



Organización Internacional del Café
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**Draft proposals for the future of the
Agreement**

Section V: New and expanded areas of work

Introduction

The present document contains the following draft Articles relating to new and expanded areas of work:

CHAPTER XI – INFORMATION, STUDIES AND SURVEYS

Article 29	Information
Article 30	Certificates of Origin*
Article 31	Studies and surveys
New Article 31 (A)	Dissemination of information – Coffee Observatory
Article 34	Promotion

NEW CHAPTER – FINANCIAL TOOLS FOR COFFEE PRODUCERS

New Article	The Consultative Forum on Coffee Sector Finance
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NEW CHAPTER – PROJECT WORK

New Article	Project activities of the Organization
New Article	Reviewing and approving project activities
New Article	Monitoring and reporting

ADDITIONAL PROPOSALS FOR NEW ARTICLES/AREAS OF WORK

Action

The Working Group is invited to consider this document.

* *Indicates no changes have been proposed to this Article.*

CHAPTER XI – STATISTICAL INFORMATION, STUDIES AND SURVEYS [USA]

ARTICLE 29

Statistical Information [USA]

Comments: *The USA has proposed revising paragraph (1 a) and deleting (3). Nigeria has proposed amending paragraph (4). The need to strengthen statistical data and provide technical assistance has been raised by a number of Members. Honduras proposes stipulating the responsibilities of the Executive Director and Secretariat in the Agreement and highlights the need for direct technical assistance to strengthen institutions responsible for statistics and establish strategic agreements and cooperation. Japan has proposed that the ICO could further analyse data and forecast world supply and demand.*

- (1) The Organization shall act as a centre for the collection, exchange and publication of:
 - (a) statistical information on world production, prices, exports, imports and re-exports, distribution and consumption of coffee, **including information on production, consumption, trade and prices for specialty coffees and products containing coffee;** and [USA]
 - (b) in so far as is considered appropriate, technical information on the cultivation, processing and utilization of coffee.
- (2) The Council may require Members to furnish such information as it considers necessary for its operations, including regular statistical reports on coffee production, production trends, exports, imports and re-exports, distribution, consumption, stocks, prices and taxation, but no information shall be published which might serve to identify the operations of persons or companies producing, processing or marketing coffee. Members, in so far as is possible, shall furnish information requested in as detailed, timely and accurate a manner as is practicable.
- ~~(3) The Council shall establish a system of indicator prices and shall provide for the publication of a daily composite indicator price which should reflect actual market conditions.~~ [USA]
- (4)** If a Member fails to supply or finds difficulty in supplying within a reasonable time statistical and other information required by the Council for the proper functioning of the Organization, the Council may require the Member concerned to explain the reasons for non-compliance. If it is found that technical assistance is needed in the matter, the Council may take any necessary measures. **Also, the Member State may inform the Council of its difficulty and request for technical assistance.** [NIGERIA]

PSCB recommendations:

The PSCB highlights the importance of market transparency and accurate data on who is producing what, where the product is going, historical pricing patterns and real-time current futures prices as essential. Reliable statistics on the entire supply chain are critical to a balance between supply and demand. Appropriate emphasis must be placed on developing a state of the art statistics gathering, analysis and dissemination programme that provides and uses advanced electronic technology, including Web-based access. The analytical programme would be best developed to include the identification of trends, including niche market trends.

Comments by the Executive Director:

The proposal to delete paragraph 3 in Article 29 establishing a system of indicator prices is not explained. It may be noted that the indicator price system provides a long-term time series based on physical prices and has been considered a useful analytical tool. It no longer has a connection with the old quota price system

ARTICLE 30

Certificates of Origin

Comments: *No changes have been proposed to this Article.*

(1) In order to facilitate the collection of statistics on the international coffee trade and to ascertain the quantities of coffee which have been exported by each exporting Member, the Organization shall establish a system of Certificates of Origin, governed by rules approved by the Council.

(2) Every export of coffee by an exporting Member shall be covered by a valid Certificate of Origin. Certificates of Origin shall be issued, in accordance with the rules established by the Council, by a qualified agency chosen by the Member and approved by the Organization.

(3) Each exporting Member shall notify the Organization of the government or non-governmental agency which is to perform the functions specified in paragraph (2) of this Article. The Organization shall specifically approve a non-governmental agency in accordance with the rules approved by the Council.

(4) An exporting Member, on an exceptional basis and with proper justification, may submit, for approval by the Council, a request to allow data conveyed in Certificates of Origin concerning its exports of coffee to be transmitted to the Organization using an alternative method.

