to 21 October 2005. The Chief Economist had been invited to participate.

17. Dr. Renata Clarke of the Food and Agricultural Organization of the United Nations (FAO) made a powerpoint presentation on the project “Enhancement of coffee quality through prevention of mould formation”. Copies of her presentation are available on request from the Secretariat. A concluding dissemination and review meeting had taken place on 26 September 2005 (as outlined in document ED-1968/05). She noted that it could be useful for the ICO to consider observer status on Codex, as OAMCAF was currently the only coffee body represented on it, and a number of issues such as country of origin labelling could be of interest. The Council took note of this information and of the progress report for this project contained in document ICC-94-7.

18. The Head of Operations introduced the progress report for the project entitled “Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua” as well as the status report on the preparation of the Producers’ Guide contained in document ICC-94-8 which was being developed by an independent consultant to facilitate dissemination of the results of the project. He also introduced the progress report for the project “Pilot rehabilitation of neglected coffee plantations into small family production units in Angola” contained in document ICC-94-9.

19. The Chief Economist introduced the progress report for the project “Improvement of coffee production in Africa by the control of coffee wilt disease (Tracheomyces)”; the mid-term evaluation for the project “Integrated white stem borer management in smallholder

coffee farms in India, Malawi and Zimbabwe” and the progress report on the project “Improving coffee quality in East and Central Africa through enhanced processing practices” (contained in documents ICC-94-4, ICC-94-2 and ICC-94-3 respectively).

20. The Council took note of these reports and further noted that in the case of the project to rehabilitate neglected coffee plantations into small family production units in Angola, the Government was ready to implement the project as soon as possible and to make efforts to make up for lost time. In addition, it noted the point that in the Democratic Republic of Congo, there was a need to rehabilitate coffee plantations which had been abandoned and the ICO’s assistance was requested with this.

21. In discussions on this item, the Council noted that some non-member countries participated in projects as they contributed to the CFC. It was suggested that countries which were not members or which had outstanding contributions should not participate in projects. Another option would be for countries to put forward a schedule of payments in order to continue to benefit from projects. If there was no follow up, they would lose the right to benefit from this activity. The point was made that rather than excluding participation from projects, it would be more appropriate for Members to provide political support for the Executive Director in his contacts with countries in arrears, as well as to consider solutions in regional groups and the experiences of other organizations. In response to the request for clarification about why the CFC had not resubmitted to the Consultative Committee the project to provide access to finance for development of diversification of crops in coffee producing areas (Burundi and Côte d’Ivoire), the Council noted that the composition of the Committee changed every two years which meant that views sometimes changed. Observations included the point that as the project involved other crops, coffee institutions might not have the necessary experience and further development on the provision of credit was needed. The CFC had suggested to the proponents that they should appoint a consultant to develop the project and terms of reference would need to be prepared.

22. The Council took note of this information and decided that the matter of benefits and obligations of Members would be considered at the next meeting.

Item 7.2: Projects for approval by the Council

23. The Chairman of the Executive Board said that the Board had noted that the review by the Virtual Screening Committee (VSC) was a significant contribution to the process of reviewing projects. The Board had agreed that the Committee should meet physically in January 2006 to make recommendations to further improve the process of evaluating projects, with the Secretariat to prepare technical comments to assist the Committee in its task. The Board had considered three new project proposals. In the case of the Coffee Guide Website 2006/07 project, as the VSC had not indicated that any aspects were incomplete when screening it against the ICO/CFC criteria, it had decided to recommend that it should be

approved for submission for Fast-Track financing by the CFC. In the case of the other two proposals (“Breeding coffee plants with durable resistance to Coffee Leaf Rust, anthracnose and other diseases” and “Enhancing potential gourmet coffee production for tourism at local level”), the Board had noted that while the VSC had found them to be mainly in line with ICO/CFC criteria, there were a few aspects which could be improved. The Board had therefore decided to recommend to the Council that these two proposals should be revised and reviewed again by the VSC to ensure that they were fully in accordance with CFC criteria, before submitting them to the CFC for formal consideration.

