



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

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**Future of the International
Coffee Agreement (ICA) 2001**

Communications from Madagascar

Background

The following communications on the future of the ICA 2001 have been received from Madagascar, in response to the decision taken by the International Coffee Council at its 95th Session that Members should submit proposals on the future of the ICA 2001 by 15 August 2006.

Action

The Executive Board and the International Coffee Council are requested to consider this document.

**MINISTRY OF INDUSTRIALIZATION, TRADE AND
PRIVATE SECTOR DEVELOPMENT, MADAGASCAR**

Executive Director
International Coffee Organization

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Subject: Future of the International Coffee Agreement 2001

Sir,

I have the honour to forward you herewith the proposals put forward by public and private sectors of Madagascar (National Coffee Marketing Committee) on the future of the International Coffee Agreement 2001.

Please accept the assurances of my highest consideration,

(signed) Mireille Ratoaveloson
Director General of Trade

Future of the International Coffee Agreement 2001 Proposals by Madagascar

As a forum for discussion, the International Coffee Organization (ICO) has an important role in regulating the coffee sector. In fact, the benefits of the ICO reside in seeking the common interests of Member countries by establishing:

- an Agreement that promotes healthy competition in world coffee markets. This was achieved by abolishing the quota system;
- a policy designed to promote international cooperation on all matters related to coffee;
- programmes that indicate the will to undertake the development of the coffee sector.

In addition, it must be recognized that following the crisis caused by the fall in coffee prices, thanks to the ICO, exporters have found new hope.

Considering that:

- (i) the International Coffee Agreement 2001 has recently entered into force definitively and that a number of countries are still in the process of completing their ratification procedures;
- (ii) the objectives stipulated in the Agreement have not been fully achieved, such as encouraging Members to develop a sustainable coffee economy, and promoting training and information programmes designed to assist the transfer to Members of technology relevant to coffee;
- (iii) a number of programmes and projects are in the process of being completed,

Madagascar does not yet see any need for negotiating a new Agreement, since this would be a time-consuming process, but favours instead an extension of the 2001 Coffee Agreement.

However, amendments should be made if progress is to be achieved since we note that the Agreement gives greater emphasis to organizational and structural elements whereas the emphasis should be on the ways and means required to attain its objectives.

In this regard, the following points should be improved:

- Definition of criteria for selecting projects as well as areas for intervention in order to enable small producing Member countries to benefit;

- Strengthening of exchanges between Members to ensure that there is a transfer of skills and technology;
- Increase of efforts already made to provide technical assistance for Members, particularly those that have difficulties in producing and forwarding statistical information, in order to enable them to increase their capacity to meet their obligations;
- Assistance in the preparation of projects relating to the development of the coffee sector both at national and international levels;
- Strengthening of the PSCB to make it representative of all private sector interests;
- Creation of a financing system to support production;
- Promotion of coffee processing activities to increase the added value of the product (increasing the value of coffee by-products...)
- Intensification of coordination of activities and regulations relating to sustainability.

In addition, we consider that the ICO should not simply limit itself to providing figures on the volume of exports and world coffee consumption but should also carry out market studies and analyses designed to promote world coffee consumption (Objectives 5 and 7 of the Agreement).

Furthermore, Madagascar supports the efforts made on research and development since this can provide the shortest way to a sustainable coffee economy (Objective 6). For this purpose we consider that international coffee research organizations should work in concert with national research bodies.

Finally, it would be useful to follow up compliance with existing resolutions before starting new discussions.

NB: The National Coffee Marketing Centre of Madagascar (CNCC), a private body representing all coffee exporters, has also put forward proposals on the renegotiation or extension of the International Coffee Agreement 2001.

NATIONAL COFFEE MARKETING COMMITTEE OF MADAGASCAR

Proposals put forward by the CNCC as contributions for consideration in the preparation of a new International Coffee Agreement

The new Agreement that would replace the 2001 Agreement should, in the view of Madagascar, give greater emphasis to the achievement of a more sustainable balance between supply and demand in order to assure the revenue of producing countries.

The general tenor of this new Agreement – without falling into the quota pitfalls of the end of the 20th century, with the harmful consequences we all know – should be designed to satisfy all producing countries regardless of their size or production levels.

In the main, the decisions adopted at the Second World Coffee Conference held in Salvador, Bahia (Brazil) in September 2005, should largely be taken into account, particularly:

- Creation of a financing system designed to support production (favouring micro-financing or linking credits and indirect subsidies);
- Encouraging initiatives designed to develop domestic coffee consumption in producing countries with a high consumption level, such as Brazil, Ethiopia and Madagascar. These activities should be carried out with the assistance of multilateral or inter-regional financing. They could provide a means of developing exchanges among producing countries. Countries that are both producers and consumers could import coffee for domestic consumption from non-consuming exporting countries and so increase exports of their production.
- In addition, the results of studies carried out by a number of researchers to prove not only that coffee is not harmful but that it has a number of benefits in preventing or curing illnesses like Parkinson's disease or diabetes, should be given wider media coverage;
- Promoting coffee processing activities in order to significantly increase the added value of the product. If the participants in this Salvador Conference are all agreed on the need for producing countries to make an effort in regard to the quality of the coffee they export, significant action must be taken by importing countries to assist producers in this endeavour. For example, it is urgent and necessary for producers and consumers to make a significant joint

effort to develop generic coffee advertising in consuming countries where mass advertising or packaging of own brand coffee tends to create lack of interest.

This effort would be all the more profitable for producing countries since the increase in coffee consumption in Eastern Europe or Asia (China) should benefit producers as a whole rather than any individual country, given the importance of the potential demand;

- Need to coordinate the efforts of producing countries in favour of a new vision of the world coffee market. This new vision could inspire producers to commit themselves to combating all forms of tariff and non-tariff barriers restricting world coffee trade. Such barriers are a serious attack on consumption since it is known that 19% of the world's population consumes 1 or more cups of coffee a day whereas 61% consumes less than 1 cup a week. This indicates the enormous consumption potential offered to producers in the coming years.

This implies that in present circumstances the current level of production must be maintained and any increase in production must be absolutely avoided. Better organization of producers should be ensured (cooperatives, for instance).

This likewise implies an improvement in risk management and processing of coffees at origin.