ARTICLE 31

Studies, ~~and~~ surveys **and reports** [USA]

Comments: *The USA has proposed changes to paragraphs (1), (2), (3) and (4)*

(1) **In furtherance of the objectives set out in Article 1**, the Organization shall promote the preparation of studies, ~~and~~ surveys, **manuals, guidelines and other documents concerning any relevant aspects of the coffee sector. The scope of this work may include but is not limited to concerning** the economics of coffee production and distribution, **financial tools potentially available to coffee producers including credit and approaches to managing risk**, the impact of governmental measures in producing and consuming countries on the production and consumption of coffee, **links between coffee and health** and the opportunities for expansion of coffee **markets consumption** for traditional and possible new uses, **including information on labelling and certification programmes.** [USA]

(2) **The Council shall establish on a regular basis an action plan to guide the development of studies and surveys and identify priorities. Priorities identified in the action plan shall be reflected in the annual work programmes approved by the Council.** [USA]

~~(2)~~ (3) In order to carry out the provisions of paragraph (1) of this Article, the Council shall adopt, ~~at its second regular session of each coffee year, a draft~~ **an** annual work programme of studies, ~~and~~ surveys **and reports**, with estimated resource requirements **including, as appropriate, contributions from the Administrative Budget.** ~~prepared by the Executive Director.~~ [USA]

~~(3)~~ (4) **The activities referred to in paragraph (1) may be undertaken by the Organization jointly or in cooperation with other organizations and institutions. The Council may approve the undertaking by the Organization of studies and surveys to be conducted jointly or in cooperation with other organizations and institutions.** In such cases, the Executive Director shall present to the Council a detailed account of the resource requirements from the Organization and from the partner or partners involved with the **project activity.** [USA]

(4) The studies and surveys to be promoted by the Organization pursuant to the provisions of this Article shall be financed by resources included in the Administrative Budget, prepared in accordance with the provisions of paragraph (1) of Article 24, and shall be undertaken by members of the staff of the Organization and consultants as required.

PSCB recommendations:

Risk management

The ICO should have a comprehensive approach involving developing and disseminating relevant information/programmes on risk management techniques and concepts such as: diversification (agricultural and non-agricultural), forward pricing, alternative financing, long-term contracts, and buying cooperatives, as well as other risk management factors such as interest rates, currency exchange rates and climatic conditions. It should not have a direct influence on business decisions, but ensure that producers fully understand the various risk management options available. It should pursue opportunities to work with the World Bank on the development of risk management techniques/programmes.

[new] ARTICLE 31 (A)

Dissemination of Information – Coffee Observatory [USA]

Comments: *The USA has proposed a new Article highlighting the importance of effectively disseminating information for the benefit of all market participants, a proposal supported by the Central American Group. The need for increased coverage of market trends (niche markets, speciality coffees etc) has been raised by a number of delegations. Honduras has noted the need for consumers to have information on quality and origin and for roasters to inform the market of origins. The Central American Group has also highlighted the importance of origin.*

(1) In order to further the goals of this Agreement and facilitate access to information, the Organization shall use a variety of tools and technologies to widely disseminate information relevant to the coffee sector. [USA]

(2) The Organization shall place particular emphasis on promoting access to information among small coffee producers. [USA]

(3) Information collected, compiled, analysed and disseminated shall include, but not be limited to:

- (a) quantities and prices of coffees differentiated on the basis of geographic, “sustainability” programmes and other quality-related conditions of production;**
- (b) information that will assist producers, especially small producers, improve their financial performance, including tools for managing credit and risk;**

- (c) **information on lessons learned from coffee-related projects implemented by Members; and**
- (d) **information on market structures, niche markets and emerging trends in regional and global production and consumption. [USA]**

PSCB recommendations:

The PSCB has highlighted the great benefit for the coffee sector of the ICO expanding its role as a clearing-house for coffee information. The ICO could achieve this by developing a virtual, comprehensive and accessible library of coffee research and information, engaging a searchable Web-based database. The ICO's COFFEELINE is a basis for such a virtual library and should be evaluated for the purpose of expanding usability and substance.

Comments by the Executive Director:

The fulfillment of the tasks proposed in Article 31 (A) has financial implications. An attempt will be made to provide relevant costings in due course.

