

## MISSION

The International Coffee Organization (ICO) is the main intergovernmental organization for coffee, bringing together exporting and importing Governments to tackle the challenges facing the world coffee sector through international cooperation. Its Member Governments represent 97% of world coffee production and over 80% of world consumption. The ICO's mission is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the coffee sector. It makes a practical contribution to the development of a sustainable world coffee sector and to reducing poverty in developing countries by:

- Enabling governments and the private sector to exchange views on coffee matters, market conditions and trends, and coordinate policies at high-level meetings.
- Developing and seeking finance for projects that benefit the world coffee economy.
- Promoting coffee quality through a Coffee Quality-Improvement Programme.
- Promoting market transparency by providing a wide range of statistics on the world coffee sector.
- Developing coffee consumption and markets for coffee through innovative market development activities.
- Encouraging the development of strategies to enhance the capacity of local communities and small-scale farmers.
- Promoting training and information programmes to assist the transfer of technology relevant to coffee.
- Facilitating information on financial tools and services to assist producers.
- Providing objective and comprehensive economic, technical and scientific information on the world coffee sector.

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Front cover: Photo from the ICO Image Library: Different stages of ripe cherries  
 Back cover: Photo from the ICO Image Library: Coffee blossom  
 Inside front cover: World map: MAPS IN MINUTES™

## FOREWORD BY THE CHAIRMAN OF THE COUNCIL



**Ewald Wermuth**  
Chairman of the Council

During coffee year 2010/11, the ICO made significant progress in preparing to take on a revitalized and even more active role in the sustainable development of the world coffee sector. My term of office as Chairman of the International Coffee Council was one of the most demanding tests I have faced in my professional career and I take great personal satisfaction in the results achieved.

I was very pleased by a number of developments at the ICO. The entry into force of the International Coffee Agreement (ICA) 2007 in February means that the Organization is now governed by a new treaty that takes into account the changes in the world coffee sector in recent years, especially with regard to economic, social and environmental sustainability. A demonstration of the vitality of the new Agreement is the establishment of the Consultative Forum on Coffee Sector Finance, a new advisory body to the Council that will examine issues related to risk management and other financial matters. The first Forum, held in September, tackled the question of the volatility of green coffee prices in an innovative manner, and sparked a lively debate among Members. The results have been widely disseminated and I am sure that future meetings of this important body will be even more productive.

My most challenging task was to conduct the selection process of a new Executive Director, after the early departure of Néstor Osorio, who had to leave before the end of his appointed term in order to represent his country as Ambassador to the United Nations. In contrast with previous elections where the names of only one or two candidates had been put forward, this time four very highly qualified candidates were available for choice by Members.

Drawing upon my experience at the ICO and in other international forums, my work was guided by two primary considerations: the desire to achieve an end result that would reinforce the commitment of all Members to the future of the Organization; and the need to make procedures as transparent and participatory as possible. With regard to the first objective, I wished to avoid, if at all possible, recourse to voting and maintain the ICO's tradition of taking decisions by consensus. Such a procedure would ensure the widest possible backing for the chosen candidate. At the same time, I took upon myself the task of promoting participation by consulting every Member with voting rights on that country's views on the candidates. During this process, I was ably supported by two 'friends of the Chair', namely Colombia and the United States of America, who were of great help. I would like to thank delegates Juan Esteban Orduz and Amy Karpel for their capable assistance.

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By September the field had been narrowed to three, following the decision of the Gabonese candidate, Christian Ruffin Silvère Ngoua, not to pursue his candidacy. Then, as a result of the consultations held during the first days of the 107<sup>th</sup> Council Session, the candidates of India, G.V. Krishna Rau, and Mexico, Rodolfo Trampe, graciously and magnanimously withdrew their candidacies. I am grateful for their public spiritedness and constructive contributions to the debate on the ICO's role in the coffee sector, which paved the way for the selection of Robério Oliveira Silva of Brazil by acclamation of the Council. I am confident that Mr Silva's extensive experience in coffee will serve him well during his term as Executive Director and congratulate him especially for his willingness to incorporate proposals of the two other candidates in future work programmes of the Organization. He can be sure of my support and that of all Members in strengthening and modernizing the ICO so that it is able to play its role in addressing the many challenges facing the world coffee sector.

One of the most gratifying aspects of my period as Chairman of the Council was the opportunity to travel to ICO Member countries and become better acquainted with the major players in the coffee market. In all my visits, I was continually struck by the esteem in which the ICO is held all over the world. This high regard will be valuable to the Organization as it tackles the many challenges facing the world coffee sector, including all aspects related to sustainability, such as climate change, risk management, market transparency, capacity-building, value addition and the lack of interest of younger generations in growing coffee.

Finally, I would like to thank the Chairpersons of the various ICO bodies for their able guidance: Mick Wheeler of Papua New Guinea who chaired the first Consultative Forum; Henry Ngabirano of Uganda, Chairman of the Promotion and Market Development Committee; Ambassador José Ángel López Camposeco of Guatemala, Chairman of the Projects Committee; Marcela Urueña of Colombia, Chairperson of the Statistics Committee; and Damon DuBord of the USA, Chairman of the Finance and Administration Committee. I would also like to thank all Members for their constructive approach that helped meetings and informal consultations to run smoothly at all times. My work was greatly aided by the able performance of the Secretariat team, who always provided their unstinting support and made life easier for all. I wish my successor, Henry Ngabirano, Managing Director of the Coffee Development Authority of Uganda, the best of luck in the post and hope that it will be as fascinating an experience for him as it was for me.

**Ewald Wermuth**

*Chairman of the International Coffee Council 2010/11*

**Counsellor, Office of Economic Affairs, Agriculture and Innovation  
Embassy of the Kingdom of the Netherlands**

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## OVERVIEW BY THE EXECUTIVE DIRECTOR A.I.



**José Sette**  
Executive Director a.i.

Both the world coffee sector and the ICO faced important challenges in coffee year 2010/11. In terms of market fundamentals, the most significant development was the sharp spike in prices that began in May 2010 and continued until April 2011. The monthly average of the ICO composite indicator price reached a peak of 231.24 US cents/lb and subsequently fell to a range of 210-216 US cents/lb in the period June-September 2011, while the daily price reached its lowest level in 2011 on 30 September, the last day of coffee year 2010/11. The price increases were mainly confined to Arabica coffee and Robusta prices did not show the same upward movement.

The main explanation for the relative weakness in prices during the second half of 2010/11 is that the market is now much better supplied. After experiencing shortages of certain types of coffee over the last three years, especially high quality Washed Arabicas, rising prices have stimulated better husbandry, greater use of fertilizers and increased production. In turn, rising output has made more coffee available for export. As a result, exports in 2010/11 reached a record of 104.5 million bags.

