



Organización Internacional del Café
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**Future of the International
Coffee Agreement (ICA) 2001**

Communication from Honduras

Background

The following communication on the future of the ICA 2001 has been received from Honduras, 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.

Action

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

NATIONAL COFFEE COUNCIL OF HONDURAS

Tegucigalpa, 1 September 2006

Dr. Néstor Osorio Londoño
Executive Director
International Coffee Organization
22 Berners Street
London W1T 3DD
England

Dear Mr Osorio,

In accordance with the decision of the plenary meeting of the National Coffee Council (CONACAFE) in New York, I am forwarding the attached proposals of Honduras on the Future of the International Coffee Agreement 2001. The points covered in this proposal were weighed up and positively evaluated, and it was agreed to forward them to you in the hope that they will serve as a contribution towards a more up-to-date Agreement, which will create conditions permitting an improved operational framework for the administration of the ICO and satisfactory and effective results for the world coffee community.

I take this opportunity to assure you of my highest consideration,

(signed) José Roberto Hernández Molina
Technical-Administrative Secretary
CONACAFE

PROPOSALS OF HONDURAS ON THE FUTURE OF THE INTERNATIONAL COFFEE AGREEMENT 2001

The group of representatives of public and private member bodies of the National Coffee Council of Honduras (CONACAFE) presents the following proposals on the future of the International Coffee Agreement 2001:

We recognise the need to have a forum of the magnitude and representative nature of the **International Coffee Agreement**, which is the most appropriate intergovernmental centre for producers and consumers to share an overall vision on the importance of world coffee production, based on innovatory objectives and strategies, in order to meet the demands and challenges of the international market, while seeking greater equity, competitiveness, and recognition of the need for better compensation, in terms of prices, for the efforts made by producing countries for the preservation and improvement of natural resources, the environment and biodiversity, with positive externalities such as increased oxygen production and capture of CO₂, in reducing the harmful effects of world-wide climatic change.

We also recognise the positive and beneficial work carried out by the International Coffee Organization (ICO) in recent years, although this appreciation is conditioned by the need to ensure a more reciprocal and equitable cost-benefit relation for all Members, particularly for producing countries.

Having analysed the options for the future of the Agreement as stipulated in Articles 52 and 53 thereof, we favour the **extension of the Agreement, with substantial amendments and modifications** to its objectives and structure, and to the operational procedures of the ICO, with a view to emphasizing its relevance and effectiveness in achieving and extending its capacity to ensure significant benefits for small coffee producers.

1. Priorities for amendment

1.1. Mission and Objectives of the Agreement

- a) It is considered that most of the objectives of the present Agreement should continue in force but that they should be broken down to ensure that the ICO's operational levels will respond to the current needs, trends and demands of the international coffee scene, with an administrative strategy designed to make the most rational and effective use of the Organization's financial resources. Other objectives of the Agreement should be revised in terms of the changes that have taken place in the ICO and in the institutional world trade environment.

- b) For this purpose the core mission of the Agreement should be to contribute to the overall improvement of all players in the agro-industrial coffee chain, particularly small and medium producers, through a short, medium and long-term strategy to be agreed between producers and consumers. This strategy would make it possible to renew and strengthen world coffee production, with innovatory elements that will enable it to develop competitive, efficient, profitable, sustainable and environmentally-friendly agro-industrial activities.
- c) In order to fulfil this role, the objectives of the Agreement should be amplified, or new ones should be incorporated, so as to identify activities and decisions designed to link, develop and strengthen the following areas: **Sustainable human development; Environmental services, natural resources and biodiversity; Technical innovation and change for sustainability and competitiveness; Diversification and added value; Transparent and consistent marketing; Promotion of consumption, market differentiation and segmentation; Quality and safety; Protection of geographical origins (DOP); and Access for small producers to financial sources and new market niches.**
- d) The challenges and opportunities to be confronted by the future Agreement for the benefit of world coffee growing should focus on achieving competitive capacity characterised by appropriate innovations in production, marketing and management, which would lead to sustainable coffee growing, provided that economic sustainability is achieved as a prior and necessary condition for ensuring environmental and social sustainability.
- e) Promotion of consumption is considered to be a priority for the achievement of economic sustainability in coffee growing. For this purpose, the ICO should play a greater role than hitherto and, in view of its mandate, should take an active part in securing funds and carrying out promotion programmes both in traditional and emerging markets, including those in producing countries. The dissemination of information on the positive effects of coffee on health has proved to be an effective means for increasing consumption by counteracting the misinformation that has previously had an adverse effect on consumption. For this reason the health issue should be an integral part of promotion strategies and, therefore, support should be provided for research on this matter and the dissemination of research findings.
- f) CONACAFE also recommends that a new objective on promoting consumer satisfaction should be introduced into the International Coffee Agreement (ICA).

