



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

ICC 96-11

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

25 – 29 September 2006

1. The International Coffee Council, chaired by Mr. Saint-Cyr Djikalou of Côte d'Ivoire, met from 25 to 29 September 2006.

Item 1: Adoption of the draft Agenda

2. The Council adopted the draft Agenda contained in document ICC-96-0 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 2005/06

3. The Council took note of the situation of outstanding payments affecting voting rights as at 29 September 2006 and approved the redistribution of votes in the Council and Executive Board for coffee year 2005/06 contained in document EB-3895/06 Rev. 7.

**Item 2.2: Initial distribution of votes in the Council
for coffee year 2006/07**

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-1997/06 Rev. 1 and ED-1998/06 Rev. 1).

5. The Secretary introduced document EB-3918/06 showing the initial distribution of votes for coffee year 2006/07, based on the current membership of the International Coffee Agreement 2001. The Council took note of this information and approved the initial distribution of votes for coffee year 2006/07, 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 report on credentials which was subsequently circulated, together with the List of Delegations, as document ICC-96-10.

Item 3: Admission of observers

7. The Executive Director said that as requested by the Council at its 95th Session in May 2006, the Secretariat had prepared draft procedures to enable Members to consider the admission of non-governmental organizations as observers to Council sessions, contained in document WP-Council No. 141/06. Two organizations which had not previously been admitted as observers to Council Sessions had submitted requests for observer status, together with documentation confirming their status: Oxfam, and the International Federation of Agricultural Producers (IFAP). Both organizations had a strong interest in coffee matters and worked with small producers, and he recommended that they should participate as observers at this Session. The Council took note of this information and agreed that both Oxfam and IFAP should be admitted as observers on an ad hoc basis to the 96th Session taking place from 25 to 29 September 2006. The Council further noted that document WP-Council No. 141/06 containing draft procedures for the admission of observers would be discussed later in the week.

Item 4: Membership of the International Coffee Agreement (ICA) 2001

8. The Executive Director introduced document EB-3886/05 Rev. 2, containing a report on membership. He said that as at 25 September 2006, there were 75 Members of the Organization, comprising 45 exporting and 30 importing countries. Panama was the latest Member to join the Organization and had completed the procedures by depositing an instrument of accession on 26 July 2006. In addition, Ghana, which had been applying the Agreement provisionally, had deposited an instrument of ratification on 31 May 2006. In the case of EU countries, Slovakia and Poland had deposited instruments of accession on 1 June and 15 September 2006 respectively. With respect to Finland, the representative had advised him that this country was awaiting the outcome of discussions on the future of the Agreement before proceeding with accession procedures. The Executive Director said that in the case of non-Member countries, the Junta Nacional del Café of Peru had recently informed him that

the question of membership was currently being discussed with the Government. It would be important to continue diplomatic efforts to encourage Peru to rejoin the Organization and he would request the assistance of some Members in this connection. Representatives of Timor-Leste, which had applied for membership, were attending the Council for the first time. With respect to China and the Russian Federation, he was continuing to pursue contacts with representatives of these countries, and in the case of Canada, although the Canadian coffee industry was supportive, there was no further progress to report.

9. The Council took note of this information and expressed a warm welcome to Panama as the 75th Member of the Organization, noting that the Government was taking the necessary steps to provide the ICO with information and other matters relating to membership. It also warmly welcomed the representatives of Timor-Leste to the meeting. The Council further expressed its appreciation to Ghana, Poland and Slovakia for having completed the necessary procedures, and noted that other EU countries were making efforts to complete membership procedures.

Item 5: Coffee market situation

10. The Executive Director presented a report on the market situation for August 2006 and document ICC-96-7 containing a report on coffee market developments in coffee year 2005/06. He said that the recovery in coffee prices recorded in 2005 had continued during the first few months of 2006, despite some downward correction, with the ICO composite indicator price (CIP) reaching an average of 101.20 US cents/lb in January 2006. This level represented a marked improvement in relation to averages of 58.08 cents for January 2004 and 54.04 for January 2003. The average CIP for coffee year 2005/06 was 91.43 US cents/lb compared to 85.30 cents for coffee year 2004/05 and 57.77 cents for 2003/04. These price movements seemed to indicate a recovery after the years of crisis in the coffee economies of exporting countries, but were still well below prices 15 years ago when the CIP had stood at around US\$1.20. In addition, gains in prices to growers were tempered by factors such as the depreciation of the dollar and higher oil prices. During the last months of coffee year 2005/06 there had been a marked recovery of Robusta prices, thus reducing the differential with Other Mild Arabicas, with production affected by factors such as weather conditions and internal difficulties such as lack of investment in the coffee sector. The behaviour of market fundamentals indicated some break with the chronic oversupply that had characterized the coffee market during the crisis years and a return to a situation of relative equilibrium between supply and demand, a factor favouring sustainable price maintenance. Stocks had been drawn down both in importing and exporting countries. There was a lack of official information on stocks for exporting countries, but there was every indication that some countries had been drawing down their stocks to meet export commitments. The level of closing stocks in exporting countries at the end of crop year 2005/06 was unlikely to be above 20 million bags. Stocks in importing countries were estimated at 19.8 million bags at the end of December 2005. Production had decreased in many exporting countries which were

severely affected by the long period of low prices. Consumption continued to be robust and this increased pressure on stocks. Domestic consumption in exporting countries was contributing to a balance in the market, with consumption estimated at 30.38 million bags in 2005/06 compared to 29.36 million bags in 2004/05. World production in crop year 2005/06 was 106.86 million bags for an estimated total demand of 117 million bags for 2006, compared to 115 million in 2005. However, the market remained susceptible to unforeseen movements of a speculative nature. In conclusion he said that market developments during coffee year 2005/06 seemed to have contributed to a recovery in coffee prices and confirmed the end of the crisis in the coffee industry in exporting countries.