24. The Council took note of this information and decided to approve the Coffee Guide Website 2006/07 project for submission to the CFC for Fast-Track financing, and noted that the proposals entitled “Breeding coffee plants with durable resistance to Coffee Leaf Rust, anthracnose and other diseases” and “Enhancing potential gourmet coffee production for tourism at local level” would be further revised and reviewed by the VSC before being resubmitted to the Board and the CFC.

Item 8: Private Sector Consultative Board (PSCB)

Item 8.1: Report by the Chairman of the Private Sector Consultative Board

25. The Chairman of the PSCB said that the PSCB had met on 26 September 2005. It had discussed a range of issues including the coffee market situation and the 2nd World Coffee Conference, and had received reports on the Health Care Professions – Coffee Education Programme and the Positively Coffee Programme. In the case of the latter programme, which was widely used by producing countries, a request for funding from the Promotion Fund had been put forward. On the issue of sustainability, the PSCB had received the report of the three rapporteurs of the 4C initiative contained in document PSCB-70/05. Agreement on the Rules of Participation had been reached, and the wording of the Rules would be checked with European and American anti-trust authorities. On the proposal for the Worldwide Sustainable Coffee Fund, the PSCB had agreed that this should not be pursued further. The PSCB had also considered the matter of food safety, and the Chairman gave a detailed report on OTA to the Council. EU legislation introducing limits on roast and ground coffee had taken effect in April 2005, and in 2006 the EU would review these and also possible limits on green coffee. A European Standards Agency working group was reviewing OTA and whether it should be classified as genotoxic, in which case more stringent controls could be introduced. The European coffee task force set up to deal with this had a mandate to ensure no introduction of limits on green coffee beans, which would be costly and impractical. The FAO workshop on 26 September had reviewed the contribution of defective beans to OTA. There were ways of controlling contamination which could develop in conditions of temperature and moisture, and keeping the product dry was critical. An update would be given in January 2006. The Chairman also gave a report on the issues of

acrylamide and furan, which were formed during roasting. In the case of the former, the authorities in California were looking at labelling products in which it was included. In the case of the latter, the authorities in Europe had been asked to take a holistic approach. He said that the PSCB had also considered the matter of pesticides. The EU was looking at harmonizing Maximum Residue Levels (MRLs). The help of producing countries was sought in sending information about pesticides used in their countries to the Secretariat as the authorities might otherwise set very low limits. Finally he said that the Chairman and Vice-Chairman of the PSCB had been re-elected for the next coffee year.

26. The Council took note of this report and expressed its appreciation to the PSCB for its work which strengthened the work of the ICO.

**Item 8.2: Membership of the PSCB for coffee years
2005/06 and 2006/07**

27. The Council noted that the term of office for members of the PSCB who were appointed by the Council at its 89th Session in September 2003 for coffee years 2003/04 and 2004/05 would expire in September 2005. The Executive Director had circulated document ED-1952/05 to all Members in June 2005 requesting them to inform him of nominations and alternates for coffee years 2005/06 and 2006/07. WP-Council No. 134/05 Rev. 1 contained the list of associations nominated as at 28 September 2005.

28. Following confirmation by the spokespersons for the Producers and the Consumers of the nominations of these associations, the Council designated the members of the PSCB for the next two coffee years as listed in document WP-Council 134/05 Rev. 1.

Item 9: Report by the Chairman of the Promotion Committee

29. The Chairman of the Promotion Committee said that the Committee had met on the afternoon of 29 September 2005. The Committee had decided to proceed with the proposal to develop a project to increase coffee consumption in China (document WP-SGP No. 12/05) and had noted that further analysis was needed on some aspects of the proposal for a Seal of Approval contained in document WP-SGP No. 11/05. In the case of resources for promotion, the need to hold a pledging conference had been raised, as there was provision for this in the Agreement but it had not yet been organized. Finally he was pleased to report that producing Members had agreed to contribute US\$50,000 a year for a period of three years from the Promotion Fund to the Positively Coffee Programme, which would be an important contribution to this valuable initiative. The Council took note of this report.

