



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

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**International Coffee Agreement 2001**  
**Areas addressed by Members concerning the future of the Agreement**  
**Comments by the Executive Director**

## **Background**

The present paper is designed to review the situation with regard to proposals on the future of the International Coffee Agreement made by Members following the Ninety-fifth Session of the Council in May 2006. At this stage although Members have submitted a number of ideas, documented in the submissions listed in Annex I and summarised in document WP-Council No. 140/06 Rev. 3, there have been few specific suggestions for wording of new or revised Articles received, excepting mainly the submission from the European Community, contained in document WP-Board No. 1006/06. One way of proceeding might therefore be to discuss the issues identified one by one and, where agreement is reached, Members could submit draft texts or request the Executive Director to prepare them. Where there is disagreement alternative texts could be submitted.

## **Action**

The Council is invited to take note of this document and decide on working procedures for securing the future of the International Coffee Agreement.

**Areas addressed by Members concerning the future of the Agreement  
with comments by the Executive Director**

1. Submissions made by Members refer to the following issues:
  - (a) the inclusion of a “mission statement” for the ICO;
  - (b) the mechanisms to be used to continue international cooperation on coffee after 30 September 2007 when the current Agreement expires;
  - (c) revision of the objectives of the Agreement;
  - (d) role of the Executive Board;
  - (e) membership and allocation of votes;
  - (f) strengthening the Organization in operational areas such as projects, sustainability, information and promotion;
  - (g) the role of the private sector; and
  - (h) duration of a future Agreement.

**Mission**

2. Some delegations have requested a review of the ICO’s mission. Comments include the need to emphasise sustainability and provide a “compelling vision” of the purpose of the ICO. Although largely a matter of presentation, drafting a suitable text would require agreement on priorities. It could be argued that the preamble and objectives (Article 1) provide the essence of the ICO’s mission.

**Mechanisms**

3. Proposals for new ideas and changes in priorities from Members have been summarised in document WP-Council No. 140/06 Rev. 3, which includes ideas generated at the 2<sup>nd</sup> World Coffee Conference in September 2005. Suggestions from the PSCB are expected in September 2006. In addition proposals have been made by NGOs such as the International Institute for Sustainable Development (IISD) and Oxfam. A number of consumers have argued that the introduction of new functions into the work of the Organization is best done *through modifying or adding to the Articles of the Agreement*. This would allow the new functions to be clearly and unambiguously specified and indicate the importance given to them by Members. Other consumers consider that very few changes are needed to the present Articles.

4. Some producers have stated that the ICA 2001 is comprehensive enough to permit its extension with some amendments to the Articles. Document WP-Council No. 140/06 Rev. 3 attempts to assess which suggestions might require modifications to the Articles and which could be implemented through resolutions and decisions.

5. It may be noted that Articles 32, 52 and 53 of the Agreement envisage that Members have four options available on expiry of the Agreement:

- (a) renegotiation (implying substantial changes to the Articles);
- (b) extension (implying only minor changes to the Articles, e.g. dates);
- (c) extension with amendments under Article 53; and
- (d) termination with extension to carry out liquidation.

6. Whatever procedures are used to secure the continuation of international cooperation on coffee through the International Coffee Agreement care will be needed in addressing them to ensure the legal and financial stability of the Organization. Annex II analyses the problems encountered by the Organization following the adoption of the 2001 Agreement.

### **Objectives**

7. Some Members have called for a thorough review of the objectives of the Agreement, for instance to promote a contemporary concept of sustainability or matters relating to food safety. Other Members have suggested treating additional issues in the context of strategic programmes. Some Members have raised the question of relating the objectives to the Mission of the Organization.

### **The Executive Board**

8. Various Members have suggested a revision of the role of the Executive Board and the need to expedite analysis of issues avoiding duplication. Almost all agree that duplication of items on the agendas of the Board and Council should be avoided as much as possible.