11. The Council expressed its appreciation to the Executive Director for his informative presentation. It took note of document ICC-96-7, the ED-Letter of August 2006, and document WP-Board No. 1010/06 containing the final official estimate for the Brazilian coffee crop for 2005/06 and the third production estimate for 2006/07 indicating that production in crop year 2006/07 would be some 41.57 million bags.

Item 6: Future of the ICA 2001

12. The Council noted that document WP-Council No. 140/06 Rev. 4 contained an updated summary of proposals received to date from Members and document WP-Council No. 142/06 outlined areas of agreement and disagreement, as well as administrative and financial difficulties which arose at the time of the entry into force of the 2001 Agreement. A number of contributions had been received since the last meeting including from Burundi (document WP-Board No. 1007/06 and its addendum), Cameroon (document WP-Board No. 1009/06), the EC (document WP-Board No. 1006/06), Guatemala, El Salvador and Costa Rica (document WP-Board No. 1018/06), Honduras (document WP-Board No. 1014/06), Kenya (document WP-Board No. 1017/06), Madagascar (document WP-Board No. 1008/06), the USA (document WP-Board No. 1013/06) and Vietnam (document WP-Board No. 1004/06). In addition, further contributions were circulated at this meeting, including communications from Ecuador (document WP-Board No. 1021/06), Nigeria (document WP-Board No. 1019/06), and Tanzania (document WP-Board No. 1020/06). These proposals were introduced to the Council by representatives of the countries concerned. The Council further noted that the EU reaffirmed its approach of ensuring a strong role for International Commodity Bodies (ICBs) and, in view of the need to coordinate its position among its Members, reserved the right to make additional proposals during the course of discussions on this issue.

13. The Council took note of these documents and of the request that the United Nations should be involved in the discussions on the Agreement to avoid difficulties at a later stage. It further noted that a number of Latin American Members had met in New York to discuss the future of the Agreement and consider how progress might be made. No discussion on the substance of the Agreement had taken place but it had been agreed that it could be useful to

organize proposals thematically, based on five areas: objectives; membership and votes; efficiency of deliberations and decision making; structural and administrative matters and new and expanded areas of work. These countries had suggested that in view of the experience of negotiating the 2001 Agreement, it could be useful to establish a Working Group open to all Members, to work between now and May 2007 to examine the Agreement and proposals and submit recommendations to the Council.

14. The Chairman of the Private Sector Consultative Board (PSCB) said that the PSCB had discussed the future of the 2001 Agreement at an extraordinary meeting on 24 September 2006. Its conclusions and recommendations were summarized in document PSCB No. 93/06, and he introduced the main points in a powerpoint presentation (copies of his presentation were circulated at the meeting). The Council took note of this presentation and expressed its great appreciation to the PSCB for its valuable contribution.

15. The Council decided to review the summary of proposals received from Members contained in document WP-Council No. 140/06 Rev. 4.

Section 1 – Objectives/mission: The point was made that developments since the start of the 2001 Agreement should be taken into account, including the international coffee crisis, new markets and certification schemes related to sustainability. This was an opportunity for the ICO to create a more focussed role and proposals had been made by a number of delegations to amend or include new objectives. Other delegations considered that the objectives were generally sufficiently comprehensive. During the meeting Uganda proposed introducing two new elements in Article 1 to give the ICO a mandate to promote these activities: the importance of research and development and science, and emergency assistance. Indonesia also suggested amendments: (2 bis) to strengthen the participation of small-scale farmers in the global coffee market in order to alleviate poverty and to achieve the objectives of the millennium development goals; amending objective (7) to read “to promote, encourage and increase the consumption of coffee and diversification of products” and amending objective (9) to read “to promote production capacity and quality standards” in order to strengthen the global coffee sector in the free market environment. The Council noted that there was a degree of consensus on the value of a mission statement and that several delegates had suggested considering the proposal by the PSCB in this connection. It also noted the point by Brazil that increasing world coffee consumption was an important means of ensuring a dynamic coffee economy and distributing benefits throughout the coffee chain, and this could be reflected in the mission statement. There was also interest in the concept of customer satisfaction.

Section 2 – Coffee market/Remunerative prices: The point was made that seeking the removal of barriers to trade in coffee was an important means of helping producers to benefit through adding value to their product. It was also important to identify trends in the market to maintain a healthy coffee economy.

Section 3 – Information/research: Several delegates referred to the importance of strengthening the role of the ICO as a global centre for information, research and studies. Information was vital in ensuring a balanced market which could benefit all players. The ICO could only disseminate information to the extent that its Members provided it with data in a timely and accurate manner and political will to provide this information was essential in ensuring the proper functioning of the market. Several delegates emphasized the importance of maintaining the system of indicator prices, which no longer related to the system of quotas; it was a valuable tool for analysts and an important source of historical information. The Council noted that the US had proposed a new Article on dissemination of information; while there was no specific reference to CIPs, it was in favour of maintaining and expanding work on prices.

Section 4 – Statistics: The Council noted that Nigeria proposed amending Article 29 (4) to allow Members to inform the Council of difficulties and request technical assistance (see document WP-Board No. 1019/06), and also noted that the Chairman of the Statistics Committee had outlined suggestions for future priorities in this area in his report to the Council. The provision of statistics was essential to ensure a transparent and balanced coffee market.

Section 5 – Projects: The Council noted the importance of considering projects in the light of comments on priorities made by the Common Fund for Commodities (CFC) at the CFC/ICO workshop on 27 September. The US had proposed a new Chapter on projects to raise the profile of this activity. Some delegates expressed support for this proposal in view of the great importance of project work; however others considered that it might not be necessary to include explicit procedures for projects in the Agreement. This area could be strengthened through adapting existing guidelines or strategy documents. The proposal to facilitate access to information on credit and risk management tools was interesting. The Council noted that Indonesia would like the Working Group to evaluate its proposal that projects should be responsible for all their costs, in order to reduce costs of preparing projects in the budget.

Section 6 – Promotion/consumption: It was suggested that the term “market development” should be used for this activity. Key approaches included promoting information about the benefits of coffee and health, disseminating information to the medical profession and improving quality to ensure consumer satisfaction. Consumption could not be increased if living standards were too low for people to afford to buy coffee. It was also suggested that Members should consider the proposal by Brazil for a feasibility study on the creation of a tax to be levied on the marketing of coffee which would allow for a fund of the “American Checkoff” type to support promotion.