Item 10: Studies

Item 10.1: Studies

30. The Chairman of the Executive Board said that the Board had considered three proposals for studies. These included the study of environmental issues relating to the coffee chain within a context of trade liberalization through a life-cycle approach, contained in document WP-Board No. 974/05; the study of the environmental impact and efficiency use of natural resources – a comparative analysis between coffee and other crops in the agro-industrial sector, contained in document WP-Board No. 973/05 and the study of the impact of the Kyoto Protocol on coffee trade and environmental quality in the coffee life-cycle contained in document WP-Board 972/05. Noting that the VSC had raised a number of points which needed to be addressed, the Board had decided that the studies should be revised to reflect the comments of the Committee and further reviewed by the VSC before being submitted to the Board meeting in January 2006. Individual Members should also submit their comments in writing on the studies before the next meeting of the Board in January 2005 to enable Members to reach a decision at this time. The Council took note of this information.

Item 10.2: Study on coffee price volatility

31. The Chief Economist introduced document ICC-94-5 which provided an update of previous studies and reviewed the dynamics of coffee prices. It covered historical and recent behaviour of coffee prices, definitions and measurements of price volatility, and analysis of coffee price volatility test results. In discussions on this item, it was suggested that it could be useful to look at medium-term as well as short-term cycles and to take into account cycles of supply and changes in technology. It could also be useful to look at the relationship between elasticity of supply and volatility. The Council took note of this document.

Item 11: Sustainability initiatives

32. The Chairman of the Board said that the Executive Director had introduced a summary of his consultations with Members on their views on the sustainability of the coffee sector. As responses had only been received from Brazil, Colombia, the European Community, Japan, and Tanzania, the Board had urged all other Members to send their contributions on sustainability to the Executive Director by mid November 2005 so that a comprehensive document could be prepared for consideration by the Board at its meeting in January 2006. The Board had also considered a proposal entitled “Support for the implementation of the Worldwide Sustainable Coffee Fund” contained in document WP-Board No. 966/05. While the Board appreciated that the aims of the proposal were worthwhile, as there were already a number of institutions dealing with the development of coffee projects, it had decided to recommend to the Council that this project should be

withdrawn. Finally, the Board had considered a pre-proposal for conducting cost-benefit analysis of common sustainability standards serving the coffee sector. This had been sent to the VSC for consideration, and the comments of the Committee were available in document EB-3894/05, however since that date, the proposal had advanced considerably. Although there was support from a number of Members for the proposal, various points had been raised, including the need to have more information about the reformulated proposal. The Board had noted that in the light of these comments, an updated document would be circulated to Members for consideration at the next meeting in January 2005. The Council took note of this report.

33. In discussions on sustainability, the point was made that the questions in the survey circulated by the Executive Director were detailed and required time and research to complete. There was a need for a clear and simple definition of sustainability in relation to coffee to enable Members to respond to the survey. This could highlight the benefits of coffee as a broad-leafed tree crop and objectives for enhancing existing sustainable practices.

34. Regarding the Common Code, the Council noted that the German Government had made efforts to intensify dialogue on the Code with the assistance of a number of national coffee authorities. Discussions on the initiative would take place with stakeholders in a number of producing countries including Cameroon, Ethiopia, India and Indonesia in the next year. The Council further noted that one delegation had not yet reached a conclusion on this project and needed to review it fully.

35. In discussions on the pre-proposal for conducting cost-benefit analysis of common sustainability standards serving the coffee sector, a number of producing Members noted that following further consideration and discussions with the project proponents, they considered that this was a very important initiative. It was suggested that to avoid delays in submitting it to the CFC, the draft version could be approved in principle by the Council on the understanding that further information about the reformulated proposal would be provided to Members who would have the opportunity to comment in writing by a certain date. The proposal could then be revised and submitted to the CFC by the deadline of 15 November 2005. Alternatively, it could be submitted to the CFC by the deadline following which the Board would consider the reformulated proposal in January 2006 and make a recommendation, or approved at an extraordinary meeting of the Board.

