



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

ED 2011/07

17 May 2007
Original: English

E

**Global Initiative on Commodities:
Building on Shared Interests**

The Executive Director presents his compliments and, for the information of Members, attaches a copy of his opening address to the Conference on Global Initiative on Commodities: Building on Shared Interests, organized by the Common Fund for Commodities (CFC), African, Caribbean and Pacific States (ACP) Secretariat, United Nations Conference on Trade and Development (UNCTAD) and United Nations Development Programme (UNDP). The Conference took place in Brasilia, Brazil, from 7 to 11 May 2007.

**GLOBAL INITIATIVE ON COMMODITIES:
BUILDING ON SHARED INTERESTS**

Conference organized by the Common Fund for Commodities,
ACP Secretariat, UNCTAD and UNDP
Brasilia, 7-11 May 2007

OPENING ADDRESS

**Néstor Osorio, Executive Director,
International Coffee Organization (ICO)**

I. Introduction

1. Firstly I should like to thank the Minister of Agriculture of Brazil, Mr. Reinhold Stephanes, and the Brazilian authorities for hosting this important conference and congratulate the CFC, UNCTAD, UNDP and ACP Secretariat for a very timely initiative.

2. Commodities, especially agricultural ones, continue to be at the heart of social and economic life in a great number of developing countries, in many cases affecting their very political stability. Dependency on a few commodities remains a constant factor in the developing world. It is my hope that this Conference gives a clear signal that commodity issues are once again at the heart of the international agenda for development as we prepare for UNCTAD XII next April. In my presentation I shall use the example of coffee, which I know well, to illustrate a number of shared issues affecting most agricultural commodities. Coffee is a particularly relevant commodity in this context for the following reasons:

- It generates large amounts of foreign exchange earnings, normally at least 10 billion dollars annually for producing countries.
- It provides a key source of cash income to 25 million farmers worldwide.
- It is an agro-industrial product with a complex supply chain.
- It is produced in at least 50 developing countries, many of which are least developed countries (LDCs).

II. International Commodity Bodies (ICBs) as agencies of development

3. ICBs, which bring together all the major stakeholders in the respective commodity sectors in developing instruments for cooperation and specific initiatives, are firmly oriented towards development for the following reasons:

- The economic performance and development prospects of many developing countries are largely dependent on commodity exports. The heavy dependence of such countries on a few commodities has in general had an adverse economic impact, with harmful consequences for growth and the reduction of poverty.

- Commodities such as coffee provide a particularly important share of the export earnings of developing countries, and the large number of growers who depend on coffee for most of their income have been hard hit by the sharp fall in prices during the last crisis period, which lasted nearly five years from 2000 to 2004.
- ICBs, within the framework of the fight against poverty in producing areas, are able, through development projects, to promote activities which can increase the income of producers.
- In defining and coordinating development initiatives, ICBs have the capacity to mobilize all stakeholders in the sector, and their specialist knowledge of the issues concerning agro-industrial products which are highly complex in terms of the range of technologies and economic factors involved in their production, trade and consumption. It is important therefore that they receive the necessary support to work effectively in pursuance of their goals. Coffee projects are a good example of development aid that the Organization sponsors for beneficiary countries and, crucially, by areas of action. Herein lies the particular value of the approach of the CFC, which can address commodity issues intrinsically rather than through the conventional model of projects involving donors and a single target country.
- The ICO is the designated ICB for coffee and has responsibility for formally submitting projects to the CFC. As an ICB, it is also responsible for prioritization, formulation and supervision of projects and for seeking stakeholder, and, more particularly, target beneficiary participation.

III. The role of commodity bodies in rural development

4. ICBs are firmly committed to contributing to the attainment of the Millennium Development Goals. It should be noted that:

- Many commodity-producing countries are LDCs, and project activities favour targeting this category effectively. In effect the geographical breakdown of CFC projects reflects a definite LDC priority.
- The main target groups of beneficiaries for commodity development projects can be identified with reference to:
 - (a) populations suffering substantial poverty;
 - (b) populations and economies heavily dependent on the commodity;
 - (c) areas where there are few viable economic alternatives to the commodity; and

- (d) areas where the commodity provides stable rural employment, where the alternative may be disruptive movements of population to urban areas, illegal emigration or cultivation of socially harmful products.

IV. Coffee Project Priorities

5. The starting point for projects sponsored by the ICO, as the designated ICB for coffee of the CFC, is the definition of a clear development strategy for the commodity. This makes sense given the specialist expertise in each commodity held by the designated ICBs and the fact that they bring together major stakeholders and decision-makers. More particularly:

- For coffee development projects, the ICO development strategy for coffee (document EB-3768/01 Rev. 3) provides the frame of reference. The strategy is periodically revised taking into due consideration both the CFC's priorities and coffee development issues put forward by Member countries at the ICO. On this basis, a set of areas for action is identified, discussed and approved by the International Coffee Council. Additional contributions are also obtained from the experience of concluded projects, suggestions from the 2nd World Coffee Conference and other surveys carried out on specific technical issues such as diversification and sustainability.
- It is also important to highlight that the key overall aim of the development strategy for coffee is to make a practical contribution to sustainable development and poverty reduction, giving due importance to the economic, environmental and social aspects of sustainability as defined at the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992. Within this context, all coffee projects are intended to be sustainable.
- In general, coffee projects sponsored by the Organization seek to:
 - (a) encourage stability and reasonable living standards for those involved with coffee by securing adequate returns to producers, while ensuring that adequate care is given to maintaining quality rather than the quantity of coffee produced – this tallies also with the ICO's Coffee Quality-improvement Programme, which establishes basic quality standards for coffee;
 - (b) encourage – without intervening in the market – the development of balance between supply and demand, particularly through developing consumption in areas such as the producing countries, where the private sector may not be able to act comprehensively by itself. The development of the market in producing countries also has a range of positive effects in terms of value addition.