Section 7 – Health: Kenya suggested including a provision for dealing with OTA and health issues (see document WP-Board No. 1017/06). It would be useful to determine at what point coffee should be returned to exporters because it had been found to contain residues. Another

delegate highlighted the importance of the FAO's work in developing the new training tool "Good Hygiene Practices along the coffee chain". It would be important to avoid the introduction of legislation on green coffee and to take preventative action. The risk of coffee wilt disease was another issue that urgently needed to be addressed.

Section 8 – Quality: The need for a new definition of quality was raised by Vietnam. Another Member noted the importance of quality and food safety; the ICO should play a bigger role in helping producing countries to improve quality through technical assistance as well as information, particularly with regard to phytosanitary matters. The importance of projects to improve quality and the need for producers to receive remunerative prices and benefit from quality was also highlighted. The point was also made that the ICO was reviewing harmonization of quality standards. There was a need for clear guidelines on quality and acceptance of these by consumers to improve remuneration. There was also a general concern for producing countries to meet food safety requirements of consuming countries but it should be recognized that this involved costs.

Section 9 – Private sector: The Council noted that the PSCB had submitted proposals on the future of the Agreement and it would be important for the Working Group to consider these (see document PSCB No. 93/06). Regarding representation of small producers on the PSCB, the point was made that this body was made up of democratically recognized associations which represented small producers. It worked well and there was no need to change its structure. The point was also made that the ICO's role was not to create special categories of Members. Ethiopia emphasized that the issue of small farmers should be clearly articulated in the Agreement. The area of the private sector was appropriate to consider this.

Section 10 – Sustainability: No additional comments.

Section 11 – Structure/institutional/legal provisions: No additional comments.

Section 12 – Organizational/decision making issues: The Council noted that the US was seeking to include provision for decision-making to be on a consensus basis, rather than to change categories of membership or eliminate voting. In the case of the voting system, the Council noted that this was a matter that importing countries would need to discuss and consider how financial matters should be dealt with. The point was made that the proposal to eliminate the Executive Board and hold a single Session of the Council each year could reduce opportunities for consultations on coffee matters. An alternative option might be to hold a single meeting of the Executive Board in May to review the work of the Organization, and a single Session of the Council in September. Another Member noted that the Board enabled the Council to delegate matters to it and it was easier to reach decisions in a smaller forum. If it did not exist, the Council would need to establish additional committees. It was important that Members should be involved in decision-making and the current procedure of meeting every four months enabled the Secretariat to keep in regular contact with Members

and to follow up important issues such as projects. The issue of overlap was one that needed to be addressed. The point was also made that existing procedures restricted the effectiveness of the Secretariat. Funding was needed for activities such as improving statistics yet the budget only covered salary costs. For the Secretariat to be able to effectively implement strategy, a decision was needed on funding for core activities.

Section 13 – Technology and innovations: No additional comments.

Section 14 – Procedures: The Council noted that many delegates considered that there should be some changes to the Agreement and that the existing text could be improved through amendments. Others felt that there was no need to make major changes; the Agreement was quite comprehensive and some of the changes proposed could be reflected in decisions of the Council, or strategic short or medium-term documents which would complement the Agreement while allowing flexibility. While it was important that the ICO had provisions to guide its work, every element did not need to be in the Agreement. The Agreement was a legal text which required ratification by Members and if there were significant changes, this would have legal implications. It was also suggested that the Secretariat should clarify the legal implications of different approaches to the future of the Agreement and whether proposals such as new Articles were considered to be amendments, or would require a renegotiation.

16. Following further consultations and discussions in coordination meetings, the Council decided to establish a Working Group on the future of the Agreement. Noting that the draft text of the Council decision should be amended to read in the present tense, it decided to adopt the decision, a copy of which is attached to these Decisions¹. The Council further decided to appoint Mr. Saint-Cyr Djikalou of Côte d'Ivoire as the Chairman of the Working Group and Mr. Max Schnellmann of Switzerland as the Vice-Chairman, and noted the request that the recommendations of the Group should be submitted in sufficient time to allow for their consideration by Members before they were presented to the Council in May 2007. It was also suggested that it would facilitate discussions if the Secretariat could integrate the draft texts into appropriate documents. The Council further noted that the recommendations from the Group would be in the form of draft texts, to advance progress.

17. The Executive Director said that a meeting of the Executive Board was scheduled to take place from 24 to 26 January and to avoid unnecessary additional expenditure on travel by Members, the Working Group could hold its first meeting during the same week, if Members so wished. The Council took note of this suggestion and decided that the Working Group should meet on 22 and 23 January 2007, and if necessary also on 26 January. Additional meetings could take place between January and May 2007 as needed. Dates of meetings would depend on the availability of the Organization's meeting facilities which

¹ *Subsequently distributed as document ICC-96-9.*

were now used on a regular basis by external organizations. The Council further noted that discussions on the future of the Agreement could also take place at regional meetings to advance matters, and that it would be useful for the Chairman of the Working Group to be represented at these meetings.

Item 7: Coffee development projects already approved by the Common Fund for Commodities (CFC)

18. The Head of Operations said that document EB-3904/06 Rev. 2 contained a report on projects already approved by the CFC and reports had been circulated for three projects which had now concluded. He introduced document ICC-96-3 containing an Executive Summary of the final report for the project entitled “Potential for diversification in coffee exporting countries”. The full version of this report was contained on a CD-ROM circulated at this meeting, and incorporated comments from Members made at the workshop organized in May 2006 by the Natural Resources Institute as the Project Executing Agency for the project. The ICO expressed its appreciation to the Natural Resources Institute and the CFC for the successful completion of this project.

