

**STATEMENT BY PRESIDENT ÁLVARO URIBE VÉLEZ
AT THE 2nd WORLD COFFEE CONFERENCE**

Salvador, Bahia, Brazil – 24 September 2005

Two years ago, the International Coffee Organization invited us to Cartagena where we were honoured by the visit of the President of Brazil, Luiz Inácio Lula da Silva. We Colombians very much appreciated this and are immensely grateful.

On behalf of all my compatriots, I wish to bring you warmest greetings President Lula da Silva, in a spirit of solidarity and affection.

This meeting in such an important historical city is very gratifying.

When I think about our meeting in Cartagena and the present meeting in Salvador, Bahia, I see many significant common features in these two beautiful cities – their historical quarters, their presence and their future, the similar challenges arising from their situation on the edge of these Atlantic waters that over there become those of the Caribbean.

During the last few years, relations between Colombia and Brazil have become much closer. We have managed to conclude what seemed an impossible agreement between the Andean Community and MERCOSUR. In 2002, the year in which both the Government of President Lula of Brazil and my own Government in Colombia were elected, this agreement seemed to be a Utopian dream. Today it has become a reality.

We have made considerable progress towards the integration of the South American Community and are convinced that it will at last become more practical, less rhetorical, a realistic integration that produces results. In today's world, international relations must be geared to results rather than to rhetoric, we must take advantage of communications, of the Internet and teleconferences to reduce the management costs of international relations. I believe that the South American union can be a great example of modern, practical international relations, conducted in a spirit of solidarity.

THE COFFEE CRISIS

The situation today is not as bad as it was two years ago, but there are worrying signs. The crisis is not really over. Up to the month of July, we thought that the crisis had definitely become history but the events of the last few weeks have shown the dangers that are still keeping it going.

We must remind the world that at one time the incomes of producing countries totalled as much as US\$12 billion a year whereas now they are down to US\$5 billion.

We must remind the world that the rise in crude oil prices has had a very negative impact, increasing prices of inputs for coffee growing and agricultural production in general.

We are seriously concerned that international financial instruments like investment funds have switched their investments from coffee to oil, raising serious doubts about the possible impact of these activities on coffee prices.

In Cartagena we expressed the hope that the United States would join the International Coffee Organization and we must thank the Executive Director of the Organization, Mr Néstor Osorio, and the United States authorities for having taken the necessary steps. Today, we can record our pleasure at the presence of the United States, the world's leading consumer, as a full Member of the ICO.

I would like to invite your attention to the links between this World Coffee Conference and the meeting held two weeks ago at the United Nations to review our commitments to the Millennium Goals.

For producing countries the social goals for the Millennium, which are a challenge to world peace and must be met if we are to ensure the stability of democracies, are inextricably linked to the future of coffee growing.

If there is no improvement in producers' incomes it will be very difficult for countries suffering from poverty and inequalities to succeed in meeting the social goals for the Millennium.

In Colombia, for example, coffee provides a very effective alternative in preventing the growth of illicit drugs and terrorism. This is another matter to which we would invite attention. Because coffee cannot be treated simply as a commodity, it must be regarded as a product with a profound social significance, closely linked to the challenge our countries face in meeting the social goals for the Millennium, inextricably linked to the challenges facing Colombia in overcoming terrorism and illicit drugs.

Coffee is a social path, a path for democratic stability.

Delegates from the coffee world should bear in mind that Colombia has an area of 800,000 hectares under coffee. The average size of a family coffee farm is 3 hectares. This clearly shows the profoundly democratic and social structure of coffee growing in Colombia, as in many other countries.

90% of our coffee families have farms smaller than 2 hectares. Colombian coffee is all manually cultivated in mountainous areas often with many steep slopes. We have had to make an enormous effort to improve productivity without mechanization, using manual techniques. This has had a significant effect on the Colombian social fabric as well as on coffee quality, of course.

Scientists agree that manual cultivation is one of the most important reasons for the mildness and aroma of Colombia's coffee.

Colombia has an exemplary institutional structure for coffee. It encompasses 563,000 families and is organized at three levels: local, regional and international. The institutional bodies involved are based on democratic procedures, involving direct voting by that broad and democratic range of smallholders.

This institutional structure has had a very important historical relationship with producers, the Colombian Government and the international community.

Through these coffee institutions, the Government made arrangements at times of crisis like that the last few years, to compensate producers for some of their lost income.

The Government had to come to their aid, making enormous fiscal efforts to help these small producers, whose reduced income was creating serious difficulties for their debt repayments.

At a time when interest rates were rising sharply while coffee prices were tumbling, the Government and the coffee institutions took joint action to go to the rescue of these heavily-indebted and ruined coffee farmers.

Through the coffee institutions a great deal of work is done on research and renewal.

The time has come to think again about the future of coffee. I believe that we should leave this meeting in Bahia with a greater and more sensitive awareness of the shared responsibilities of producing and consuming countries.

There is no doubt that producing countries will have to make greater efforts in their social responsibilities to producers but we must also provide the world with a new product, new marketing channels.

Producing countries will have to make greater efforts to produce organic and environmentally friendly coffee.

But the world should realize that when people drink a cup of coffee they are not only drinking an economic product but are also experiencing a beverage with social and environmental responsibilities.

At one time Colombia tried to increase production and productivity by moving from traditional coffee growing under shade to coffee fully exposed to sunlight.

Production increased but so did soil erosion. And water sources were destroyed because this drive, this frenzy, led to the destruction of large areas of woodland that provided protection for water sources and to the disappearance of large numbers of birds.