36. The point was made that the proposed standards for benchmarking had not been agreed in an ICO forum and benchmarking could lead to difficulties in the future. In addition, the standards applied to a small part of the coffee trade. A review of the costs and benefits of sustainability standards should take into account the entire coffee chain. The initial proposal had been presented to the Board in May 2005 but had not been approved at that time. There was a considerable difference between the cost of this proposal and the

reformulated proposal. Although the concept was of interest, it was difficult to approve the reformulated proposal on the basis of the limited information which had been put forward for approval to the Board.

37. The Council noted that only outline proposals were submitted to Members for consideration. For the project to be submitted to the CFC, it should be formally endorsed by the Council. The Head of Operations read out the comments of the VSC on the preliminary version of the proposal which indicated that further work needed to be undertaken to ensure that it complied with CFC criteria. The Council took note of these comments and further noted that Members supported the proposal in principle and were concerned to avoid unnecessary delays. However there was also a need to ensure that the project met the necessary CFC criteria, and to follow procedures to avoid problems at a later date. Delegates also needed time to review the reformulated proposal. Consideration of the proposal should therefore be deferred to the meeting of the Executive Board in January 2006. The Council requested the proponents to take into account the comments made on the project by the VSC and by Members during these meetings. It should be revised and resubmitted to the VSC, following which it would be considered by the Board in January 2006.

Item 12: Programme of activities for 2005/06

38. The Council noted that the Board had considered the revised programme of proposed activities in coffee year 2005/06 (document EB-3888/05 Rev. 1), first circulated in May 2005. Producing countries would like some amendments to the section on sustainability (Section 1.6 of the document). These included the studies (activity 1.6.3), which had not been approved; proposals could be developed and further reviewed at the next meeting. Noting that the Programme was a rolling programme which could be adjusted at any time to incorporate the comments and suggestions of Members, and that this item could be reviewed and revised as necessary at the meeting of the Board in January 2006, the Council decided to approve the programme of activities in coffee year 2005/06 contained in document EB-3888/05 Rev. 1.

Item 13: Obstacles to consumption

39. Article 33 provides that the Executive Director shall prepare periodically a survey of the obstacles to consumption to be reviewed by the Council. As requested by the Council in May 2004, reports on this matter were issued on an annual basis. The Executive Director introduced document ICC-94-6 which contained the latest information received to enable the Council to assess compliance by Member countries with the provisions of Article 33. He noted that phytosanitary controls were not included in the report and said that reducing tariff barriers could help to encourage consumption and encourage new participants in the coffee market. This area should be kept under review.

40. In discussions on this item, the need for the Secretariat to obtain missing information for countries in Annex II A was raised, in view of the potential for consumption in exporting countries. It was suggested that it would be useful to analyse the impact of direct and indirect taxes; however comprehensive information from Members would be needed before this could be undertaken.

41. The Council took note of the report on obstacles to consumption contained in document ICC-94-6 and of the need for all Members to continue to inform the Executive Director of any measures adopted in their countries in connection with the provisions of Article 33, and of any changes to current levels of taxes and duties on coffee exports and/or imports. Finally the Council noted that the Secretariat would continue to research and monitor this issue.

Item 14: International commodity policies

Item 14.1: G8 Summit and other international initiatives

42. The Executive Director introduced his submissions to the G8 Summit (ED-1959/05) which was held in Gleneagles, Scotland from 6 to 8 July 2005 and to the UN General Assembly Summit to review the Millennium Development Goals (MDG) which took place in New York from 14 to 16 September 2005 (document ED-1966/05). In the case of the G8 Summit, he had been advised by the United Kingdom which held the Presidency of the EU that these matters would be included in the plan of work. In the case of the MDG Summit, as the ICO did not have observer status at the United Nations, the report could not be formally included on the agenda, however as a copy had been sent to the Chairman, it would be included in the records of the Summit. Finally he said that he had sent a copy of the G8 Submission to the Commission for Africa and had expressed his hope that the ICO would be able to continue to share information and cooperate on follow up to the Commission's report in the future. The Council took note of this information.