Meanwhile, coffee consumption has held up well, despite the turbulent economic scenario, and reached 135 million bags in 2010, an increase of 2.4%, thus confirming the inelasticity of demand for coffee and the continued buoyancy of consumption in emerging markets and in coffee producing countries. Preliminary information for 2011 indicates that growth in demand has continued, even though the effects of increases in retail prices and macroeconomic turbulence, particularly in southern Europe, are difficult to gauge accurately at this time.

As a consequence of record export levels, stocks in importing countries have recovered from the low levels of 18.4 million bags recorded at the end of 2010 to reach a total of 23 million bags by June 2011, an increase of 24.7%. In the meantime, inventories in coffee exporting countries remain at very low levels. Combined with expanding consumption, the overall picture continues to be one of a very low stocks to consumption ratio, i.e. available stocks are sufficient to cover less than six months of world consumption. As long as a significant production surplus does not occur, the market will be vulnerable to eventual disruptions in supplies resulting from climatic problems in a major producing country and prices will continue at relatively high levels in the foreseeable future.

Coffee year 2010/11 also saw important changes at the ICO. Upon the deposit of an instrument of ratification by Brazil, the ICA 2007 finally came into force on 2 February 2011. This Agreement, the seventh in the history of the Organization, provides the ICO with an up-to-date framework for its future activities that emphasizes the need for the sustainable development of the world coffee sector. The Organization

now has 33 exporting Members and 6 importing Members (including the European Union which represents 27 countries), representing 97% of world coffee production and over 80% of world consumption.

One of the key innovations of the ICA 2007, the Consultative Forum on Coffee Sector Finance, was duly launched in September 2011. Its aim is to facilitate consultations on topics related to finance and risk management in the coffee sector, with a particular emphasis on the needs of small- and medium-scale producers. The topic of the first Forum was ‘Managing the risk of green coffee price volatility’, which was the subject of innovative proposals by four distinguished presenters and sparked a lively debate. I congratulate all those involved and look forward to the further evolution of this important body.

At the same time, on the administrative front, the Council took important decisions regarding the use of the premises that lay the groundwork for an improvement in the Organization’s financial situation in the medium-term.

The September meetings were also marked by the choice of a new Executive Director. Three candidates, whose high calibre and exceptional qualifications reflected the importance of the ICO and the continuing support of its Members, were put forward by the Governments of Brazil, India and Mexico. This commitment to the unity and further development of the Organization was further demonstrated by the selection on a consensus basis of the Brazilian candidate, Robério Oliveira Silva. Mr Silva has extensive experience in the world of coffee and the qualities required to guide the ICO in upcoming years.

I am pleased that the Organization continued to move forward and evolve during my tenure. None of this would have been possible without the cooperation received from many parts. Firstly, I am deeply honoured by the confidence placed in me by Members in nominating me as Executive Director a.i. for the period November 2010 to October 2011 and hope to have fulfilled their expectations. Next, I particularly wish to emphasize my appreciation for the hard work and professionalism of the staff, who have been an indispensable source of support throughout my time at the ICO. In addition, I would like to express particular thanks to the Chairman of the Council, Ewald Wermuth, who handled the selection process of the new Executive Director with exemplary diplomacy. The successful outcome is a tribute to his skills and experience as a negotiator and I am most appreciative of his contributions. As I leave the post of Executive Director a.i., I am confident that the conditions are in place for the Organization to continue to play a leading role in promoting the future of this small bean that we all love so much, supporting development and bringing together people from all over the world.

**José Sette**

*Executive Director a.i.*

**International Coffee Organization**

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## NEW ICO EXECUTIVE DIRECTOR



**Robério Oliveira Silva**  
Executive Director, ICO

In September 2011, at its 107<sup>th</sup> Session, the International Coffee Council appointed a new Executive Director, Robério Oliveira Silva of Brazil, to lead the Organization for the next five years.

The selection process began in September 2010 following the resignation of the previous incumbent, Néstor Osorio, who became Ambassador of Colombia to the United Nations in New York on 1 November 2010. The Council agreed procedures and terms of reference for the appointment of his successor and set a deadline of 15 March 2011 for submission of nominations. Four candidates were nominated by the Governments of Brazil (Robério Oliveira Silva); Gabon (Christian Ruffin Silvère Ngoua, who did not pursue his candidacy); India (G.V. Krishna Rau) and Mexico (Rodolfo Trampe Taubert); and their *Curricula Vitae* were circulated to Members. In March 2011, the Council agreed a format for the review of candidates at its next Session including provision to make written submissions. In September, the Council met for its 107<sup>th</sup> Session and received written submissions and presentations from the candidates of Brazil, India and Mexico.

The Council Chairman, Ewald Wermuth, highlighted the need to reach a decision by consensus, as provided for in the 2007 Agreement, and to ensure that the appointment was broadly endorsed by Members. Following extensive consultations and informal meetings during the Council Session, the Governments of India and Mexico decided to withdraw their candidates so that a consensus could be reached. Members recognized the outstanding personal and professional qualities of both candidates and paid tribute to their public spirit in withdrawing, thus enabling a decision to be reached by consensus. The Council then decided to appoint by acclamation Robério Oliveira Silva of Brazil as Executive Director.

The Council recorded its warm appreciation for the Chairman of the Council who had worked tirelessly and impartially to achieve a successful outcome, and acknowledged the great contribution of the Executive Director a.i., José Sette, during the past coffee year.

**Biography:** *Robério Oliveira Silva took up his post as the Executive Director of the International Coffee Organization on 1 November 2011. After graduating in economics from the Federal University of Minas Gerais, Brazil, Mr Silva immersed himself in the field of commodities, particularly coffee. He has 25 years of experience in both the public and the private sectors, including his tenure as Director of the Coffee Department in the Ministry of Agriculture, Livestock and Food Supply; Commodities Secretary in the Ministry of Development, Industry and Foreign Trade; Executive Secretary of the Chamber of Foreign Trade (CAMEX); Secretary-General of the Association of Coffee Producing Countries; and Secretary-General of the Brazilian Federation of Coffee Exporters.*

**WORLD COFFEE MARKET**

During coffee year 2010/11 coffee prices rose sharply, with the annual average of the ICO composite indicator price at 205.65 US cents/lb compared to 134.41 US cents/lb in coffee year 2009/10, representing an increase of 53% (Table 1). The average for coffee year 2010/11 is the highest recorded since coffee year 1976/77 when it was 229.84 US cents/lb. All four coffee groups recorded significant price increases compared to their levels in coffee year 2009/10.