### **Membership and allocation of votes**

9. One Member considers that cooperation among all Members should be emphasised regardless of exporter/importer or geographical designations. Most Members consider maintenance of the two categories of exporting and importing Members is useful although some query the current way in which contributions are linked to votes, and the use of quantity rather than value of exports or imports to determine vote allocations. The allocation of votes to Regional Economic Integration Organizations (REIOs) is of concern to several Members, particularly the current situation in which Member States of the European Community are considered Members of the Organization even though they have not acceded individually. The EC has proposed new wording for the present Article 4 but considers that more discussions are needed on the voting structure (Article 13).

### **Strengthening the operational capacity of the Organization**

10. A number of ideas and suggestions have been received in areas such as for activities focussing on market improvement, project work, sustainability, institutional capacity building, dealing with price volatility, credit and risk management for small producers, value added, improved statistics for market transparency, information services, quality, promotion of consumption, addressing tariff and non-tariff barriers, food safety and sanitary regulations, etc. Most of these very important issues could probably be addressed without changes to the Articles, e.g. through decisions, budgetary provisions or plans of action. Although each area would need to be looked at on a case by case basis it seems likely that a substantial degree of consensus exists on the areas which need to be addressed.

### **The Private Sector**

11. Suggestions have been made for strengthening the PSCB and make it more representative by designating some seats for representatives of small farmers. Others consider this sector is already adequately represented. A full proposal from the PSCB on a number of these and other issues is expected in September 2006.

### **Duration of the Agreement**

12. The Executive Director has suggested to Members not to specify the duration of the Agreement, but to provide for the Council to review the Agreement every few (4-6) years.

**DOCUMENTS THAT RELATE TO THE FUTURE OF THE AGREEMENT**

<b>Document number</b>	<b>Title</b>	<b>Date on document</b>
WP-Board No. 975/05	Future of the International Coffee Agreement 2001	14/07/05
ED-1973/05	Discussions on the future of the International Coffee Agreement 2001	1/11/05
EB-3902/05	Report on progress on achieving the objectives of the 2001 Agreement	20/12/05
WP-Board No. 987/05	Future of the International Coffee Agreement (ICA) 2001 Communication from the United States of America	21/12/05
WP-Board No. 988/05	Future of the International Coffee Agreement (ICA) 2001 Communication from the European Community	21/12/05
PSCB No. 78/06	The Future of the International Coffee Agreement Communication from the European Coffee Federation (ECF)	30/01/06
WP-Board No. 991/06	Future of the International Coffee Agreement (ICA) 2001 Communication from the Chairman of the Promotion Committee	03/03/06
WP-Board No. 992/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Angola	21/04/06
PSCB No. 82/06	Future of the International Coffee Agreement 2001 Communication from the All Japan Coffee Association (AJCA)	21/04/06
WP-Board No. 994/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Japan	08/05/06
ICC-95-9	Kenya's position on topical issues to be discussed at the 95 <sup>th</sup> Session of the International Coffee Council	18/05/06
WP-Board No. 999/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Brazil	19/05/06
PSCB No. 84/06	Future of the International Coffee Agreement 2001 Proposal to establish a Research Fund	19/05/06
PSCB No. 85/06	The Future of the International Coffee Agreement (ICA) 2001 Communication from the National Coffee Association of U.S.A., Inc.	19/05/06
WP-Board No. 1000/06	Future of the International Coffee Agreement (ICA) 2001 Communication from the United States of America	22/05/06
WP-Board No. 1001/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Norway	22/05/06
ICC-95-10	Communication from Brazil	25/05/06
WP-Board No. 1004/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Vietnam	19/06/06
PSCB No. 90/06	The Future of the International Coffee Agreement (ICA) 2001 Communication from the National Coffee Association of U.S.A., Inc.	21/06/06
WP-Board No. 1006/06	Future of the International Coffee Agreement (ICA) 2001 Communication from the European Community	09/08/06
WP-Council No. 140/06 Rev. 3	Preliminary summary of proposals from Members concerning the future of the 2001 Agreement	16/08/06
WP-Board No. 1007/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Burundi	16/08/06
WP-Board No. 1008/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Madagascar	23/08/06
WP-Board No. 1009/06	Future of the International Coffee Agreement (ICA) 2001 Communication from Cameroon	23/08/06