Item 14.2: EU Action Plan on commodities

43. The Council noted that the EU Action Plan on commodities was first introduced in May 2004 (ED-1909/04 and Add. 1). In May 2005 the EU had informed the Council that it was at the stage of developing ways of implementing the plan and allocating responsibilities for different areas. In parallel with this, the work of commodity organizations in responding to the challenges ahead would be reviewed, either as part of an overall study or on a case by case basis. The representative of the EC said that the EC would shortly be writing to the Executive Directors of International Commodity Bodies (ICBs) to advise them of its intention to review cooperation on commodities and the work of ICBs in responding to and developing

solutions to the challenges ahead, with the assistance of consultants. The results of this initiative would be shared with Members in due course. The Council took note of this information.

Item 15: National coffee policies

India

44. The representative of India informed the Council that tax on coffee in his country had been reduced to 4% to encourage coffee consumption, and incentives to promote production of Arabica rather than Robusta coffee had been introduced, such as assistance with replanting Arabica trees.

Vietnam

45. The Council further noted that document ED-1957/05, containing a report on the development of and prospects for the Vietnamese coffee industry had been circulated in July 2005 and contained information about the situation of the coffee industry in Vietnam. In addition, the representative of Vietnam had circulated a statement at the 2nd World Coffee Conference entitled “Vietnamese Coffee Industry after 5 Years’ Crisis and its Future Orientation”, a copy of which was available on the ICO website (www.ico.org), together with copies of other presentations made at the Conference.

Item 16: Financial and administrative matters

Item 16.1: Draft Administrative Budget for the financial year 2005/06

46. The Chairman of the Executive Board said that the Board had considered the draft Administrative Budget and two scenarios of transferring £60,000 and £100,000 from the Reserve Fund in the financial year 2005/06 contained in document WP-Board No. 976/05 and Add. 1 respectively. Following discussions, as there was no consensus on the level of transfer, the Board had reached a compromise solution and had agreed to recommend approval of the draft Administrative Budget with a transfer of £80,000 from the Reserve Fund (entailing a contribution per vote of £1,226, an increase of 3.90% compared with the financial year 2004/05). Document EB-3897/05 contained a summary of the draft Administrative Budget which reflected the proposed transfer of £80,000. The Board had noted the importance of a balanced budget and for the need for the Reserve Fund to be at a level which could meet legal obligations in the case of liquidation, and had decided to recommend strongly to the Council that in future, transfers from the Reserve Fund should only be made in exceptional circumstances. The Board further urged all Members with

arrears to pay these as soon as possible, and requested the Executive Director to redouble his efforts to recover outstanding contributions and to develop a strategy on how to proceed in this connection.

47. The Council took note of this report and noted that producing Members had originally preferred a proposed transfer of £100,000 to reduce the burden of contributions. The Council further noted the concern that the situation of outstanding contributions meant that there were currently insufficient funds to meet the costs of liquidation. The Executive Director should develop a proposal to recover outstanding contributions and contact all countries with arrears to urge them to make every effort to pay these, suggest ways in which this could be achieved, and inform Members about what measures had been taken at the next meeting. Noting that transfers from the Reserve Fund should in future only be made in exceptional circumstances, the Council decided to approve the draft Administrative Budget for 2005/06 as summarized in document EB-3897/05¹.

Item 16.2: Other financial and administrative matters

48. The Chairman of the Executive Board said that the Board had noted that the Executive Director proposed to appoint MRI Moores Rowland as the Auditors of the ICO for the financial year 2005/06 and that MRI had indicated their willingness to be re-appointed. Finally he said that the Executive Director had reported on the refurbishment of the headquarters of the ICO, including the common parts and the meeting facilities. These works had begun in July 2006 and should be completed by the end of January 2006. The Council took note of this information and expressed its appreciation to ICO staff for carrying out their work in these difficult circumstances.