**Table 1: ICO indicator and futures market prices**  
Coffee year averages 1995/96 to 2010/11

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
1995/96	106.39	130.23	121.66	123.92	91.10	112.45	83.01
1996/97	126.94	188.05	177.38	153.55	76.50	151.95	71.75
1997/98	115.23	155.61	148.72	137.15	81.72	136.38	76.00
1998/99	88.53	115.61	104.85	88.97	72.21	105.32	68.58
1999/00	72.86	112.66	96.88	86.61	48.83	103.81	46.63
2000/01	47.84	77.05	65.81	57.53	29.88	66.24	27.27
2001/02	45.46	63.74	59.21	43.72	26.85	52.36	21.83
2002/03	52.17	65.89	64.89	48.94	37.23	65.89	34.56
2003/04	57.77	74.41	73.51	62.07	36.37	73.24	33.16
2004/05	85.30	112.29	111.22	98.22	46.05	108.03	42.72
2005/06	91.44	113.04	110.84	100.86	61.45	108.17	54.61
2006/07	104.24	122.08	120.08	108.35	82.73	118.70	74.71
2007/08	126.67	145.79	142.98	130.44	106.36	140.37	98.28
2008/09	111.80	164.37	135.43	110.14	78.62	122.16	71.43
2009/10	134.41	209.90	176.46	138.17	73.85	149.06	66.74
2010/11	205.65	281.32	268.55	236.82	107.34	249.66	100.66
% change 2009/10 to 2010/11	53.0	34.0	52.2	71.4	45.4	67.5	50.8

In US cents/lb

\*Average of 2<sup>nd</sup> and 3<sup>rd</sup> positions

In more specific terms, since price increases were far more marked in the case of Brazilian Naturals, the differentials between prices of this group and those of Colombian Milds and Other Milds narrowed considerably (Table 2). The differential between prices of Arabicas and Robustas widened further while the differential between prices of Colombian Milds and those of Other Milds fell by 61.8% during coffee year 2010/11 compared to 2009/10.

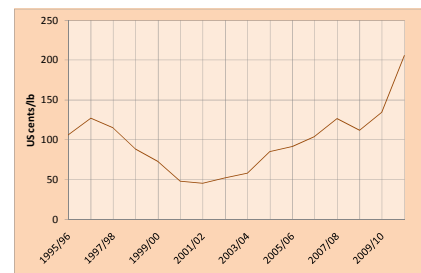
**Table 2: Price differentials**  
Coffee year averages 1995/96 to 2010/11

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
1995/96	8.57	6.31	39.13	-2.26	30.56	32.82	29.45
1996/97	10.66	34.50	111.55	23.83	100.88	77.05	80.21
1997/98	6.89	18.47	73.89	11.58	67.00	55.42	60.38
1998/99	10.76	26.63	43.40	15.88	32.64	16.76	36.74
1999/00	15.78	26.05	63.83	10.27	48.05	37.78	57.18
2000/01	11.24	19.52	47.17	8.28	35.94	27.65	38.97
2001/02	4.54	20.03	36.90	15.49	32.36	16.87	30.53
2002/03	1.00	16.95	28.67	15.95	27.67	11.72	31.33
2003/04	0.90	12.33	38.04	11.43	37.13	25.70	40.08
2004/05	1.07	14.07	66.24	13.01	65.18	52.17	65.31
2005/06	2.21	12.18	51.59	9.97	49.39	39.41	53.57
2006/07	1.99	13.73	39.35	11.73	37.36	25.62	43.98
2007/08	2.81	15.35	39.43	12.54	36.62	24.08	42.09
2008/09	28.94	54.23	85.75	25.29	56.81	31.52	50.72
2009/10	33.44	71.73	136.05	38.29	102.62	64.32	82.32
2010/11	12.77	44.50	173.97	31.73	161.20	129.47	149.00
% change 2009/10 to 2010/11	-61.8	-38.0	27.9	-17.1	57.1	101.3	81.0

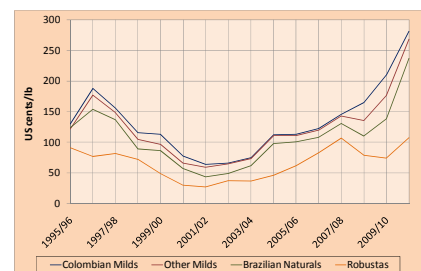
In US cents/lb

**Prices**

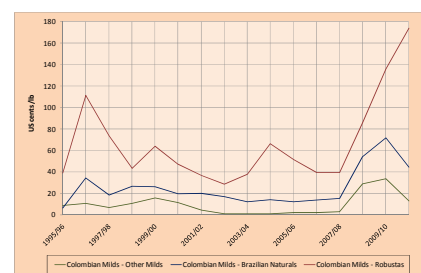
**ICO composite indicator price**  
Annual averages:  
Coffee years 1995/96 to 2010/11



**Group indicator prices**  
Annual averages:  
Coffee years 1995/96 to 2010/11

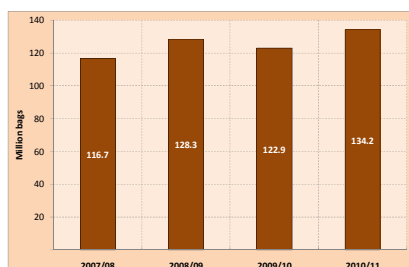


**Differential between the Colombian Milds group indicator and the other three coffee groups**  
Coffee years 1995/96 to 2010/11

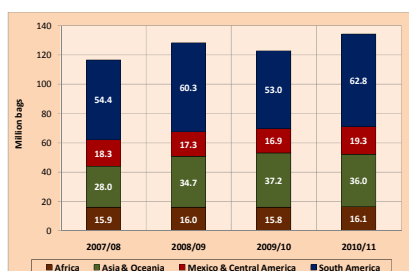


## Market fundamentals

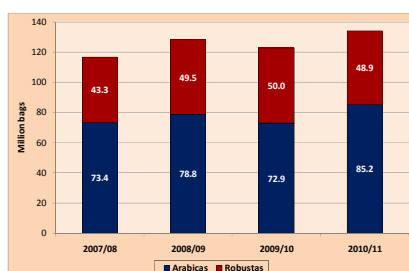
**World production**  
Crop years commencing 2007 to 2010



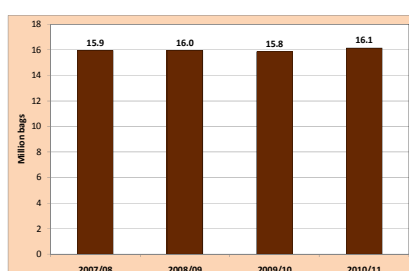
**World production by region**  
Crop years commencing 2007 to 2010



**World production by type**  
Crop years commencing 2007 to 2010



### Africa



Developments in market fundamentals during coffee year 2010/11 indicate a precarious balance between supply and demand. Production in crop year 2010/11 is estimated at 134.2 million bags compared to 122.9 million bags in 2009/10, an increase of 9.1% (Table 3). Despite the highest production level on record, the marked buoyancy of world consumption made it possible to maintain a narrow balance between supply and demand, which was an important factor in supporting prices. With the exception of Asia and Oceania, the other exporting regions recorded increased production, particularly in Mexico and Central America and in South America.