**Additional submissions**

Oxfam	Grounds for change – Creating a voice for small coffee farmers and farmworkers with the next International Coffee Agreement	22/05/06
IISD - Sustainable Coffee Partnership	Leveraging the market for a sustainable coffee economy – Opportunities for renegotiation of the International Coffee Agreement	22/05/06

**Administrative and financial issues arising at the entry into force  
of the International Coffee Agreement 2001**

1. On 1 October 2001, availing themselves of the provisions of Article 45 (3), those Members of the International Coffee Organization that had fulfilled the requirements for membership met and decided that the International Coffee Agreement 2001 should enter into force provisionally amongst themselves as from that day. Fourteen (eight exporting and six importing) countries were eligible to do this. Previously the Council had approved the text of the International Coffee Agreement 2001 by Resolution number 393 in September 2000 and the new Agreement was opened for signature in New York in November 2000. It should be noted that the International Coffee Agreement 1994 as extended had 56 (39 exporting and 17 importing Members).
2. As a result of the difficulties experienced by countries in completing the required procedures, which often require legislative approval, there was a shortfall in contributions in financial year 2001/02 of £816,115 (see Appendix 2 of document EB-3837/03). Dates of joining the new Agreement are given in the attached table.
3. By September 2002, 44 (30 exporting and 14 importing) countries had joined the Agreement, which compares with membership in August 2006 of 75, comprising 45 exporting and 30 importing countries. This situation required a further transfer from the Reserve Fund of £129,000. In other words, the total cost to the Organization of renegotiating the 2001 Agreement, as represented by the shortfall in contributions in the two years following the date of entry into force of the new Agreement, was circa £945,000.
4. Although the Agreement entered into force provisionally on 1 October 2001, it should also be noted that the conditions for definitive entry into force were only met on 17 May 2005.
5. The information detailed above suggests that, if a new Agreement were to be concluded in 2007 with a view to it entering into force on 1 October 2007, concrete provision has to be made to avoid the repetition of the situation described above and to guarantee the continuity of the work of the Organization without any adverse financial or administrative impact.
6. In the light of the use of Reserve Fund resources as detailed above, the Council noted in September 2005 that transfers from the Reserve Fund should only be made in exceptional circumstances. The Reserve Fund of the Organization stands at £2,010,844 (at 30 September 2005, the date of the latest audited accounts). It is currently estimated that the Reserve Fund is likely to be at approximately the same level at 30 September 2006, subject to any unforeseen costs. However, if one were to allow for arrears older than one year, which

amount to £419,326 at 18 August 2006, the Reserve Fund would amount to some £1,591,000. This compares to the latest estimate of the Organization's liquidation cost of £1,550,000 (cf. introduction to the Administrative Budget for 2006/07, paragraph 7, document WP-Board No. 997/06). There is therefore little scope to allow the Reserve Fund to absorb some or all of the costs which would be likely to be incurred in a renegotiation of the 2001 Agreement which would enter into force immediately.



### International Coffee Agreement 2001 – Dates of membership

The following table provides information about progress on ratification, accession or approval of the International Coffee Agreement by Contracting Parties from coffee years 2001/02 to 2005/06. The total number of Contracting Parties is shown below, with the breakdown from importing and exporting Members given in brackets.