19. The Head of Operations also introduced documents ED-1992/06 and ICC-96-4 respectively containing the Executive Summaries of a socio-economic study and the final technical report of the project “Enhancement of coffee quality through the prevention of mould formation”. The full versions of the final technical and management reports for this project had been circulated on CD-ROM at this meeting, together with a CD-ROM training tool “Good Hygiene Practices along the coffee chain” prepared by the Food and Agriculture Organization of the United Nations (FAO) as the PEA for the project. The training tool was available in English, French and Spanish and comprised over 11,000 interlinked files, with support documents and background information. Core presentations were themed by topic, each with a variety of digital support material (including documents, photos, bibliographies, exercises and links) allowing users to adapt and build training material to reflect their own specific needs and circumstances. It could also be accessed in all three languages on the website <http://www.coffee-ota.org/>. The ICO expressed its appreciation to the FAO and the CFC for the successful completion of this project.

20. The Head of Operations also introduced an Executive Summary of a Producers Guide contained in document ICC-96-5. This had been prepared as part of the project “Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua”, and the final version of the Guide would be circulated in May 2007. Finally, he said that progress reports for the project entitled “Pilot rehabilitation of neglected coffee plantations into small family production units in Angola” and “Improving coffee quality in East and Central Africa through enhanced processing practices (Rwanda and Ethiopia)” were contained in documents ICC-96-1 and ICC-96-2 respectively.

21. The Council took note of this information and of the reports and materials circulated at this meeting.

CFC/ICO workshop on future coffee development priorities (27 September)

22. The representative of the CFC said that the CFC appreciated the contributions of all Members to this workshop. He stressed that the CFC was looking for reasons to finance rather than to reject proposals. In discussions on this item, the Council noted that the report of the workshop should reflect the fact that the Organization was embarking on important discussions on future priorities, particularly in the area of projects and procedures for submission of projects. The ICO should clearly communicate to the CFC that the comments and priorities expressed at the workshop were not its final position and were subject to change, so that it could have an opportunity to come back on this subject and inform the CFC of its views. The point was made that the CFC appeared to have already prepared its Five-Year Action Plan; however the ICO was open to contributing to it and wished to ensure that the concerns of Members were taken into account in the Plan.

23. The Council took note of this information and thanked Mrs. Josefa Sacko, Secretary-General of the InterAfrican Coffee Organisation (IACO), for chairing the workshop. It expressed its appreciation to the CFC for its excellent collaboration on coffee projects and noted that countries which were represented on the CFC Consultative Committee should ensure that they liaised with their representatives to ensure that they were fully informed about the projects to be considered by the Consultative Committee.

Item 8: Programme of activities for 2006/07

24. The Council noted that the Executive Board had considered the programme of activities for 2006/07 (document EB-3912/06 Rev. 1), which had been revised to take account of suggestions from Brazil at its last meeting. The costs of activities had been included in the draft Administrative Budget for 2006/07. In the case of suggestions from Brazil with financial implications, resources would need to be sought from external sources as the Finance Committee had already recommended approval of the Budget at its meeting in July 2006. The Board had therefore decided to recommend that the Council should approve this document. On the recommendation of the Board, the Council decided to approve the programme of activities for coffee year 2006/07 contained in document EB-3912/06 Rev. 1.

Item 9: Report by the Chairman of the Private Sector Consultative Board (PSCB)

25. Mr. Christian Rasch Topke, the Chairman of the PSCB for 2006/07, said that the PSCB had met on 27 September 2006. On the item of Coffee and Health, it had received a report on the Positively Coffee Programme, which was dealing with three new topics (Coffee

and social pleasure, cancer and blood pressure). The Positively Coffee website had been developed in the four official languages of the Organization and was receiving an increased number of hits, and the sixth newsletter had been circulated. The PSCB had also noted that the Health Care Professions – Coffee Education Programme was in the final year of a three year programme, and results from individual countries were very positive. Dr. Darcy Lima of the Federal University of Rio de Janeiro had reported on the Coffee and Health programme in Brazil, which included coffee and the heart, coffee and the brain and coffee at breakfast in schools, covering issues such as obesity, depression and alcoholism/drugs. The PSCB had noted that the Conexão Médica initiative educated doctors through the Internet and television and Dr. Lima had made extensive film material available to the ICO Library for all Members to consult.

26. The PSCB had also received a report on the International Coffee Genome Network (ICGN), which had included the issue of bad genes making bad coffee, the difficulty of funding, the fact that there were 2000 genes present in the Arabica plant alone, and the objective of the ICGN which was to improve breeding of coffee plants by natural means, and not Genetically Modified Organisms (GMOs). The PSCB had discussed a number of other items including sustainability, food safety, the European Coffee Contract, the Coffee Quality-Improvement Programme and the issue of harmonization of Resolution number 420 with ISO Green Coffee Defects Chart, and would consider these further at future meetings. Finally, the PSCB had noted changes to its composition including the Asociación Mexicana de la Cadena Productiva del Café which replaced the Confederación Mexicana de Productores de Café as a representative of the Other Milds Group, and the Instituto Hondureño del Café (IHCAFE), which replaced ORCECA as an alternate to the Other Milds Group.

27. The Council took note of this report and expressed its appreciation to the PSCB for its great contribution to the work of the ICO. It thanked Dr. Euan Paul for his excellent work as the outgoing Chairman of the PSCB, and welcomed Mr. Christian Rasch Topke of ANACAFE as the Chairman of the PSCB for coffee year 2006/07.

Item 10: Statistical and economic data services

Item 10.1: Report by the Chairman of the Statistics Committee

28. The Chairman of the Statistics Committee, Mr. David Hallam, said that the Statistics Committee had met on 27 September. The Committee had noted a high level of compliance by Members with reporting requirements. Full and satisfactory compliance by exporting Members was just over 82% while that of importing Members was just under 99%. A number of countries were still experiencing difficulties in complying with statistics and ways of improving performance were under review. As suggested by the Committee at the last meeting, the Executive Director had written to countries which were in full compliance to invite them to share their experience with countries with low levels of compliance. It had

been proposed at that meeting that a manual should be prepared by exporting Members on best practice in supplying data and that pilot workshops should be held to enable countries in full compliance to share their experience with countries with poor or non-compliance, as cost-effective ways of sharing information. These suggestions would now be developed further, with two target areas envisaged: West Africa and Latin America.