**Table 3: Total production by region, group and by type**  
Crop years 2007/08 to 2010/11

	2007/08	2008/09	2009/10	2010/11
<b>World Total</b>	<b>116 650</b>	<b>128 293</b>	<b>122 936</b>	<b>134 161</b>
Africa	15 939	15 950	15 830	16 131
Asia & Oceania	27 951	34 727	37 207	35 956
Mexico & Central America	18 331	17 307	16 854	19 270
South America	54 429	60 309	53 044	62 803
Colombian Milds	13 674	9 964	9 181	9 693
Other Milds	27 910	27 052	26 582	29 922
Brazilian Naturals	31 811	41 822	37 164	45 624
Robustas	43 256	49 455	50 010	48 921
Arabicas	73 395	78 838	72 926	85 239
Robustas	43 256	49 455	50 010	48 921
<b>Percentage share</b>				
Africa	13.7	12.4	12.9	12.0
Asia & Oceania	24.0	27.1	30.3	26.8
Mexico & Central America	15.7	13.5	13.7	14.4
South America	46.7	47.0	43.1	46.8
Colombian Milds	11.7	7.8	7.5	7.2
Other Milds	23.9	21.1	21.6	22.3
Brazilian Naturals	27.3	32.6	30.2	34.0
Robustas	37.1	38.5	40.7	36.5
Arabicas	62.9	61.5	59.3	63.5
Robustas	37.1	38.5	40.7	36.5

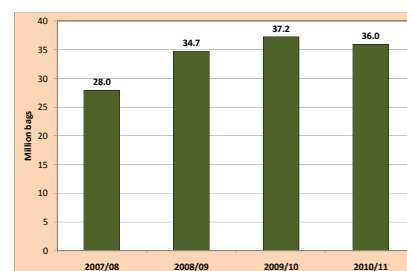
In thousand bags

In **Africa** production increased slightly from 15.8 million bags in 2009/10 to 16.1 million bags in 2010/11. Africa's share of world production fell to 12% during crop year 2010/11 compared to 12.9% in the previous crop year. Production was lower in Côte d'Ivoire (-44.4%) as a result of difficulties in harvesting and post-harvesting operations linked to the political crisis affecting the country during most of 2010/11. Cameroon also recorded lower production, whereas Ethiopia, Kenya, Tanzania and Uganda all saw increased production. Ethiopia and Uganda are the region's leading producers, accounting for 46.5% and 20.4% of African production in 2010/11.



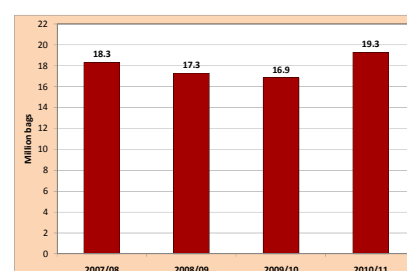
In **Asia and Oceania** production fell slightly to 36 million bags in 2010/11 compared to 37.2 million bags in 2009/10. Lower production in Indonesia (-19.8%) and Papua New Guinea (-16.5%) was partly offset by production increases in India (+5.7%), Thailand (+23.2%) and Vietnam (+7%). The region's share of world production in 2010/11 fell to 26.8% compared to 30.3% in 2009/10. During crop year 2010/11 production in Vietnam, Indonesia and India accounted for 14.5%, 6.8% and 3.8% of world production respectively. In regional terms, Vietnam accounted for 54.1% of total production in the region in 2010/11 compared to 25.4% for Indonesia and 14% for India.

#### Asia and Oceania



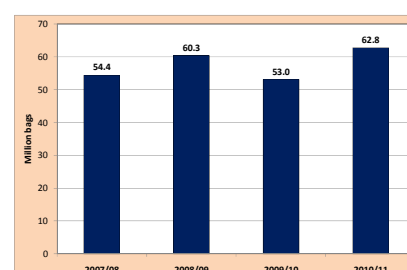
In **Mexico and Central America** production increased by 2.4 million bags in crop year 2010/11 to 19.3 million bags compared to 16.9 in 2009/10. Apart from Nicaragua, almost all countries in the region recorded increased production. The region's share of world production increased from 13.7% in 2009/10 to 14.4% in 2010/11. Mexico, Honduras and Guatemala continued to account for the highest shares of regional production representing 25.2%, 22.5% and 20.5% of the total respectively.

#### Mexico and Central America



In **South America**, where Brazilian production reflected the high production year in its biennial Arabica production cycle, crop year 2010/11 recorded a total production of 62.8 million bags, an increase of 18.4% in relation to 53 million bags in crop year 2009/10. The region's production accounted for 46.8% of total production by all exporting countries in crop year 2010/11 compared to 43.1% in 2009/10. Brazil and Peru recorded production increases of 21.9% and 21% respectively. In Colombia production increased by 5.3%, with an output of 8.5 million bags in crop year 2010/11 compared to 8.1 million bags in 2009/10. Colombia's share of world production in 2010/11 was 6.4%, relegating it to fourth place among the world's leading producers after Indonesia, which accounts for a share of 6.8%. Table 4 shows the ten leading producers in crop year 2010/11.

#### South America



Total **Arabica** production increased by 16.9% from 72.9 million bags in 2009/10 to 85.2 million bags in 2010/11 while **Robusta** production recorded a slight fall of 2.2% from 50 million bags to 48.9 million bags in 2010/11. The share of Robustas in world production fell to 36.5% in 2010/11 compared to 40.7% in the previous crop year, while the share of Arabicas increased from 59.3% in 2009/10 to 63.5% in 2010/11.