ARTICLE 34

Promotion Market development [USA]

Comments: *The USA proposes replacing promotion with the broader concept of market development and integrating it into the work of the ICO in gathering this Article and moving it to Chapter XI (Statistical information, studies and surveys). A number of delegations highlight the importance of strengthening the ICO's role in market development including domestic consumption, and the need for increased resources for this area. Both the Central American Group and Honduras consider that health should be an integral part of promotion strategies and that there should be support for research and dissemination of findings. Brazil has proposed a study on the viability of a tax on marketing coffee to create an American Checkoff type fund.*

(1) Members recognize the **benefits, both to exporting and importing Members from efforts to develop markets for coffee, including in exporting Members.** ~~need to promote, encourage and increase the consumption of coffee, and shall endeavour to encourage activities undertaken in this respect.~~ [USA]

(2) ~~The Promotion Committee, which shall be composed of all Members of the Organization, shall promote coffee consumption by appropriate activities, including~~ **Market development activities may include** information campaigns, research and studies related to coffee **production and** consumption. [USA]

(3) Such ~~promotion~~ activities **may be included in the Council's annual work programme and may be financed by contributions from the Administrative Budget and/or voluntary contributions from** ~~shall be financed by resources which may be pledged~~ by Members, non-members, other organizations and the private sector ~~at meetings of the Promotion Committee.~~ [USA]

(4) Specific ~~promotion~~ **market development** projects may also be **included among the project activities of the Organization referred to in Articles [xx and xx]** and may be financed by voluntary contributions from Members, non-members, other organizations and the private sector. [USA]

~~(5) The Council shall establish separate accounts for the purposes of paragraphs (3) and (4) of this Article.~~ [USA]

~~(6) The Promotion Committee shall establish its own rules of procedure, as well as establish the pertinent regulations for the participation of non-members, other organizations and the private sector consistent with the provisions of this Agreement. It shall report regularly to the Council.~~ [USA]

PSCB recommendations:

The PSCB notes that long-term economic strength for farmers is dependent on increasing coffee consumption and that the greatest opportunity for developing additional consumption lies in the producing world and emerging markets where resources should be concentrated. The ICO should build on its efforts to promote increased global coffee consumption. In achieving this goal it is important to promote quality within each market segment in a manner that enhances customer satisfaction. The ICO should be active in promoting scientific information based on sound evidence covering areas of research and development with a special emphasis on food safety, the public perception of the healthiness of coffee and communication of this message by appropriate methods.

Comments by the Executive Director:

The proposed revisions to Article 34 imply elimination of the Promotion Committee. This would be logical considering that the current Committee is equivalent in composition to that of the Council.

[new] CHAPTER [xx]: FINANCIAL TOOLS FOR COFFEE PRODUCERS

[new] ARTICLE [XX]

The Consultative Forum on Coffee Sector Finance [USA]

Comments: *The USA proposes that the ICO play a role in facilitating access to information on credit and risk management tools, with a new chapter establishing a Consultative Forum on Coffee Sector Finance. Honduras has proposed that the ICO could act as facilitator in providing information to financial institutions on the investment needs of Members and advising on coffee investment policies for project financing. Madagascar has proposed the creation of a financing system to support production and Cameroon has proposed setting up solidarity mechanisms to ensure a better income for producers.*

(1) The Council shall make arrangements to convene, at appropriate intervals and in cooperation with other relevant organizations, a Consultative Forum on Coffee Sector Finance (hereinafter referred to as the Forum). The Forum shall be composed of Members, representatives of relevant intergovernmental organizations, representatives of financial institutions, representatives of the private sector, non-governmental organizations and other interested participants, including participants from non-member countries. [USA]

(2) The objectives of the Forum shall be to facilitate consultations on topics related to finance in the coffee sector, with a particular emphasis on the needs of small and medium scale producers and local communities in coffee producing areas. Information resulting from the Forum shall be published and widely disseminated including through mechanisms established in accordance with Article 31 (A) (the Coffee Observatory). The Council, in coordination with the Chairman of the Forum, shall ensure that the Forum contributes to furthering the objectives of this Agreement. [USA]

(3) The Chairman of the Forum shall be appointed by the Council for an appropriate period, and shall be invited to participate in meetings of the Council as an observer. The Chairman of the Forum shall not be paid by the Organization. [USA]

(4) The Forum shall be held normally at the seat of the Organization. If the Council decides to accept an invitation by a Member to hold a session in its territory, the Forum may also be held in that territory, in which case the additional costs to the Organization involved above those incurred when the session is held at the seat of the Organization shall be borne by the country hosting the session. [USA]

(5) The Executive Director shall invite organizations participating in the Forum to contribute to the costs associated with convening the Forum. Additional costs associated with convening the Forum shall be included in the Administrative Budget of the Organization. [USA]

(6) The Chairman of the Forum shall report to the Council on the results of each Forum. [USA]

[new] **CHAPTER [xx]: PROJECT WORK [USA]**

[new] **ARTICLE [XX]**

Project activities of the Organization [USA]