29. The Committee appreciated the cooperation of the European Coffee Federation (ECF) on inventories and stocks; the results of the ECF stocks survey were regularly posted on the ECF website. Formal agreement would be sought from the authorities of importing Members to authorise the ICO to treat ECF data as official. The Committee had received a report on exports of organic coffee which showed rapid growth in this sector, which included some information on the value of these exports, as requested by the Committee at its last meeting. Members had been requested to provide detailed monthly reports with the necessary information, and a request for retail prices of organic coffee would be made to Germany and/or France, Japan and the USA on a trial basis. The Committee had reviewed a report on data on imports of soluble coffee under specific Harmonized System (HS) codes. It had recommended that the ICO series on imports of soluble coffee under two HS codes should be adjusted to reflect the actual volume of 10% of coffee contents in products classified under these codes, with values based on the average unit value of soluble coffee from each origin. In the case of exports of coffee to exporting countries, the Committee would continue to monitor this trade, which was increasing in importance.

30. Finally, the Committee had considered the matter of future statistical priorities. It had noted that in their contributions on the future of the Agreement, Members had recognized the importance of the ICO's work in promoting market transparency and the need for timely and accurate statistics, and had suggested expanding coverage to include trends such as niche markets. Statistics was a core activity of the Organization and should be recognized as such. The Committee had discussed issues such as the quantity of information on countries, the range of variables, prices and niche markets, and had noted the importance of the quality, timeliness and accuracy of data. The ICO's statistical data was subject to a process of continual improvement. An expansion of the current data series would have cost implications and the Committee had agreed that it would be useful to have details about the costs of providing statistical services to enable it to assess what was feasible. It had noted the importance of trade statistics and data on exports and the need to monitor areas such as consumption in producing countries, the growing trade in organic coffee and other market trends. The ICO should continue to prioritise and strengthen provision of trade data without neglecting other areas. The Committee considered that there was a role for private sector organizations in supplying information and welcomed the cooperation with the ECF on stocks as an example of collaboration that it would like to see more of. Finally, the Committee had noted that information provided by the ICO was only as good as that provided by Members and had emphasized the need for timely and accurate information from Members to enhance market transparency.

31. In discussions on this item, delegates highlighted the importance of market transparency and the need for Members to make every effort to provide the ICO with data in accordance with the current Agreement. It was important to take this into account at a time of transition and to appreciate the importance of the provisions of the current Agreement relating to market transparency and information. The Council noted that Vietnam had previously received some training in the area of statistics and wished to establish good relations with the Statistics Committee, and that the ICO was ready to assist Vietnam where possible. It also noted that Honduras had developed a comprehensive information system and statistical databank and was willing to cooperate on training initiatives. In response to questions about the availability of resources, and whether regional workshops could assist countries on a case by case basis, the Council noted that the proposal for workshops had emerged as a cost-effective way of communicating good practice. Given the diverse experience of Members it was difficult to provide a tailor-made solution for each country. The proposal for a manual would also allow sharing of good practice. The issue of finances was important – if the ICO considered that statistical activities were a high priority, the provision of finance to support these activities should be reviewed and a decision taken on whether or not to allocate funds to them.

32. The Council took note of the report and recommendations of the Statistics Committee and requested the Secretariat to develop a proposal for financial resources for statistical activities to be put forward to the next meeting of the Board and Council.

Item 10.2: Statistics Committee for 2006/07 and 2007/08

33. The Council noted that the term of office for the current representatives of the Statistics Committee expired on 30 September 2006. The terms of reference for the Committee contained in document EB-3833/02 required the Council to approve the names of representatives or experts designated by exporting and importing Members and by the Executive Director (two in each category) for the next two coffee years. The Council noted that in the case of Colombia, the name of the representative would be confirmed after the meeting as Mr. Andrés Valencia Pinzón who had previously represented Colombia on the Committee was taking up a new post. It decided to reappoint the following representatives for coffee years 2006/07 and 2007/08:

Exporting Members: Mr. Alberto Duque Portugal (Brazil),
Colombia (name of representative to be confirmed)

Importing Members: Mr. Rob Simmons (LMC International Ltd, UK),
Mr. Neil Rosser (Neumann Kaffee Gruppe, Germany)

Executive Director: Mr. David Brooks (USA),
Mr. Corneille Tabalo (Democratic Republic of Congo)

Item 11: Sustainability

34. The representative of the Sustainable Coffee Partnership, Mr. Chris Wunderlich, reported on the meeting of the Steering Committee held on 26 September 2006. The report of this meeting was subsequently circulated as document ICC-96-8.

35. The Executive Director said that the PSCB received regular reports on the status of the Common Code for the Coffee Community (4Cs). When the Code was first developed, it had been suggested that the ICO could provide a home for this initiative. The Code had subsequently been developed in collaboration with representatives of producers, consumers and non-governmental organizations (NGOs). The statutes of the Code were now ready and a meeting of the 4Cs Steering Committee would take place in Montreux, Switzerland from 4 – 6 October 2006, to discuss a roadmap to institutionalise the 4Cs as an Association and decide on the location of the office and other practical issues. He sought guidance from Members on the future relationship between the ICO and the 4Cs and whether the ICO should continue to follow the work of this initiative.

36. In discussions on this item, exporting Members said that they would need to hold a coordination meeting to decide on the most appropriate course of action. The point was made that there had as yet been no study by an independent body about the advantages of implementing the Code. The Code had been developed as a response to the crisis of low prices, however it appeared that the market was now entering a period of recovery, and further review was needed.

37. The Council took note of this information and noted that the issue of the 4Cs would be discussed again following consultations by exporting Members. The Council also took note of document WP-Council No. 143/06 containing details of ICO documents relevant to sustainability together with an Annex containing details of other sustainability initiatives.

