



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
Communication from Brazil**

Background

The following communication on the future of the ICA 2001 has been received from Brazil, in response to the request of the Executive Director contained in document ED-1973/05.

Action

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

DISCUSSIONS ON THE FUTURE OF THE INTERNATIONAL COFFEE AGREEMENT

International Coffee Agreement

Is there a need for substantial changes to the 2001 Agreement?

- The International Coffee Agreement 2001 (ICA) is comprehensive enough to permit its extension without the need for amendment;
- The objectives set out in the existing text would seem to satisfy the need for the existence of the International Coffee Organization (ICO) as a forum for intergovernmental consultations and the gathering and dissemination of market information. While included in the objectives of the Agreement, however, the latter function of the ICO would require improvements of a structural nature in order to ensure that information and statistical data are highly reliable;
- The ICA has been fulfilling its role as a forum for international discussion of coffee matters. The most relevant changes required are related to the management of the decision-making process when the same matters are considered in different committees, making the discussion process repetitive. A more pragmatic solution should be found so that decisions can be taken without the need to consider the same matter at different decision-making levels;
- The objectives of the ICA satisfactorily cover areas requiring action by the ICO. There does not appear to be a need for substantial changes or for an extension of the scope of the ICO. The categories of “importer” and “exporter” should be maintained.

Identify the strengths of the 2001 Agreement.

- The ICA provides a forum for discussion on coffee matters. It is also a centre for the collection and dissemination of information on the coffee economy as well as disseminating technical information, and in addition it permits the strengthening of trade links between producing countries;
- Another important feature is the production of statistical data of general interest, although this area would benefit from further improvement;
- The ICA has no rules for intervening in the market; its provisions are comprehensive and it provides a space for international negotiation, while its objectives are presented in comprehensive and general terms;
- There is provision for a Private Sector Consultative Board (PSCB);
- It provides incentives for the promotion of coffee consumption and improved coffee quality;

- The international cooperation process is embodied in the objectives of the ICA. Its effectiveness is, however, below what could be achieved; this does not depend on the inclusion of new provisions, however, but rather on the political will to foster relationships among Member countries and seek to promote the equitable development of coffee activities as a whole.

Identify any perceived constraints or weaknesses of the 2001 Agreement.

- Excessive participation in administrative costs – rent, personnel, duplication of documents that could be replaced by electronic communications, etc.;
- Not enough activity on the more topical issues that have emerged or become more important recently, such as coordination on activities and rules relating to sustainability, sanitary and non-sanitary barriers and tariff barriers;
- Not enough emphasis on the need for transparency, as exemplified in the inadequacy of statistical data, which require improvement.

Identify possible improvements or changes to the objectives (Article 1).

- These are broad enough to cover all the needs of the coffee community and do not need to be changed;
- There is, however, a need to make the objectives of the ICA more effective;
- Notwithstanding existing provisions in the objectives of the 2001 Agreement, achievement of a balance between supply and demand should remain on the permanent agenda of the ICO, in the context of a new scenario with gradual and growing consumer demand for environmental, economic and social sustainability, reflected in programmes for certification and added value for producers. Maintenance of a balance between supply and demand using instruments for ensuring continuous quality improvement, sustainability and the promotion of increased consumption, are among the work to be undertaken by the ICO as coordinator of activities designed to achieve remunerative prices, preventing overproduction and the creation of crises in the future;
- The changes required relate to providing greater detail in the objectives by including new requirements:
 - ✓ market trends (niche markets, speciality coffees, sustainability)
 - ✓ requirements of Member countries (capacity building, support for mechanisms to regulate crop flows);
 - ✓ linking undertakings to results, for example, parameters of expenditure and maintenance as a percentage of the total budget.

New and emerging issues

Identify new and emerging issues which have implications for the Agreement, including those arising from the 2nd World Coffee Conference.

- Sustainability and environment with emphasis on unshaded coffee cultivation rather than coffee growing under shade, as well as the use of coffee plantations as a carbon sequestration instrument;
- Process of certification through local entities in producing countries since this is currently done largely by firms in consuming countries;
- Innovative technologies such as the coffee genome;
- Incentives for adding value to exports by producing countries;
- Coffee and health – encouragement for activities in both consuming and producing countries designed to promote coffee as a natural product, without chemical preserving agents or additives;
- In accordance with the conclusions of the 2nd World Coffee Conference, the ICO should align itself with recent changes in the world coffee market, particularly in regard to increased consumption at world level, given new demands for the product in emerging markets where growth is very rapid; the ICO should redouble its efforts in these markets in order to ensure the sustainability of this growth;
- New and unique opportunities for increasing consumption in traditional markets following recent moves to restrict consumption of soft drinks, especially among schoolchildren, in order to prevent chronic juvenile obesity, require the ICO to act not only as a mere observer of this phenomenon but as the instigator and catalyst of programmes designed to increase consumption in these countries as well as in producing countries and emerging markets;
- The ICO must modernize its structures for providing services and project support to enable it to carry out major projects designed to promote an increase in coffee consumption, such as Positively Coffee, presenting coffee as a modern alternative for the problems of finding natural and healthy products;
- Coordination in the areas of sustainability, removal of all barriers and programmes linked to coffee and health, given their impact on consumption;
- Need to ensure equilibrium between production and consumption as a market instrument, with a view to assuring fair prices for the weakest link in the chain: the producer (Conference in Salvador);
- Market transparency.