Comments: *The USA has proposed a new chapter to guide ICO project work, including clear criteria for consideration of projects, and detailed procedures for review, approval and implementation of projects. Honduras also proposes a new chapter on projects. The Central American Group notes the need for the ICO to provide a facilitating platform so projects can be processed quickly. Indonesia suggests that projects should be responsible for all of their costs which would reduce the costs of preparing projects in the budget. Madagascar notes the need to improve definition of criteria for selecting projects and areas of intervention. Tanzania proposes amending the Agreement to streamline procedures for approving projects, with a timeline for completion and submission of proposals.*

- (1) Members and the Executive Director may submit project proposals which contribute to the achievement of the objectives of this Agreement and one or more of the priority areas for work identified in the action plan approved by the Council. [USA]**
- (2) The Council shall establish a schedule and procedure for submitting, appraising, approving and prioritizing projects and mechanisms for funding projects, as well as for their implementation, monitoring and evaluation, and dissemination of findings. [USA]**

[new] **ARTICLE [XX]**

Reviewing and approving project activities [USA]

- (1) The Council shall establish on a regular basis an action plan to guide the project activities of the Organization and identify priorities. Priorities identified in the action plan shall be reflected in the project activities approved by the Council. [USA]**
- (2) The Council shall establish a Project Screening Committee to advise the Council regarding studies and projects to be considered for Council approval. The Project Screening Committee shall be composed of representatives of four Exporting Members and representatives of four Importing Members. [USA]**
- (3) The Council shall establish explicit criteria for approving projects. These criteria shall include relevance to the objectives of this Agreement, technical feasibility, cost effectiveness, the need to avoid duplication of efforts, consideration of environmental and social effects, the need to incorporate lessons learned and the benefits of a balance of work among regions. [USA]**

[new] ARTICLE [XX]

Monitoring and reporting [USA]

(1) At each session of the Council the Executive Director shall report to the Council on the status of all projects approved by the Council, including those awaiting financing, under implementation, or completed since the previous Council session. [USA]

(2) In order to increase the benefits of projects to all Members and others, the Organization shall widely disseminate information on projects completed and their results, including lessons learned, in accordance with Article 31 (A). [USA]

PSCB recommendations:

The PSCB strongly suggests a more strategic approach in selecting and approving projects. Clearly articulated, objective criteria should be developed to evaluate proposals, preceded by development of an overall strategic objective delineating what ICO project work is to accomplish. The criteria should include reference to the ICO mission, and all approved projects should further its mission, with an eye for eliminating duplication. The PSCB can also serve as a valuable source of specific project proposals. The ICO's project programme would be greatly enhanced by requiring project reports to clearly delineate what worked and what did not. More importantly, dissemination of the valued results and effective use of these, is dependent on the ICO creating a searchable Web-based database, organized by topic rather than individual projects.

ADDITIONAL PROPOSALS FOR ARTICLES/NEW AREAS OF WORK

In addition to the proposals above, Kenya has proposed a new Article on diversification initiatives (vertical and horizontal) to support the coffee economy. Vertical diversification would shorten the long value chain, with greater returns to growers.

Kenya has also proposed a new clause or Article for a mechanism to deal with the problem of OTA.

The Côte d'Ivoire has noted the need to include a means to deal with price volatility.

Burundi notes that the amended Agreement should clearly guarantee equity for all Members in the operation of its activities. It should also include details of short-term strategies or measures for recovery and support of production in Member countries facing difficulties.

Burundi also supports the establishment of a World Coffee Fund to help reduce the gap between income levels of producing and consuming countries.

Tanzania has noted the need to develop mechanisms to reduce the gap between retail consumer and producer prices.

PSCB recommendations:

Science, research and development

The ICO is uniquely positioned to be a centre of excellence for stimulating research and development. A research and development programme focused on the following would be highly beneficial: coffee gene pool, positive health aspects of coffee, processing at all levels of the value chain, waste management at all levels of the value chain, and food safety (including phytosanitary issues). The ICO would play a valuable role in providing coordinated planning, assessment, and evaluation of research and development initiatives, and facilitating access to research and development funds.

Fostering innovation

The ICO is uniquely positioned to fill a vacuum in stimulating global innovation. Its relevancy and value would be enhanced through the development of specific, measurable criteria for the identification of relevant innovation projects that could then be directed to appropriate funding bodies. The ICO could also act as a vehicle to create partnerships with universities and think tanks. It is positioned to prompt such bodies to focus a portion of their resources on innovation in the coffee sector.

Supply chain management

The PSCB notes the need for an enhanced focus on supply-chain management, with global security being a prime objective. The ICO can play a leading role in the strengthening of the security of the coffee supply chain by acting as a forum to address and develop guidelines to ensure the safety of coffee as a food (including protecting it from intentional and unintentional contamination).

Comments by the Executive Director:

Members may wish to consider strengthening and developing more permanent ways of collaboration between the ICO and scientific bodies such as ASIC in the context of discussions on the future of the Agreement.