Item 12: Studies and reports

38. The Secretary said that Article 36 of the Agreement provided that the Executive Director should submit to the Council a periodic report on compliance with the provisions of this Article. Document ICC-96-6 contained a report on replies received from Burundi, Costa Rica, Japan, Germany, and Honduras in response to the Executive Director's request to Members to inform him of measures taken to prohibit the sale and advertisement of products under the name of coffee if such products contained less than the equivalent of 95% green coffee as the basic raw materials. In the case of the report on the effects of tariffs on the coffee trade presented to the Council in May 2006, the Secretariat would circulate a revised version of this document to the Board in January 2007. Finally, the Secretary informed the Council that, as requested by the Board in January 2006, the Executive Director had contacted the United Nations Framework Convention on Climate Change (UNFCCC) to identify ways of including coffee in the Clean Development Mechanism and there had been an exchange of correspondence on the matter. The ICO was currently exploring with

Colombia the possibility of proceeding with a project in this area, as a Colombian institution was recognized by the UNFCCC and carbon sequestration of coffee was beneficial to the environment. The Council took note of this information and of document ICC-96-6 containing a report on compliance with the provisions of Article 36.

Item 13: Phytopsanitary matters

39. The Head of Operations said that in the case of pesticides, Commission Regulation No. 396/2005, amending Council Directive 91/414/EEC was published in the Official Journal of the European Union in March 2005. The EU was reviewing harmonization of Maximum Residue Levels (MRLs) and coffee was one of the products to which harmonized EU legislation would apply. The Chairman of the PSCB had stressed to the Board and Council in January and May 2006 the importance of sending information on MRLs of pesticides in or on food and feed of plant and animal origin, and the Executive Director had subsequently requested Members to provide this information by 30 August 2006 (see documents ED-1984/06 and ED-1991/06 and its Revision), however no responses had been received. To be able to enter into discussions and participate in the process of being given an MRL, the PSCB needed a list of pesticides being used. If no information was provided, the EU might decide not to accept some pesticides.

40. In the case of Ochratoxin A (OTA), the Head of Operations said that exporting Members had issued a declaration on OTA in January 2006 (document EB-3909/06) urging the EU to reject limits on green coffee as this would have a detrimental effect on producers. In May, the Chairman of the PSCB had informed the Council at its last Session that it was informally understood that the European Food Safety Authority (EFSA) panel which was reviewing OTA and whether or not it should be classified as genotoxic had concluded that OTA was not genotoxic. If this was correct, it was unlikely that green coffee would be included in the limits legislation. The matter was due to be considered by the DG Sanco Working Group during the summer, which would review green coffee and other coffee products together with other food stuffs in the light of the latest information. A further report would be given at the next meeting by the representative of the EU.

41. The Council took note of this information and of a further appeal by the Chairman of the PSCB for Members to provide a list of the pesticides used in their countries. A document containing a presentation by the Health and Consumer Protection Directorate General regarding EC Regulation No. 396/2005 on MRLs was made available at the Council Session (a copy can be obtained on request from the Secretariat). The legal framework was being reviewed by the EU as there were currently four different Directives, each with different provisions for the same problems and complicated lists of MRLs at national and community level, and there was a need for harmonization. This issue would be discussed again at the next meeting when the EU representative would be available to provide further clarification.

42. In discussions on this item, the Council noted that one coffee company had carried out extensive research on pesticides over a number of years. Contamination had only been found in five out of 7,000 lots, and originated from a chemical used in warehouses, rather than pesticides used in coffee. A study carried out in Guatemala had also shown that the risks appeared to lie in pesticides used in other links in the chain such as transportation, warehouses and containers. Guatemala was currently monitoring exports to all destinations and would be happy to share its experience with Members at the next meeting. The need for a rational approach and for measures to be in proportion to the risks was stressed. Producing countries were committed to taking steps to respond to measures taken in importing countries, and to ascertain the risks, but costly equipment was required. Other organizations should assist producing countries to deal with the issues in a way that would not damage their economies. These were complex issues and the ICO should disseminate information and promote dialogue on them. Any standards should be in line with what had been established by Codex Alimentarius. It would be useful if the ICO could cooperate with Codex on this issue. It would also be useful for a seminar or exchange of ideas to be organized to facilitate discussion and understanding. Producing countries did not oppose the standards as long as they were not intended to restrict access to markets in consuming countries.

43. The Chairman requested the Secretariat to consider an action programme on pesticides in view of forthcoming EU legislation. It was also suggested that in view of developments such as US legislation on bioterrorism, changes to Japanese food safety laws, EU regulations on imports of foodstuffs, and the increased responsibility on producing countries for food safety, that it would be useful for the ICO to summarize the requirements of legislation in consuming countries, as had been done for quality standards. The ICO should also look at the various measures which were in force in importing countries and assess what was being done in producing countries to avoid the risks.

44. The Council noted that the Secretariat would prepare a paper giving an overview of legislation in consuming countries, and would follow up other suggestions. The issue of phytosanitary matters would be considered again at the next meeting.

Item 14: Cooperation with other agencies

45. The Executive Director said that he had been in touch with the new Executive Director of the United Nations Environment Programme (UNEP) to confirm the ICO's interest in cooperation between the two organizations and to provide information about projects and other activities. In the case of the World Trade Organization (WTO), as previously reported, the ICO was in contact with the WTO Secretariat regarding observer status at meetings of the Committee on Trade and Development (CTD). This would be possible when the Committee discussed commodity issues.

21st ASIC Conference (11 to 15 September 2006)

46. The Executive Director reported on his participation at the recent 21st International Scientific Coffee Association (ASIC) Conference on Coffee Science in Montpellier, France and praised the work of the Association and its contribution to a better knowledge of coffee in its different aspects. Then he invited Mr. Maurice Blanc, Administrative Secretary of ASIC, to make a presentation on the Conference. Mr. Blanc said that more than 350 scientists from 33 countries had attended, and around 250 scientific communications on different aspects of coffee research had been received. The Conference had included a special workshop on coffee and health in order to provide information about the most recent findings on the beneficial effects of coffee consumption, and to exchange views with experts. ASIC was setting up a Global Coffee Research Network as a platform to facilitate exchange of information among coffee research institutions worldwide, and also maintained an expert network on coffee science, in collaboration with the International Trade Centre's "Coffee – an Exporter's Guide". The next Conference would take place in Campinas, Brazil, from 14 – 18 September 2008 and all Members were welcome to participate. A copy of Mr. Blanc's presentation is available on request from the Secretariat.