- (c) promote the use of environmentally friendly technologies throughout the production and processing chain, such as integrated biological pest control and improved technology for the washing process – e.g. Integrated Management of Pests and Diseases approaches implemented through CABI, and rehabilitation projects;
 - (d) recognize the social importance of established coffee-growing communities and the difficulties of finding alternative sources of income in many coffee growing areas – in particular diversification programmes (both horizontal and vertical) as part of the new strategic vision of the Organization to fight against poverty in coffee producing areas. Horizontal diversification promotes, where conditions permit, income generating activities to protect farmers from full dependence on monoculture and aims to diversify old coffee plantations towards more market-oriented and environmentally friendly systems of production, while vertical diversification seeks out coffee types and further processing which can secure higher added value.
 - (e) explore synergies and establish partnerships with other bodies promoting sustainability in order to avoid duplication of efforts – such as through Memoranda of Understanding signed with relevant specialized agencies. Currently 15 international institutions including among others the World Bank, the Food and Agriculture Organization of the United Nations (FAO), the International Trade Centre UNCTAD/WTO (ITC) and CABI have been appointed to oversee and administrate the implementation of coffee projects in the field on a day-to-day basis.
- Every five years the CFC also draws up guidelines for the prioritization of projects for which funding is sought. The previous action plan includes new priorities and concepts to tackle poverty reduction and increase competitiveness in the marketplace. Particular emphasis has been given to the **supply chain concept**, which has been an essential element in project design, implementation and monitoring together with sustainable development and diversification. I value this approach, noting the importance in coffee of defining the supply chain as reaching from seed to cup.
 - The current CFC action plan is being developed in consultation with the ICBs. To help the CFC to develop its Five-Year Action Plan (FYAP) for 2008 – 2012 a number of consultations have been held with ICBs such as the CFC/ICO Forum on coffee development priorities which was held on 27 September 2006 at the ICO.

V. What else are ICBs doing to achieve the MDGs?

6. Problems related to rural development and poverty reduction remain closely linked to commodity trade issues. This was recognized by the UN Deputy Secretary-General in 2003, commenting that the problems of countries which are significantly dependent on commodities such as coffee are likely to impede progress in attaining the United Nations Millennium Development Goals. It is becoming increasingly clear that the value chain is all too often skewed against producing countries and that growth in world consumption is insufficiently dynamic.

7. Considering that the world coffee economy languished in the throes of the worst crisis in its history in the last decade, with low prices giving rise to growing levels of poverty, unemployment, social violence and unrest in producing countries and, also bearing in mind, that the action areas for coffee development do not always coincide with the priorities of major donors, the Organization not only has tried to work to increase awareness of the problem in the international community but also has appealed to international cooperation agencies to collaborate with the ICO in channelling efforts aimed at solving the problems created by the crisis, which have increasingly become problems of development rather than of pure market substance. To this end I have contacted many leaders of major multilateral institutions, coffee trade associations, and political leaders.

8. I have also tried to raise awareness of coffee problems by sending a number of submissions to high level groups or meetings. These include: **Johannesburg Statement:** On 21 August 2002, I submitted to the *World Summit on Sustainable Development* a document drawing attention on the coffee crisis as a threat to sustainable development; **G8 Statements:** In June 2003 and July 2005 I submitted to the G-8 Summits, in France and Scotland, documents on the coffee crisis. The documents provide a summary of the relevant policy issues; **UN General Assembly Summit to review the Millennium Development Goals:** in September 2005 I submitted to the UN a statement on the impact of the crisis of low coffee prices.

9. This has led to a number of results:

- The growing awareness of the problem in the international community together with the measures proposed by the Organization to address the market imbalance now command widespread support conceptually but still need additional funding to implement them effectively. It is very much my hope that the step between conceptual agreement and incorporation of the necessary resources within development cooperation budgets may be as short as possible.

- The challenge now is to build on these expressions of support to ensure that ICB initiatives receive the fullest possible support for them to be effective and that financial support is mobilized for coffee development projects, in particular for those aimed at diversification and market development activities.
- The ICO endeavours to ensure that production trends are fully communicated to financing or donor institutions to avoid support for projects which may exacerbate any imbalances between supply and demand.
- A number of sustainability initiatives – mainly consumer-country led – have been developed. Although these have many positive points, some concentrate on the environmental and social aspects of sustainability while downplaying the economic aspects which are much more of a problem. It would be highly counterproductive if consumers were to think that there are environmental problems associated with coffee when most coffee cultivation makes such a large positive contribution in areas such as carbon sequestration, soil stability, preservation of biodiversity and support of social communities.

VI. The support received from the CFC

10. The ICO has developed a close and constructive relationship with the CFC. Since 1995, the ICO, together with the CFC and other international development agencies, have been contributing to the work of raising the standard of living of families that are economically dependent on coffee, by means of development projects in Africa, Asia, Latin America and the Pacific. Up to today, the CFC has provided approximately 51% of the funding for 27 projects with a total value of over US\$75 million. The rest of the funding has come from bilateral and multilateral donor institutions in respect of co-financing, and from the beneficiary countries in respect of counterpart contributions

VII. Conclusion

11. Let me conclude by indicating that, although the role of ICBs as world market regulators is not relevant anymore, they are nevertheless in a position to be significant agents of development and should be able to act as valued elements for the allocation of resources which will contribute positively in the attainment of the Millennium Development Goals.

London, May 2007