	<b>Dates of Ratification, Accession or Approval</b>	<b>Total Contracting Parties</b>
<b>Coffee year 2000/01</b>		
June 2001	Colombia (20.6.01 P/ 17.2.04 R)	<b>1</b> (1 Exporter)
July 2001	Japan (11.7.01)	<b>2</b> (1 Exporter, 1 Importer)
September 2001	India (10.9.01) Rwanda (13.9.01) Spain (20.9.01 P, 7.6.02 R) Brazil (21.9.01) Burundi (24.9.01) Ghana (24.9.01 P, 31.5.06 R) Madagascar (24.9.01) Thailand (24.9.01) Congo, Rep (25.9.01) Gabon (25.9.01) European Community (25.9.01) Belgium (25.9.01 P) Luxembourg (25.9.01 P) Germany (25.9.01 P, 20.12.02 R) Ireland (25.9.01 P, 11.6.02 R) United Kingdom (25.9.01 P, 2.6.03 R)	<b>18</b> (10 Exporters, 8 Importers)
<b>Coffee year 2001/02</b>		
October 2001	Uganda (5.10.01)	<b>19</b> (11 Exporters, 8 Importers)
November 2001	Jamaica (1.11.01) Kenya (1.11.01) Sweden (19.11.01) Cuba (30.11.01 P/ 26.12.01 R)	<b>23</b> (14 Exporters, 9 Importers)
January 2002	Angola (2.1.02) El Salvador (25.1.02) Papua New Guinea (23.1.02) Cyprus (23.1.02) Mexico (25.1.02 P/ 9.7.02 R) Switzerland (28.1.02 P, 30.4.02 R) Côte d'Ivoire (29.1.02)	<b>30</b> (19 Exporters, 11 Importers)
February 2002	Ecuador (5.2.02) Nigeria (26.2.02)	<b>32</b> (21 Exporters, 11 Importers)
April 2002	Congo, D. R. (12.4.02)	<b>33</b> (22 Exporters, 11 Importers)
May 2002	Bolivia (30.5.02) Cameroon (28.5.02) Philippines (28.5.02) Vietnam (2.5.02) Norway (21.5.02)	<b>38</b> (26 Exporters, 12 Importers)
June 2002	Denmark (5.6.02)	<b>39</b> (26 Exporters, 13 Importers)

August 2002	Indonesia (23.8.02)	<b>40</b> (27 Exporters, 13 Importers)
September 2002	Austria (23.9.02) Haiti (24.9.02) Honduras (24.9.02) Costa Rica (25.9.02)	<b>44</b> (30 Exporters, 14 Importers)
<b>Coffee year 2002/03</b>		
October 2002	Tanzania (31.10.02)	<b>46</b> (31 Exporters, 14 Importers)
December 2002	Nicaragua (12.12.02) Central African Republic (19.12.02)	<b>47</b> (33 Exporters, 14 Importers)
February 2003	Guatemala (5.2.03) Malawi (12.2.03)	<b>49</b> (35 Exporters, 14 Importers)
March 2003	Benin (21.3.03) Zambia (26.3.03)	<b>51</b> (37 Exporters, 14 Importers)
April 2003	Ethiopia (16.4.03)	<b>52</b> (38 Exporters, 14 Importers)
May 2003	Togo (9.5.03) Guinea (21.5.03) Portugal (21.5.03)	<b>55</b> (40 Exporters, 15 Importers)
<b>Coffee year 2003/04</b>		
March 2004	Greece (4.3.04) Dominican Republic (5.3.04) Paraguay (10.3.04)	<b>58</b> (42 Exporters, 16 Importers)
June 2004	Zimbabwe (3.6.04)	<b>59</b> (43 Exporters, 16 Importers)
July 2004	Venezuela (8.7.04)	<b>60</b> (44 Exporters, 16 Importers)
<b>Coffee year 2004/05</b>		
February 2005	USA (3.2.05)	<b>61</b> (44 Exporters, 17 Importers)
April 2005	France (25.4.05)	<b>62</b> (44 Exporters, 18 Importers)
May 2005	Italy (17.5.05)	<b>63</b> (44 Exporters, 19 Importers)
<b>Coffee year 2005/06</b>		
January 2006	Latvia (4.1.06)	<b>64</b> (44 Exporters, 20 Importers)
June 2006	Slovakia (1.6.06)	<b>65</b> (44 Exporters, 21 Importers)
July 2006	Panama (26.7.06)	<b>66</b> (45 Exporters, 21 Importers)

P= Provisional  
R= Ratification