Item 17: Elections for coffee year 2005/06

Item 17.1: Chairperson and Vice-Chairpersons of the Council

50. In accordance with the procedures provided for in Article 11 of the Agreement, the Council elected the following office holders in the Council for coffee year 2005/06:

Chairman:	Mr. Saint-Cyr Djikalou (Côte d'Ivoire)
First Vice-Chairman:	Mr. José Antonio Salaverría (El Salvador)
Second Vice-Chairman:	Mr. Jim Howell (United Kingdom)
Third Vice-Chairman:	Mr. Manuel Altimira (Spain)

¹ *Subsequently distributed as EB-3897/05 Rev. 1.*

Item 17.2: Election of the Executive Board

51. The Council took note of a statement advising Members that representatives of the Robusta producing countries attending these meetings (Angola, Cameroon, Côte d'Ivoire, Ghana and Togo) had met on 27 September 2005 to constitute a Robusta African Group on the Executive Board, and had selected Côte d'Ivoire to represent the Group for coffee year 2005/06 on this occasion. A copy of the statement was subsequently circulated as document ICC-94-11.

52. In accordance with the procedures provided for in Article 18 of the Agreement, the following Members were elected to the Executive Board for coffee year 2005/06. These Members were requested to send the Secretariat the names of their representatives and alternates or advisers on the Executive Board on return to their countries, in accordance with Rule 4 of the Rules of the Organization.

Exporting Members

- Brazil, with 262 votes (representing Brazil)
- Vietnam, with 138 votes (representing Vietnam)
- Indonesia, with 122 votes (representing India, Indonesia and Papua New Guinea)
- Colombia, with 112 votes (representing Colombia)
- Guatemala, with 110 votes (representing Cuba, Ecuador, Guatemala and Mexico)
- Honduras, with 88 votes (representing Costa Rica, Dominican Republic, El Salvador and Honduras)
- Côte d'Ivoire, with 73 votes (representing Angola, OAMCAF and Ghana)²
- Kenya, with 72 votes (representing Burundi, Ethiopia, Kenya, Rwanda and Tanzania)

Importing Members

- European Community, with 668 votes (representing the European Community):
 - European Community³
 - Belgium
 - Germany
 - Italy
 - Spain
- United States of America, with 228 votes (representing the United States of America)
- Japan, with 75 votes (representing Japan)
- Switzerland, with 17 votes (representing Switzerland)

² OAMCAF cast its votes for Côte d'Ivoire on this occasion. However as OAMCAF indicated in document WP-Board No. 985/05 that it would no longer be a Member Group with effect from the date of the elections of the Executive Board, Côte d'Ivoire will represent the countries listed in the Robusta African Group in document ICC-94-11 in coffee year 2005/06.

³ The European Community casts the votes of the individual Members sitting on the Board and represents all other Members of the Community.

Item 17.3: Election of the Chairperson and Vice-Chairperson of the Executive Board

53. In accordance with the procedures provided for in Article 17 of the Agreement, the Council elected the following office holders in the Executive Board for coffee year 2005/06:

Chairperson: Mr. Mauro Orefice (Italy)
Vice-Chairperson: Ms. Katarina Kühmayer (Austria)

Item 18: Other business

Statistics Committee

54. The Executive Director said that David Brooks of the USTR with Debra Pumphrey of USDA as alternate would replace Roel Vaessen as one of his two representatives on the Statistics Committee.

2nd World Coffee Conference

55. The representative of Brazil made a presentation to the Chairmen of ICO bodies to commemorate the 2nd World Coffee Conference.

Item 19: Future meetings

56. The Council noted that the next session of the Council would take place in London from 23 to 26 May 2006, and that as decided by the Board, the next meeting of the Executive Board would take place from 30 January to 1 February 2005, with a meeting of the PSCB on the morning of 30 January. The Council further noted that any items for consideration at the next meeting should reach the Executive Director well in advance so that they could be reflected on the agendas.