



International Coffee Organization
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**Preliminary summary report on the
2nd World Coffee Conference**

The attached document contains the preliminary summary report on the 2nd World Coffee Conference by the Chairman of the Conference, Mr. Roberto Rodrigues, Minister of Agriculture, Livestock and Food Supply of Brazil. The Conference took place in Salvador, Brazil from 23 to 25 September 2005 and the preliminary summary report was introduced to the Council at its 94th Session by the representative of Brazil on behalf of the Chairman. It may be noted that a further analysis of the ideas presented at the Conference is being developed.

SUMMARY OF THE SECOND WORLD COFFEE CONFERENCE

- **Learning from the crisis**
- **And seeking market solutions**
- **With a view to sustainability**

- **A summary of the statements has been grouped under the five headings indicated below.**

1. ECONOMIC BACKGROUND

- **The coffee market cannot be considered separately from the economy as a whole and, more particularly, from commodities, for which the market is not favourable to any intervention.**

- **In order to ensure a balance between production and consumption we must be able to count on market instruments which**
 - ✓ can assure a fair and balanced remuneration for the entire production chain
 - ✓ with emphasis on the weakest link, namely production,
 - ✓ without harmful effects on the remaining links.

- **In today's world, there is no room for quotas or agreements to restrict production.**

- **We must work in the opposite direction, eliminating tariff barriers and ensuring free access to markets:**
 - ✓ for coffee;
 - ✓ for other products that permit diversification.

- **We must work in our own countries to create market mechanisms to regulate the flow of the crop in order to ensure stable supply, which affects all links in the chain.**

2. CONSUMPTION/DEMAND

- **We must increase coffee consumption in order to facilitate the transfer of income to the producer.**

- **The Conference recommends measures to increase consumption at various levels.**
- **Traditional markets**
 - ✓ new products/ innovations (espresso, sachets, coffee-based drinks);
 - ✓ institutional programmes, like “Coffee and Health”;
 - ✓ taking advantage of the coffee shop explosion.
- **Emerging markets**
 - ✓ importance of an accessible price;
 - ✓ soluble coffee as a way in.
- **Producing countries**
 - ✓ developing a coffee culture;
 - ✓ improving quality.
- **The role of institutional campaigns in promoting coffee was much mentioned:**
 - ✓ “Coffee and Health”;
 - ✓ public relations;
 - ✓ joint efforts by producers and consumers;
 - ✓ assistance from donors like the Common Fund for Commodities to develop markets without private sector counterpart contributions in some areas and with counterpart contributions in others.
- **Possible role of the ICO as initiator and catalyst for programmes in the three markets:**
 - ✓ emerging
 - ✓ traditional
 - ✓ producing countries
- **On the whole, Conference speakers were optimistic in relation to achieving a more rapid rate of consumption increase than in recent years.**
- **This momentum would be attributable not only to current trends but also to the activities suggested above.**

3. PRODUCTION/SUPPLY

- **In order to satisfy the additional demand envisaged,**
 - ✓ without triggering new cycles of expanding production,
 - ✓ and so perpetuating crises,
 - ✓ we must find market instruments to organize production
 - ✓ aiming at a remunerative price level
 - ✓ that will not, however, incite over production.

- **Among proposed measures, the following should be highlighted:**
- ✓ better organization of producers (cooperatives, associations, etc.) to shorten the chain and facilitate access to credit, risk management, certification, quality, etc.
- ✓ improving the producers' capacity to market their crops by making strategic alliances, increasing their scale of operations and acquiring know-how.
- ✓ adding value, mainly by processing coffee in countries of origin, since prices of processed products are more stable than those of raw materials.
- ✓ disseminating the use of risk-management tools.
- ✓ diversifying to reduce dependence on a single product.

- **The ICO would have a number of roles to perform in the area of organizing production, including:**
- ✓ finding resources for programmes;
- ✓ coordinating programmes involving various countries;
- ✓ integrating the policies of various countries;
- ✓ facilitating initiatives for sustainability by ensuring that rules, rights and obligations are properly balanced and negotiated among all participants in the chain.

4. SUSTAINABILITY

- **Sustainable growth of the coffee chain**
- ✓ with balanced development of consumption and supply;
- ✓ with more harmonious distribution of income throughout the chain to ensure profitability at all levels;
- ✓ with due regard for economic, social and environmental considerations.

- **Economic sustainability is the result of a series of factors**
- ✓ research
- ✓ technology
- ✓ inputs
- ✓ marketing
- ✓ processing
- ✓ distribution

At the heart of which is the work of the producer.

- **Sustainability initiatives are being developed and refined. However, Conference speakers mentioned the need for adjustments.**
- ✓ Greater emphasis on economic sustainability, which is the basis for the other components (social and environmental).
- ✓ Small producers should have access to certification.
- ✓ Certification costs should be divided to ensure that producers are adequately remunerated.

- **There was clear evidence of the interest of international donors in supporting the efforts of the coffee sector in various areas.**

5. MARKET TRANSPARENCY

- **There was considerable comment on the need for greater market transparency as a way of reducing volatility, using modern technologies for:**
 - ✓ crop estimates;
 - ✓ stock control;
 - ✓ demand projection.
- **Reliable market data are vital for**
 - ✓ coordinating production;
 - ✓ promoting demand in an adequate way;
 - ✓ ensuring sustainability.
- **The ICO could play a leading role in the preparation, compilation and validation of statistics and projections.**

6. BRIEF COMMENTS

- **Some brief comments on concepts frequently referred to by Conference speakers:**
 - ✓ Quality and pleasure are essential for adding value (i.e. improving prices).
 - ✓ Promotion programmes produce results (bear in mind the case of Brazil).
 - ✓ Prices cannot be controlled artificially but can be influenced by promotion and market segmentation.
 - ✓ Coffee is one of the best products for bringing together rich and poor since the rich countries are not competitors in the production of coffee.

7. PERSONAL CONCLUSIONS

- **Many other ideas, concepts and suggestions emerged from the diversity of opinions that guided the preparation of the programme for the Conference.**
- **Many ideas that seemed to be conflicting can be considered complementary if seen in the proper context**
 - ✓ for example, the apparent dichotomy between small producers who use limited technology and producers of any size who use advanced technology.
- **The question of technology and the sustainability of production are responses to the environmental, social and economic conditions of a country.**

- **A country can be sustainable in its own way and produce the qualities required by the market.**

- **We cannot single out technologies, production systems or particular qualities since each plays a role in the creation and development of markets, as in the case of soluble coffee, for example, much mentioned as a key instrument in opening up new markets.**

- **I conclude by going beyond the summary and delivering a message on behalf of Brazilian coffee growers.**
 - ✓ since Brazil is one of the highest income coffee producers
 - ✓ and I am sure that our competitors are, like us, on the road to increasing their incomes,
 - ✓ I see Brazil as a real-life laboratory,
 - ✓ trying out paths that other countries are bound to follow in the near future.

- **Brazil is prepared to share with its competitors its advances in areas as diverse as:**
 - ✓ research and technology;
 - ✓ crop estimates;
 - ✓ risk management;
 - ✓ increasing consumption;
 - ✓ institutional development;
 - ✓ and many other areas that I do not have the time to mention.