47. Regarding results presented at the Conference which could be of particular interest to Members, the Council noted that these included the risk of the spread of tracheomycosis and the need to combat this; work on identifying genes related to coffee quality; and the importance of the drying process and drying techniques in ensuring quality. Regarding information on pesticides, the Council noted that no specific paper on this subject had been submitted to the Conference this year. ASIC was exploring status as an NGO at Codex Alimentarius which would enable it to contribute to discussions on pesticide regulations by this body. In response to suggestions that it would be very useful to look at strengthening cooperation between ASIC and the ICO, the Executive Director proposed that more permanent ways of collaboration between the ICO and scientific bodies such as a scientific unit or dissemination of scientific information should be considered within the framework of discussions on the future of the Agreement. The Council took note of this information and expressed its appreciation for the very important work of ASIC.

Item 15: Promotion Committee

48. The Council noted that the Promotion Committee had met on 26 September 2006 and a report would be circulated after the meeting, as the composition of the Committee and the Council was the same. Following the Committee meeting, representatives of exporting Members had held a coordination meeting to discuss a proposal from Brazil contained in document WP-Promotion No. 8/06. The proposal related to the creation of an ICO network for the promotion of coffee consumption, which would build on knowledge already gained and bring together participants in the world coffee industry to collaborate on ways of increasing coffee consumption in all markets. Exporting Members had agreed at this meeting

to authorize the Executive Director in principle to use a sum not exceeding US\$120,000 from the Promotion Fund to contract specialized firms to create an ICO network to promote coffee consumption as described in document WP-Promotion No. 8/06. The Council took note of this information and further noted that on the authorization of exporting Members, the Executive Director would now proceed to invite the consultants to submit a detailed formal proposal and would convene a meeting of the Steering Group on Promotion no later than January 2007 to review this.

49. The Council further noted that following some consultations, exporting and importing Members had decided to reappoint their Members to the Steering Group on Promotion for the next two coffee years. The Group would therefore be composed of the following representatives for 2006/07 and 2007/08:

Steering Group on Promotion (2006/07 and 2007/08)

Chairman:	Executive Director
Exporting Members:	Brazil, Colombia, Côte d'Ivoire, Indonesia
Importing Members:	France, Italy, Japan, United Kingdom
PSCB:	Chairman and Vice-Chairman
Promotion Committee:	Chairman and Vice-Chairman
ICO:	Executive Director

Item 16: National coffee policies

50. The Council noted that a report on the EU review of International Commodity Bodies would be given at a future meeting, and there were no requests to report on national coffee policies at this meeting.

Item 17: Financial and Administrative matters

Item 17.1: Draft Administrative Budget for the financial year 2006/07

51. The Vice-Chairperson of the Executive Board said that the Finance Committee had decided to recommend approval of the draft Administrative Budget (with the caveat that the question of languages should be raised with the Board and Council). The Board had therefore decided to recommend to the Council that it should approve the draft Administrative Budget for 2006/07 contained in document WP-Board No. 997/06². Based on

² *Subsequently distributed as document EB-3919/06.*

overall expenditure of £2,775,000 and estimated income from external sources of £245,000, the contribution per vote would be £1,265 for 2006/07, representing an increase of 3.18% compared with the financial year 2005/06.

52. The Council took note of this information and decided to approve the draft Administrative Budget for 2006/07 contained in document WP-Board No. 997/06. It also noted the request that the Executive Director should make a further effort to reduce expenditure and increase income.

Item 17.2: Outstanding contributions/payment of arrears

53. The Vice-Chairperson of the Executive Board said that the Chairman of the Finance Committee had introduced a draft recommendation on a policy on arrears developed by the Committee at the Board's request (contained in document WD-Board No. 33/06 which was circulated at the meeting). In the case of countries with outstanding arrears, the Board had noted that the Democratic Republic of Congo and Nicaragua had assured the Executive Director that they were making efforts to resolve these, and Uganda had submitted a schedule for payment of its arrears over three years. There was some discussion in the Board on the draft policy. Some delegates felt that it would penalise poorer countries which were affected by adverse socio-economic conditions and could also mean lengthy delays to project implementation. In addition, the Agreement only provided for suspension of voting rights in the case of arrears. Other delegates had noted the need to ensure that the ICO's financial situation was on a sound footing. Members had obligations as well as rights and the current situation was not equitable for countries which met their obligations despite difficulties. It was suggested that the wording of the policy could be reviewed, for example to extend the period or make allowances for countries which had submitted a schedule for repayment. The Board had noted that exporting Members would discuss this matter in coordination meetings, as it had implications for their Members in particular.

54. The Council took note of this report. It further noted that exporting Members had held further discussions on the issue of outstanding contributions in coordination meetings. They had noted that the Agreement was not intended to penalise countries in arrears, nor were the finances of the ICO in crisis. Article 25 provided that Members in arrears should not be deprived of their rights or obligations other than voting rights unless the Council so decided by a two-thirds majority vote. Arrears were not a frequent occurrence but often arose because of force majeure. They did not represent a lack of commitment to the ICO as producing countries took their financial responsibilities seriously. Exporting Members had also noted that several countries had indicated their intention to reschedule payment of their arrears and appreciated their efforts. Exporting Members had decided to recommend that the Executive Director should keep in contact with these countries and be receptive to proposals for rescheduling arrears. The Secretariat should discuss the calculations on outstanding contributions with the countries concerned, as in some cases, the arrears could have been due

to political upheaval, and the amounts might not be recognized as an accurate reflection of economic activity. The Secretariat should allow for some flexibility on this. The Executive Director should welcome proactive steps by countries to reschedule their arrears which would help to encourage other countries to follow this route.