Identify your views on the relationship between the ICO and other relevant international organizations, treaties and processes.

- The ICO can and should be the body responsible for negotiating the interests and rights of Member countries with other organizations like the UNCTAD, FAO and WTO, with a view to creating a balanced and equitable market;
- There is a need to strengthen these relationships in order to avoid duplication of activities and to secure greater benefits for the ICO in the case of project financing.

Institutional and organizational issues

Organizational structure

Should the organization of the Council and its subsidiary bodies remain the same or should it be changed? If so, how?

- The decision-making process is repetitive and the same matter is considered at various decision-making levels;
- While maintaining the objectives of the 2001 Agreement and its basic structure, the ICO should seek to simplify its organisational structure in order to ensure that meetings are more productive and objective and that costs are reduced in order to permit a better allocation of resources. These changes could be made within the framework of the existing Agreement or through minor changes that do not require a complete revision;
- Repetitive procedures should be reduced, particularly those relating to discussion and decision and there should be greater focus on results; proceedings would be considerably speeded up since the Council is not the proper forum for technical debate;
- The Private Sector Consultative Board (PSCB) has worked well and has made some interesting recommendations to the ICO; but it could extend the scope of its activities by inviting other private bodies to participate in its meetings;
- In order to lighten the agenda of the Council, greater use could be made of the Executive Board.

Views on the frequency and duration of meetings of the Council, Board and subsidiary bodies.

- Time would be saved during meetings by avoiding repetition of discussions on the same matter in various subsidiary decision-making bodies;

- Meetings could be held less frequently by increasing virtual interaction, organized through specialized committees. Two sessions a year would adequately meet the needs of the Council.

Is the structure and scope of work of the Secretariat adequate as it is or should it be changed?

- The Secretariat could function with fewer employees and greater use of electronic means of communication; the structure would need to be reduced to the smallest scale possible in relation to its share of the budget. If necessary, costs should be reduced or new means of finding additional resources should be sought.

Funding mechanisms

Should there be other ways to finance the work of the ICO beyond the current sources?

- One way of increasing the income of the Organization would be to offer consultancy services for implementing specific programmes in consuming or producing countries both in relation to marketing - as in the case of programmes designed to increase consumption in producing countries, for instance – and in relation to encouraging good agricultural practices. Funding could be provided by multilateral credit and financing institutions. The ICO would act as the coordinating body for these programmes and would be paid for its services while the work would be carried out by experts from various Member countries, preferably from producing countries;
- Especially through major programmes and projects to further the interests of Member countries and funding institutions. The ICO should undertake a viability study on the creation of a tax to be levied on the marketing of coffee, which would create a fund of the “American Checkoff” type to support promotion and the work of capacity building in Member countries;
- Sales of improved statistical information. Grants from international bodies to fund specific programmes;
- Need to intensify contacts with alternative project funding sources such as the World Bank, since the Common Fund for Commodities is increasingly focussed on other priorities.

Continuity

Can changes sought be introduced by amendment or resolution?

- The Council has powers to introduce the changes sought by amendment.
- Depending on the nature of the proposals, resolutions on non-controversial matters could be adopted in accordance with the provisions of Article 53 of the Agreement.

(Questionnaire forwarded to ICO Member countries in document ED -1973/05)

Are there ways of reducing the administrative implications (particularly financial and legal) of renegotiation compared with amendment?

- The Agreement provides for flexibility in relation to the introduction of amendments by Council decision (Article 53 of the ICA 2001).

Other issues

Please provide any other comments on the 2001 Agreement and the IICO in relation to the discussions on the future of the Agreement.

- The ICA has ceased to perform the historical role for which it was established, namely to provide artificial support for coffee prices in the world market by regulating supply and fixing price ranges for types of coffee. With the deletion of its economic clauses, the ICA went through a period of apathy, trying to find a justification for its continued existence;
- Today the ICA has become a privileged forum for discussion on issues relating to the coffee economy. However, the cost of maintaining this Agreement is directly proportional to the advantages it may offer Member countries. On the other hand, the private sector is not yet in a position to benefit from the ICA;
- The Agreement should distance itself from interventionist regulation and make a significant contribution on issues relating to sustainability and elimination of barriers;
- There is a need to intensify work in the Statistics Committee in order to promote market transparency and prevent future crises;
- Articles 35, 41 and 42 of the 2001 Agreement should be maintained.