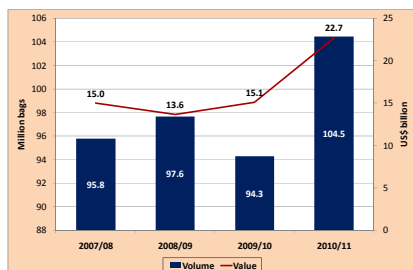
**Table 4: Ten leading producing countries in crop year 2010/11**

	Production	% share of world total
1. Brazil	48 095	35.8
2. Vietnam	19 467	14.5
3. Indonesia	9 129	6.8
4. Colombia	8 523	6.4
5. Ethiopia	7 500	5.6
6. India	5 033	3.8
7. Mexico	4 850	3.6
8. Honduras	4 326	3.2
9. Peru	3 976	3.0
10. Guatemala	3 950	2.9

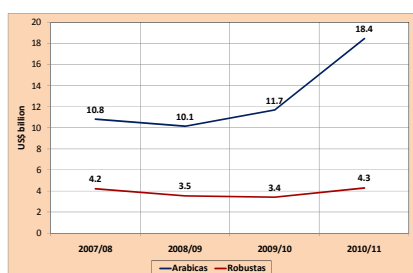
In thousand bags

## Exports

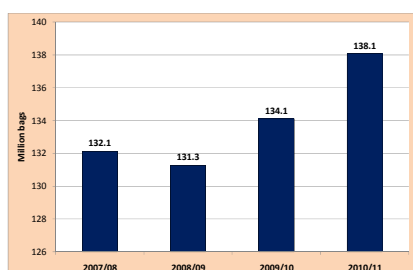
**Volume and value of exports**  
Coffee years 2007/08 to 2010/11



**Value of exports by type**  
Coffee years 2007/08 to 2010/11



**World consumption**  
Coffee years 2007/08 to 2010/11



## Stocks

## Consumption

The total volume of exports in coffee year 2010/11 was 104.5 million bags, an increase of 10.8% in relation to 94.3 million bags in 2009/10. With relatively remunerative prices during coffee year 2010/11, exports reached the highest level on record. Strong export performances were recorded for all groups of coffee with the exception of Colombian Milds, which were affected by low levels of production in Colombia during the last three years. Exports of Arabicas totalled 67.7 million bags in coffee year 2010/11 compared to 36.8 million bags for Robustas.

The total value of exports in coffee year 2010/11 is estimated at US\$22.7 billion for a total volume of 104.5 million bags compared to US\$15.1 billion for a volume of 94.3 million bags in 2009/10 (Table 5).

**Table 5: Volume and value of exports**  
Coffee years 2007/08 to 2010/11

	2007/08	2008/09	2009/10	2010/11	% change 2009/10-2010/11
<b>Volume (million bags)</b>					
<b>Total</b>	<b>95.75</b>	<b>97.62</b>	<b>94.27</b>	<b>104.45</b>	<b>10.8</b>
Colombian Milds	12.71	10.02	8.14	9.22	13.2
Other Milds	22.16	21.64	22.27	25.41	14.1
Brazilian Naturals	27.27	30.76	31.12	33.04	6.2
Robustas	33.62	35.20	32.74	36.78	12.3
Arabicas	62.14	62.42	61.53	67.67	10.0
Robustas	33.62	35.20	32.74	36.78	12.3
<b>Value (US\$ billion)</b>					
<b>Total</b>	<b>14.99</b>	<b>13.64</b>	<b>15.09</b>	<b>22.70</b>	<b>50.4</b>
Colombian Milds	2.43	2.00	2.14	3.19	49.0
Other Milds	3.92	3.66	4.38	7.19	64.1
Brazilian Naturals	4.44	4.46	5.15	8.04	56.2
Robustas	4.21	3.52	3.42	4.28	25.1
Arabicas	10.79	10.12	11.67	18.42	57.9
Robustas	4.21	3.52	3.42	4.28	25.1

Opening stocks in exporting countries for crop year 2011/12 are estimated at around 17.3 million bags compared to 18.5 million bags in 2010/11, a fall of 6.1%. Stocks held in importing countries were estimated at 23 million bags at the end of June 2011.

Preliminary data on world consumption in coffee year 2010/11 suggest that demand has remained high in spite of an adverse macroeconomic climate. During the last ten years world consumption increased at an average rate of 2.4% a year. This buoyant consumption is a determining factor in maintaining the balance between supply and demand. Domestic consumption in exporting countries, which accounted for 30.5% of world consumption in 2010/11, is showing sustained growth.

In response to the firmness of green coffee prices during coffee year 2010/11, retail prices increased in almost all importing countries.

Despite the high level of total production in crop year 2010/11, the resilience of world consumption made it possible to maintain a narrow balance between supply and demand, supporting relatively high prices. Nonetheless, high costs of agricultural inputs and labour affected export earnings in coffee year 2010/11. This buoyant world consumption should be maintained through activities designed to promote increased domestic consumption in exporting countries, most of which have enormous potential in this regard.

## Conclusion and prospects

## INTERNATIONAL COFFEE AGREEMENT 2007

The ICA 2007 governing international cooperation on coffee entered into force on 2 February 2011. It is the seventh Agreement since 1962 and will last for ten years, with the possibility of extension for a further eight years. The entry into force was triggered by the deposit of an instrument of ratification by the Government of Brazil, the world's leading producer and exporter of coffee.

The objective of the Agreement is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the sector. The world coffee trade is important for exporting as well as importing countries, generating export earnings of around US\$16.5 billion in calendar year 2010 for producing countries while around 600 billion cups of coffee are consumed every year throughout the world.

Two new Member Governments under the 2007 Agreement, Sierra Leone and Turkey, deposited instruments of accession and ratification respectively during the year. Sierra Leone (with an annual production of 85,000 60-kg bags) has been classified as an exporting country, and Turkey (with an annual consumption of around 538,000 60-kg bags) is an importing country. Representatives of four other new Member Governments (Liberia, Timor-Leste, Tunisia and Yemen) participated in Council Sessions during the year.

In his capacity as Chief Administrative Officer of the Depositary for the ICA 2007, the Executive Director a.i. issued Depositary Notifications advising Members of actions undertaken during the year, including the deposit of six instruments (by Brazil, Guatemala, Philippines, Sierra Leone, Turkey and Zambia), and one signature (the Plurinational State of Bolivia). Taking into account the European Union with 27 member States, some 77 Governments are now represented under the 2007 Agreement (see page 12), 11 of which are in the process of finalizing internal procedures for membership.

### Entry into force



**Deposit of instrument of ratification  
by Brazil: 2 February 2011**

### Depositary actions

## Resolutions

During 2010/11, the Council approved Resolution 447 establishing procedures for accession and Resolution 448 extending the time limit for the deposit of instruments for a further year until 30 September 2012. The Council also formally approved strategic documents and rules including the terms of reference for the Consultative Forum on Coffee Sector Finance and other ICO advisory bodies and Committees, a strategic action plan and a development strategy for coffee.

Finally, the Council welcomed a large delegation from the Russian Federation, a potential new Member, to its 107<sup>th</sup> Session, which included representatives from the Ministry of Economic Development, the Trade Delegation of the Russian Federation in the United Kingdom, the Organization of Coffee Manufacturers in the Russian Federation and the Rusteacoffee Association.