Quality issues are closely linked to consumer satisfaction, which is a determining factor in promoting increased consumption but it is considered that economic incentives should be provided in order to encourage producers to make efforts to achieve this aim. It is also considered that it is indispensable for the final consumer to have access to information on the origin and quality attributes of the finished product. This would enable producing countries to obtain information on consumer tastes and preferences, thus permitting them to offset free market imperfections that have frequently created surplus supplies of unwanted coffee. For this reason, quality should continue to be a priority objective for the Organization.

On the other hand, given the growing interest in distinctive coffees, it would be useful to coordinate activities with speciality coffee associations not represented by national associations or federations in consumer countries, so that the ICO could give greater attention to trends in these markets.

The question of origin is also of particular interest, not only because of consumer concerns but also because it permits greater traceability in the product chain while providing a solution for some of the safety concerns raised by various consuming Members. In addition, this information will provide support for ensuring greater conformity with regulations on origin, which are an essential part of free trade agreements.

It is recognised, however, that roasters who sell properly recognised and identified origins should duly inform the market of these origins. On the other hand, in the case of blends, it not only stands to reason but also makes economic and commercial sense that the industry will not be able to list all the countries (origins) that have sold coffee for use in blends for cost reasons.

1.2. Structure and operational procedures of the ICO

- a) The organizational structure and operational procedures of the ICO are essential elements in seeking to achieve greater efficiency in the formulation and implementation of a strategy for the Organization.

This strategy should be revised and strengthened to enable the Organization to fulfil its mission successfully and to achieve the proposed objectives effectively.

- b) The ICO, with additional and new objectives, should adapt its basic structure without making complicated changes, to face new challenges and opportunities in world coffee production, taking into account a global overall vision of the roles and importance of all economic agents involved in the coffee agro-industry, whether public or private, **with a view to ensuring that its meetings are more productive**

and are based on a working agenda that is more up-to-date, objective, contemporary and representative of the needs, demands and opportunities of Member countries.

- c) The Organization's deliberative and decision-making procedures are considered very repetitive because of the different bodies responsible for decisions, resolutions, and recommendations to the Council. These procedures entail a loss of perspective and direction in meetings, since whenever an item is reconsidered new elements and criteria are introduced into the discussions, frequently redundantly, creating confusion and postponement of the item for consideration at a subsequent meeting.
- d) The performance of certain Programmes and Committees that account for a large percentage of the Budget should be evaluated on the basis of the results obtained and the multiplier effect of carrying them out, since they do not appear to be producing significant changes or effects in accomplishing their objectives.
- e) The Private Sector Consultative Board is a deliberative body which is widely recognised in the context of forming opinions and generating proposals and recommendations. It is justifiable and necessary, therefore, to maintain and strengthen it, in a harmonious and equitable form which would permit **representative and proportional representation of small producers through their collegiate bodies or the national institutions that officially represent them at national or regional level.**
- f) **It would be feasible to reduce the frequency of meetings of Committees or number of current Programmes.** For this purpose it is proposed that Article 12 of the Agreement be revised to reduce the number of sessions, and that innovatory forms of communication be used so as to cut down on expenditures by Member countries.
- g) The Council Secretariat could improve its performance if it were endowed with the latest communications technology and with a minimum number of highly-qualified technical and administrative staff to handle the **formulation and evaluation of projects; production and management of general statistics on the coffee sector at world level; and a market-intelligence system that would be more useful and could provide greater credibility, transparency and consistency in the information produced.**
- h) The functions and responsibilities of the Executive Director and the Council Secretariat in respect of the reception, organisation, analysis and distribution of economic statistics **should be stipulated in the Agreement** to ensure that both producing and consuming Member countries provide punctual, updated and reliable information.