Our production of organic coffee is still small but it is growing at the rate of 33% a year. When the world becomes more aware of the social nature of coffee growing, of the links between coffee and the environment, it will become more receptive to this product.

The current oil crisis, this energy crisis that could become a major obstacle to the performance of the world economy, will force us give more thought to organic coffee.

Our brother countries in Central America, who also produce significant volumes of coffee and for whom coffee growing is, as in Colombia, of great social importance, are not oil, gas or coal producing countries and are now experiencing very serious difficulties in meeting their energy costs. Indeed, the situation is so serious that I will repeat here what I said a week ago in the United Nations: these countries are running the risk of having to pay for their energy costs from resources they had destined to compliance with the social goals for the Millennium.

Once again, we are facing the imperative need to accelerate organic coffee production in order to reduce dependence on buying oil and oil products, fertilizers, agrochemicals, and other related products.

The need to produce organic coffee is vital for creating greater awareness of the social nature of this product in consuming countries.

But we also need to find new marketing channels. It worries me that world coffee institutions have already lost one opportunity and are on the verge of losing another.

I ask myself why world coffee institutions permitted the consolidation of a few powerful trans-national food marketing companies while coffee producing countries were excluded. I think this was very harmful to our interests.

We cannot intervene in the activities of the world's major food marketing chains; we missed out on that opportunity. And we missed out because we thought good prices would be a fixed constant. And we are on the verge of losing another opportunity.

Marketing has tried to reach consumers directly through small outlets in major chain stores. Why am I concerned at this development? Because I am afraid that these outlets will show the world that they want to move away from producer labels to supermarket brands.

Advertising in these stores shows that the origin of the coffee is disguised while the brand name is highlighted and promoted. This could be very serious since it implies that in the next generation the world will know little about the origins of coffee and will know only the name of the distributors.

Colombia has made a modest beginning in this respect with its scheme to establish outlets selling Juan Valdez Colombian coffee direct to the public in industrialized countries.

This is the best way to defend the origin of coffee and advertise it by selling. But I don't think it can compete with the major chain stores. This effort is not enough. Together with the leaders of our coffee institutions we are about to capitalize on this scheme by involving all producers, but I must insist that this requires an international effort by all coffee producing countries.

Just imagine the danger: in a few years' time someone drinking a cup of coffee in Tokyo, New York or Beijing will have no idea of its origin and will only connect the cup of coffee with the name of some international brand that has nothing to do with the country where the coffee was produced. We need to make the effort, to turn discussion into reality.

And consuming countries have immense responsibilities. They have a responsibility in regard to the price of coffee because of its relation to the fostering of greater equity. In the absence of equity there cannot be a peaceful international order. I ask myself why coffee is being artificially produced in so many parts of the world, a practice that runs counter to the production of environmentally friendly coffee. The reason given is that the industrialized countries, with their agricultural subsidies and their barriers to imports of agricultural products are forcing producing countries to plant coffee in areas where other products could be planted.

Industrialized countries should bear in mind their responsibility to provide access to markets for our agricultural products, thus preventing circumstances from continuing to force land to be used for artificially produced coffee.

We need to make a real effort to rationalize prices. I am concerned today because although we are in a better position than two years ago, there have been worrying signs in the last few weeks.

Coffee prices managed to rise to above 110 US cents/lb, but this week the price is only 91 US cents/lb. We must make an effort to establish a floor price for coffee of one dollar a pound. This is a necessity.

We must leave this meeting with something positive. It should not be simply a meeting for discussion, for an exchange of courtesies. It should not be a meeting to pay lip service. It must be a meeting for decision-making.

It is worrying that whereas the market is able to switch resources from coffee to oil, we in the producing countries cannot take action to defend ourselves.

We are no longer in a quota world but we must make a real effort to channel financial resources into coffee and prevent them from being switched to oil, with grave consequences for prices.

When someone says "We must take defensive action to ensure that the price does not fall below a dollar" they are told: "Careful, that's a very serious step, it's an attack against the free market". These are market dogmas and all they do in the end is to attack social equity. When the market causes havoc, nothing is said.

When governments or social sectors produce mechanisms to defend their social incomes against the excesses of the market there is an immediate outcry and people say: "This is very bad for the economy".

Steady growth of the economy is only possible if social equity can be guaranteed.

I invite all our authorities to study the mechanisms that producing countries can put into practice to prevent continued switching of resources from coffee to crude oil.

And to propose to do what must be done to set a floor price of not less than a dollar for a pound of coffee.

It is better to be criticized by economists in awe of the free market, it is better for them to criticize us, than to allow the social lives of our people to continue being ruined.

President Lula owes us a visit. When I get back to Colombia this afternoon I shall have to say when he is coming because we are waiting for him and Brazilian entrepreneurs and workers so that we can foster Brazilian investment in Colombia and Colombian investment in Brazil.

Despite differences in size our economies are very similar in what they produce. This is why we cannot continue nursing illusions of exchange. In terms of production, our economies are similar rather than complementary.

We must move towards integration of investment. I consider this absolutely necessary and, with your leadership, it can be very effectively promoted.

In any event, we are totally committed to the struggle to comply with the social goals for the Millennium and the goals you yourself have so enthusiastically proposed to the world for the elimination of hunger, the fight against hunger.

Esteemed friends of all producing countries, I wish you every success.

I shall be closely following reports in the media and I hope that I can tell Colombians that at the meeting in Salvador, Bahia we dared to take measures to stop prices from remaining below one dollar.

Many thanks to all.