### Membership of the ICA 2007 as at 30 September 2011

Exporting Governments		Importing Governments	
Angola	Kenya	European Union	<i>Romania</i>
Benin *	Liberia	<i>Austria</i>	<i>Slovakia</i>
Bolivia, Plurinational State of *	Madagascar *	<i>Belgium</i>	<i>Slovenia</i>
Brazil	Malawi *	<i>Bulgaria</i>	<i>Spain</i>
Burundi	Mexico	<i>Cyprus</i>	<i>Sweden</i>
Cameroon *	Nicaragua	<i>Czech Republic</i>	<i>United Kingdom</i>
Central African Republic	Nigeria *	<i>Denmark</i>	Norway
Colombia	Panama	<i>Estonia</i>	Switzerland
Congo, Dem. Rep. *	Papua New Guinea	<i>Finland</i>	Tunisia
Costa Rica	Paraguay *	<i>France</i>	Turkey
Côte d'Ivoire	Philippines	<i>Germany</i>	USA
Cuba	Rwanda *	<i>Greece</i>	
Ecuador	Sierra Leone	<i>Hungary</i>	
El Salvador	Tanzania	<i>Ireland</i>	
Ethiopia	Thailand	<i>Italy</i>	
Gabon	Timor-Leste	<i>Latvia</i>	
Ghana	Togo	<i>Lithuania</i>	
Guatemala	Uganda	<i>Luxembourg</i>	
Guinea *	Vietnam	<i>Malta</i>	
Honduras	Yemen	<i>Netherlands</i>	
India	Zambia	<i>Poland</i>	
Indonesia	Zimbabwe *	<i>Portugal</i>	

\* Signatory Government, pending deposit of instrument

## COFFEE DEVELOPMENT PROJECTS

ICO project activities contribute to the Organization’s mission by strengthening the entire coffee value chain and improving the living standards of coffee farmers in producing countries. They continue to be characterized by a funding scheme whereby the Common Fund for Commodities (CFC) contributes around 50% of total project funding, with the balance provided by bilateral and multilateral donor institutions in the form of co-financing and by the beneficiary countries in the form of counterpart contributions (often in kind).

The graphs on the right show how sources of funding vary by beneficiary countries, and how the portfolio is distributed by strategic areas of action. Details of the portfolio by project can be found on the ICO website at [www.ico.org](http://www.ico.org).

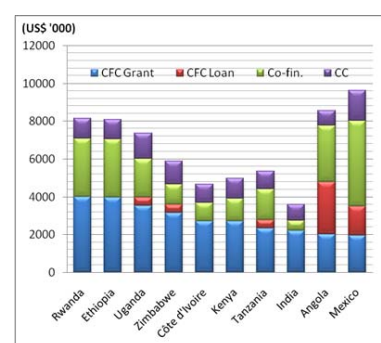
The funding that the ICO has secured for projects over the last 16 years has allowed it to strengthen its partnership with the CFC, collaborate with other international agencies, consolidate in-house procedures for appraising and prioritizing project proposals and improve methods for supervising and monitoring project implementation activities so as to ensure the delivery of results to Member countries benefiting from projects.

During the last coffee year the ICO participated in a series of important events aimed at showing the results and lessons learned from projects. They included the Special Event on ‘Commodity Dependence and the Impact of the Multiple Global Crises on Least Developed Countries (LDCs): Mapping the exposure to market volatility and building resilience to future crises,’ which was held in Turkey in May 2011, organized by the United Nations Conference on Trade and Development (UNCTAD) with financing from the CFC, and the conference on ‘Energetic Use of Residues from Coffee Production in Central and South America’, held in June 2011, which evaluated experiences and solutions for possible cooperation on this topic between partners in Switzerland, Central and South America. Finally, a dissemination workshop held in Guatemala in August 2011 to discuss the results from the project ‘Reconversion of small coffee farms into self-sustainable agricultural family units’ facilitated knowledge-sharing among coffee institutions in the region.

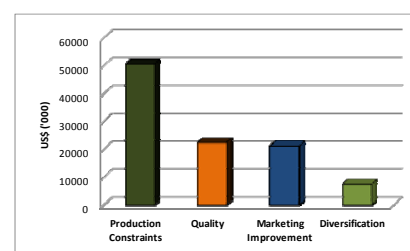
As at 30 September 2011, the ICO has sponsored and secured financing for 34 coffee projects with an aggregate value of around US\$102 million, about US\$54 million of which has been financed by the CFC, with the balance of US\$28 million provided by bilateral and multilateral donor institutions in the form of co-financing, and around US\$20 million by the beneficiary countries in the form of counterpart contributions. In total, 24 projects have been concluded and 10 are still being implemented. The value of the projects portfolio increased by US\$532,250 in 2010/11 with the approval by the CFC of one new project. Details of all projects are summarized on the table on page 14. An outline of the new project approved by the CFC together with a summary of the results from four recently concluded projects is presented on page 16.