- i) It is also recognised that the Executive Director may **favour direct technical assistance to strengthen institutions responsible for statistics in Member countries**, as well as the establishment of strategic agreements and alliances for horizontal cooperation with specialised bodies and institutions.

1.3. Invitation of Observers to attend Council Sessions

In accordance with the provisions of paragraph (3) of Article 12 and Article 16 of the Agreement, non-governmental organizations (NGOs) may participate in Council Sessions as observers whenever the Agenda contains an item affecting the interests of all countries in a region, and which is linked to the activities of the organization concerned, within the framework of regulations governing such participation.

1.4. Role and impact of projects for the benefit of the world coffee economy

- a) We recognise the new role performed by the ICO in complying with the general Objective of “**analysing and advising**” on the preparation of such projects as well as the dynamism imposed by the Executive Director in the management of these projects.
- b) Nevertheless, we consider that the said Objective falls short in not establishing minimum requirements and procedures for the identification, development, evaluation and monitoring of projects, as well as the benefits to the world coffee economy resulting from carrying out such projects.
- c) Consequently, we propose the **inclusion of a new chapter in the Agreement** dedicated exclusively to coffee projects. These could be classified as being of national, regional or world interest, depending on the problems, subjects and objectives to be covered.

The new chapter should emphasise the need for projects to be conceptually coherent, appropriate in terms of the needs and capacities of the institutions involved, and drawn up on the basis of objective reasons in terms of their technical proposals. They should also be feasible in economic and financial terms, in the interests of both beneficiaries and sponsors.

- d) With regard to the **Virtual Screening Committee**, although it is duly governed by regulations and proceedings, its representation should be amplified and its project selection criteria should take into consideration the medium and long-term strategies and policies of beneficiaries, and, in cases in which the project proponent is a donor country, a private consultant or a co-operating international organization, the idea for the project should be put forward and negotiated with national coffee institutions and discussed with the basic participants and beneficiaries.

1.5. Financing policies and risk management

- a) It is considered that it is not the function of the ICO to manage funds for direct financing of coffee producers, since there are national, regional and international financial institutions that were created for this purpose.
- b) Nevertheless, it is considered that the ICO could operate as a **facilitator, providing coherent and transparent information** to regional, bilateral and multilateral financial institutions such as the Central American Bank for Economic Integration (CBEI), the Inter-American Development Bank (IDB), the World Bank (WB), the International Fund for Agricultural Development (IFAD) and other bodies in the United Nations system, on the investment needs which producing Members have identified, prioritised and quantified in the context of their policies, strategies, programmes and projects for the development and strengthening of coffee production; and also **advising and guiding** Member countries on any coffee investment policies that the said institutions may have and any protocols and procedures for negotiation and management of project financing.

If the above recommendation produced positive results, the Common Fund for Commodities (CFC) would be empowered and its work would be facilitated, enabling this Fund to improve and diversify its project portfolio and to expedite its procedures for approval, disbursement and monitoring of the execution of coffee projects.

- c) With regard to initiatives on risk management, the project, as reported by the Coffee Exchange, is a World Bank project, whose results are not yet known, although this type of protection is considered to be of limited success in view of the different economies of scale, structures, mechanisms and marketing channels operating in the Central American countries, where participating agents, particularly small producer organizations, lack the economic resources, information and technical assistance needed to participate in risk insurance operations against coffee price fluctuations in the international market.