55. The Council took note of this information and further noted that Panama, which had recently rejoined the ICO, had outstanding contributions from previous coffee years but was making efforts to settle these. It decided that the voting rights of Panama should be restored for the time being, but that the matter should be kept under review and considered again at the next meeting. In the case of Nigeria, the Council noted that this country had not paid its contribution for 2005/06 since, although a request for payment and subsequent reminders had been sent to the High Commission of Nigeria, these had not been forwarded to the capital to arrange payment. The Council noted that the votes of Nigeria would be restored once payment had been made, and further noted that in future the Secretariat would send a copy of the request for payment of contributions to the capital of this country.

Item 17.3: Other financial and administrative matters

56. The Vice-Chairperson of the Executive Board said that the Board had taken note of the report on the financial situation contained in document WP-Board No. 1016/06. It had also noted that the Executive Director proposed to appoint MRI Moores Rowland as the Auditors of the ICO for the financial year 2006/07. Finally, the Board had noted that the representatives of producers and consumers would notify the Chairman of the Board of their representatives on the Finance Committee for 2006/07 and 2007/08 and had thanked Mr. Mick Wheeler of Papua New Guinea for his excellent work as Chairman of the Committee.

57. The Council took note of this information and also expressed its appreciation to Mr. Wheeler for his great contribution as Chairman of the Finance Committee. It further noted that the representatives on the Finance Committee for 2006/07 and 2007/2008 had been confirmed by representatives of producing and consuming Members as follows:

Exporting Members: Brazil, Colombia, Côte d'Ivoire, Papua New Guinea

Importing Members: EC - Spain, Japan, Switzerland, USA

Item 18: Elections for coffee year 2006/07

Item 18.1: Chairperson and Vice-Chairpersons of the Council

58. 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 2006/07:

Chairman: Mr. Mauro Orefice (EC - Italy)
First Vice-Chairman: Mr. Hiroshi Aimoto (Japan)
Second Vice-Chairman: Mr. G.V. Krishna Rau (India)
Third Vice-Chairman: Mr. Dewa Sastrawan (Indonesia)

Item 18.2: Executive Board

59. 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 2006/07. These Members were requested to send the Secretariat the names of their representatives and alternates or advisers on the Executive Board, in accordance with Rule 4 of the Rules of the Organization. The Council further noted that at future Sessions of the Council, countries should coordinate in their groups before the elections and ensure that they were aware of the order of rotation of seats on the Board and avoid changes to their nominations.

Exporting Members

Brazil, with 282 votes (representing Brazil)
Vietnam, with 145 votes (representing Vietnam)
Colombia, with 114 votes (representing Colombia)
India, with 102 votes (representing India and Indonesia)
Mexico, with 96 votes (representing Cuba, Ecuador, Guatemala and Mexico)
Costa Rica, with 83 votes (representing Costa Rica, Dominican Republic, El Salvador and Honduras)
Angola, with 74 votes (representing Angola, Cameroon, Côte d'Ivoire, Gabon, Ghana and Togo)
Rwanda, with 70 votes (representing Burundi, Ethiopia, Kenya, Rwanda and Tanzania)

60. The following Members did not assign their votes: Bolivia (6 votes), Jamaica (5 votes) and Panama (6 votes). The following Members were absent: Thailand (10 votes) and Venezuela (7 votes). The following Members had their votes suspended: Benin, Central African Republic, Congo (Democratic Republic of), Congo (Republic of), Guinea, Haiti, Madagascar, Malawi, Nicaragua, Nigeria, Papua New Guinea, Paraguay, Philippines, Uganda, Zambia and Zimbabwe.

Importing Members

European Community, with 675 votes (representing the European Community):

European Community³

Belgium

Germany

Italy

Spain

United States of America, with 222 votes (representing the United States of America)

Japan, with 74 votes (representing Japan)

Switzerland, with 17 votes (representing Switzerland)

61. The following Member was absent: Norway (12 votes).

Item 18.3: Chairperson and Vice-Chairperson of the Executive Board

62. In accordance with the procedures provided for in Article 17 of the Agreement, the Council elected the following office-holders on the Executive Board for coffee year 2006/07:

Chairman: H.E. Mr. José Angel López Camposeco (Guatemala)

Vice-Chairman: Mr. Ivan Romero Nasser (Honduras)

Item 19: Other business

The Coffee Paradox

63. The Executive Director introduced the Spanish version of “The Coffee Paradox” by Dr. Stefano Ponte, a presenter at the 2nd World Coffee Conference. The National Coffee Growers Federation of Colombia and the ICO had collaborated on the publication of the Spanish edition, and a copy was distributed to every delegation attending the meeting. The Council took note of this information and further noted that additional copies in Spanish or English could be purchased from the ICO Library (email: info@ico.org).

Item 20: Future meetings

64. The Council noted that its next Session would take place at the headquarters of the Organization in London from 21 – 25 May 2007, and further noted that, as decided under Item 6, the Working Group on the future of the Agreement would hold its first meeting on 22 and 23 January 2007 prior to the meeting of the Executive Board from 24 – 26 January, and if necessary, would also meet on 26 January.

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



International Coffee Organization
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International Coffee Council

Ninety-sixth Session
25 – 29 September 2006
London, England

Decision of the Council

Establishment of a Working Group on the Future of the International Coffee Agreement

1. The International Coffee Council, in order to facilitate the process of determining the future of the International Coffee Agreement, decides to establish a Working Group with the mandate of examining the current Agreement and proposals submitted by Members, or other invited parties, and to submit recommendations to the Council.
2. The Working Group shall be open to all Members and shall establish its own procedures.
3. The International Coffee Council shall appoint a Chairperson and Vice-Chairperson.
4. The Working Group shall hold its first meeting as soon as possible, with the aim of submitting its recommendations to the Council at its Session in May 2007.
5. The Group shall normally meet at the seat of the Organization, to the extent possible, at the time of regular meetings of the Council and/or Executive Board, and between these meetings as decided by the Group.