### Coffee development projects and the mission of the ICO

Coffee development projects: Top ten beneficiaries – funding sources



Project portfolio (US\$102 million) by area of action



### Projects approved by the CFC

PORTFOLIO PROJECTS	Total cost	CFC	Co-fin.	CC	STATUS OF PROJECT IMPLEMENTATION*		
					(in thousand US\$)	1995/96 - 2008/09	2009/10
<b>PROJECTS CONCLUDED (24)</b>	<b>60,137</b>	<b>30,311</b>	<b>17,584</b>	<b>12,243</b>			
Development of gourmet coffee potential (10/96 – 05/00)	1,412	1,018	110	284	Concluded		
Integrated management of the coffee berry borer (10/96 – 05/02)	5,467	2,968	850	1,649	Concluded		
Study on coffee marketing systems and trading policies in selected coffee-producing countries (04/97 – 05/00)	289	244	0	45	Concluded		
Coffee market development and trade promotion in Eastern and Southern Africa (10/97 – 09/07)	9,101	5,012	2,540	1,549	Concluded		
Improvement of coffee production in Africa by the control of coffee wilt disease (tracheomyces) (04/98 – 02/08)	8,952	3,517	4,349	1,086	Concluded		
Characteristics of the demand for Robusta coffee in Europe (10/98 – 2001)	29	29	0	0	Concluded		
Enhancement of coffee quality through prevention of mould formation (10/98 – 09/05)	5,593	2,526	2,067	1,000	Concluded		
Coffee processing study – Rwanda (10/99 – 05/00)	68	68	0	0	Concluded		
Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua (10/00 – 12/05)	5,330	910	3,468	952	Concluded		
Coffee price risk management in East Africa (10/01 – 2002)	60	60	0	0	Concluded		
Study of the potential for commodity exchanges and other forms of market places in COMESA countries (10/01 – 06/03)	60	60	0	0	Concluded		
Workshop on structured short- and medium-term finance to small-scale farmers in Africa (10/00 – 04/01)	30	30	0	0	Concluded		
Workshop on coffee quality through prevention of mould formation in Ecuador (10/01 – 2001)	65	60	0	5	Concluded		
Integrated white stem borer management in smallholder coffee farms in India, Malawi and Zimbabwe (10/01 – 06/07)	3,104	2,262	123	719	Concluded		
Regional workshop on the coffee crisis in Central America (04/03 – 09/03)	40	40	0	0	Concluded		
Sustainable coffee development in Eastern Africa (07/03 – 09/05)	30	15	15	0	Concluded		
Worldwide comparative analysis of coffee-growing areas (10/03 – 09/06)	120	60	60	0	Concluded		
Improving coffee quality in East and Central Africa through enhanced processing practices in Rwanda and Ethiopia (04/04 – 02/08)	2,937	2,029	122	786	Concluded		
Robusta quality and marketing improvement by optimal use of coffee terroirs (10/02 – 03/08)	943	448	0	495	Concluded		
Pilot short- and medium-term finance to small-scale coffee farmers in Kenya (10/01 – 10/09)	3,045	1,445	1,000	600	Concluded		
Diversification of production in marginal areas in the State of Veracruz, Mexico (04/05 – 08/11)	4,467	2,552	1,118	797	Concluded		
Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua (04/00 – 09/11)	6,837	4,220	505	2,112	Concluded		
Enhancing the potential of gourmet coffee production in Central American countries (04/07 – 09/11)	1,874	618	1,257	0	Concluded		
Enhancing competitiveness of African coffee through a value chain analysis (04/08 – 09/11)	284	120	0	164	Concluded		
<b>PROJECTS ONGOING (10)</b>	<b>41,644</b>	<b>23,320</b>	<b>10,465</b>	<b>7,859</b>			
Pilot rehabilitation of neglected coffee plantations into small family production units in Angola (10/00 – ongoing)	8,530	4,750	2,980	800	Ongoing		
Coffee price risk management in Eastern and Southern Africa (04/01 – ongoing)	2,529	1,829	0	700	Ongoing		
Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador (10/05 – ongoing)	3,199	1,118	458	1,623	Ongoing		
Developing the potential of Gourmet Robusta coffee in Gabon and Togo (04/07 – ongoing)	2,469	1,842	0	626	Ongoing		
Increasing the resilience of coffee production to leaf rust and other diseases in India and four African countries (10/07 – ongoing)	4,014	2,919	0	1,096	Ongoing		
Access to finance for the development of diversification crops in coffee producing areas (10/07 – ongoing)	3,007	2,693	0	314	Ongoing		
Building capacity for coffee certification and verification in Eastern Africa (04/09 – ongoing)	4,601	2,000	1,605	996	Ongoing		
Competitive coffee enterprises programme for Guatemala and Jamaica (10/09 – ongoing)	4,750	2,500	1,000	1,250	Ongoing		
Sustainable credit guarantee scheme to promote scaling up of enhanced coffee processing practices in Ethiopia and Rwanda (04/10 – ongoing)	8,013	3,240	4,422	351	Ongoing		
Economic Crises and Commodity dependent Least Developed Countries (LDCs): Mapping the exposure to market volatility and building resilience to future crises (10/10 – ongoing)	532	429	0	103			Ongoing
<b>PORTFOLIO TOTAL (34)</b>	<b>101,781</b>	<b>53,631</b>	<b>28,049</b>	<b>20,102</b>			

\* The starting point for portfolio projects is the date of approval by the CFC Executive Board.

CC = Counterpart contribution

PIPELINE PROJECTS	Total Cost	CFC	Co-fin.	CC	STATUS OF PROJECT CONSIDERATION*		
					2000/01 - 2008/09	2009/10	2010/11
	(in thousand US\$)						
<b>UNDER CONSIDERATION BY THE CFC (7)</b>	<b>15,162</b>	<b>9,438</b>	<b>4,595</b>	<b>1,129</b>			
Study of the potential for commodity exchanges and other forms of market places in West Africa (ICO: 05/08)	106	94	0	13			CFC PAC
Raising income security of smallholder coffee farmers in Malawi and Tanzania through sustainable commodity diversification (ICO: 09/08)	3,000	2,183	650	166			CFC PAC
Qualitative and quantitative rehabilitation of coffee with the aims of improving living conditions of coffee farmers afflicted and displaced by war and their restoration to their areas of origin as well as the protection of their biophysical environment in the Democratic Republic of Congo (ICO: 03/09)	2,638	1,369	900	369			CFC PAC
Enhancing the potential of Robusta gourmet coffee production in Uganda, Tanzania and Angola (ICO: 03/10)	3,453	2,837	100	516			CFC PAC
Pest control model and good agricultural practices (GAP) application in different coffee growing areas in Indonesia (ICO: 09/10)	500	435	0	65			CFC PAC
Improving African coffee processing and market access (ICO: 09/10)	5,300	2,400	2,900	0			CFC PAC
Study of the sustainability of the coffee supply chain versus climate change adaptation and mitigation using the life cycle assessment (LCA) (ICO: 03/11)	165	120	45	0			CFC PAC
<b>UNDER CONSIDERATION BY OTHER DONORS (8)</b>	<b>37,666</b>	<b>21,859</b>	<b>5,417</b>	<b>10,389</b>			
Enhancing use of coffee germplasm - an African perspective (ICO: 05/01)	10,930	8,566	0	2,363			Reformulation
Improvement and diversification of coffee production of smallholders in Central America (ICO: 09/02)	7,858	3,790	4,068	0			Reformulation
Renovation of CATIE's international coffee collection (ICO: 09/07)	419	419	0	0			Sources of funding to be sought
International research and development services for the durable genetic control of two destructive diseases affecting Arabica coffee (ICO: 09/07)	2,696	1,567	0	1,129			Sources of funding to be sought
Trifinio sustainable coffee project (ICO: 05/08)	2,729	1,836	893	0			Sources of funding to be sought
Integrated Management of the Coffee Berry Borer (CBB) with a quality and sustainability component for coffee growing in Central America (ICO: 05/08)	11,216	4,420	0	6,796			Sources of funding to be sought
Raising Vietnamese coffee farmers' income through increased farming efficiency and quality management (ICO: 09/09)	1,345	788	456	101			Sources of funding to be sought
Coffee genetic resources conservation and sustainable use: global perspective (ICO: 09/09)	473	473	0	0			Reformulation
<b>UNDER CONSIDERATION BY THE ICO (5)</b>	<b>14,922</b>	<b>13,622</b>	<b>300</b>	<b>1,000</b>			
Enhancing income of smallholder farmers groups in the coffee producing belt of Nigeria (ICO: 05/05)	5,822	4,822	0	1,000			VSC
Characterization, enhanced utilization and conservation of <i>Coffea</i> germplasm diversity (ICO: 09/09)	3,000	3,000	0	0			VSC
Promotion of domestic coffee marketing and consumption in the Central African Republic (ICO: 03/10)	5,500	5,500	0	0			VSC
Smallholder coffee expansion in Malawi – Concept note (ICO: 03/10)	0	0	0	0			VSC
Adaptation to climate change in three PROMECAFE member countries (Costa Rica, Guatemala and Honduras) – (ICO: 03/10)	600	300	300	0			VSS
<b>PIPELINE TOTAL (20)</b>	<b>67,750</b>	<b>44,919</b>	<b>10,312</b>	<b>12,518</b>			

\* The starting point for projects under consideration by the CFC and other donors is the ICO Council approval date, and the submission date in the case of projects under consideration by the ICO.

CC = Counterpart contribution CFC PAC = Project Appraisal Committee of the CFC VSC = Virtual Screening Committee. Under the ICA 2007 the VSC has been renamed to Virtual Screening Subcommittee (VSS)

## New project approved



### Economic Crises and Commodity dependent Least Developed Countries (LDCs): Mapping the exposure to market volatility and building resilience to future crises (10/10 – ongoing)

This project was approved by the CFC Executive Board in October 2010, with the aim of examining and analysing the impact of the economic crisis on LDCs with a view to proposing policy responses for recovery and measures to reduce the impact of such crises on their economies in future. The total cost of this project is US\$532,250, of which the CFC is contributing US\$429,250 and UNCTAD is providing a counterpart contribution of US\$103,000. UNCTAD is acting as the Project Executing Agency (PEA) and presented case studies and sector-specific analysis at the Special Event mentioned above. It also organized roundtable discussions on the role of commodities in LDCs with the objective of reaching consensus on a commodity policy for action for 2011-2020.

## Concluded projects

### Diversification of production in marginal areas in the State of Veracruz, Mexico (04/05 – 08/11)



Fabric made from latex used for the production of accessories



Accessories made by farmers from latex

The total cost of this five-year project was US\$4.4 million, of which the CFC contributed US\$2.5 million and the Government of the State of Veracruz and University of Veracruz respectively provided US\$1.1 million and US\$797,313 in co-financing. The Diversification Programme for Coffee (DIPROCAFE) of the University of Veracruz acted as the PEA. The project, approved by the CFC Executive Board in April 2005, was designed to provide alternative options to low quality coffee produced in Veracruz. Farmers involved in the project were suffering severely from the crisis caused by low prices between 1999 and 2005 and were about to migrate to urban areas and the USA, abandoning their coffee plantations. Where coffee production remained, little attention was given to plantations, leading to a deterioration in coffee quality. In 2001, over 40,000 hectares of coffee plantations were declared unsuitable for production in Veracruz with no governmental programme to tackle this problem. The project was designed to offer a viable diversification model for Mild Arabica coffee producers to improve their livelihoods on a sustainable basis, by replacing 4,000 hectares of poor quality coffee with alternative crops such as timber, spices, tropical fruits and medicinal plants. As a result, over 1,500 producers have been grouped into a newly created *Empresa Integradora*, which in turn embraces 59 micro-enterprises that allow farmers to transform their products into semi-industrial goods in three industrial plants financed by a US\$1.5 million loan from the CFC, and sell them in local, national and international markets.

## Lessons learned

As a result of the diversification process, farmers were able to become multiproduct agro-business entrepreneurs. The main agent of change was, undoubtedly, the expertise and knowledge management that the local University offered. The project also provided a unique opportunity to introduce flexibility to coffee monoculture and good agricultural practices to unproductive land. Grouping farmers strengthened grassroots organisation, knowledge about establishing legal entities and choosing the type of enterprise most suited to producers. More detailed project outcomes are available at: <http://www.uv.mx/vincula/diprouv/>.



**Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua (04/00 – 09/11)**

This project was approved by the CFC Executive Board in April 2000 with the aim of helping to rebuild in both countries the coffee wet-processing milling capacity damaged or lost during Hurricane Mitch with cleaner environmentally-friendly technologies. The total value of the project was US\$6.8 million, of which the CFC contributed US\$4.2 million and the participating countries US\$2.6 million. Both countries were able to improve coffee quality as well as environmental and labour standards.

In Honduras, the project sponsored the recovery of almost 10% of the country's coffee infrastructure by financing and technically assisting the construction of 46 new coffee processing facilities (CPFs) and the renovation of 280 CPFs and helped the Government to quantify the demand for technical and financial services still required. In Nicaragua the recovery represents about 3.2% of the country's washed coffee production with the construction of 353 new CPFs and the renewal of another 35.

The innovative technology introduced by the project drastically reduced the volume of water used in wet coffee processing, brought better access to cleaner water to farmers and neighbouring communities, enhanced management of by-products, increased coffee productivity and encouraged greater involvement of producers in speciality markets. The project results have also led environmental authorities in both countries to recommend this technology as a model to be followed when constructing new processing units and have placed small coffee farmers as the prime agents of change in waste water management and as a crucial help for local institutions to promote it.

**Enhancing the potential of gourmet coffee production in Central American countries (04/07 – 09/11)**

This project was approved by the CFC Executive Board in April 2007 with the aim of enabling the three participating coffee-producing countries (Guatemala, Honduras and Nicaragua) to implement a strategy to develop sustainable gourmet quality coffee accompanied by diversification strategies. The total cost of this three-year project was US\$1.8 million, of which the CFC contributed US\$617,560 and the Government of Italy provided US\$1.2 million in co-financing. The Istituto Agronomico per l'Oltremare (IAO) acted as the PEA in collaboration with Anacafé in Guatemala, IHCAFE in Honduras and MIFIC in Nicaragua. As a result of the project, 12 small coffee producers' organizations composed of 1,159 members (24% women) have managed to dramatically improve the quality of their coffee by applying appropriate techniques and building adequate facilities.

Quality improvement activities included substantial training on the adoption of good agricultural practices, and also provided an opportunity for farmers to cup their own coffee. Before the project, most producers were knowledgeable about the initial steps of the coffee chain (planting, growing and harvesting), but less aware of how a single incorrect practice



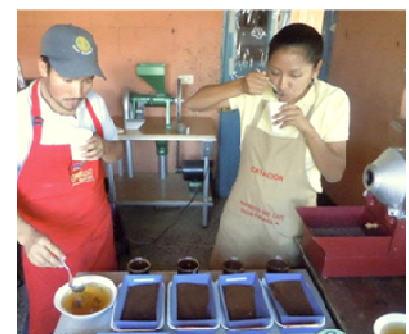
**Destroyed coffee processing facility (CPF) and sun drying patio before the project**



**Construction of CPFs during the project**



**Farmers at launch of new CPF built during the project**



**Cupping at farm level in Central America**



Road sign for 'La Ruta del Café' in Central America

can have a negative impact on the final cup, and ultimately dictate the price of the coffee beans. After the project, producers became able to cup their own coffee and to correlate coffee quality and defects with planting, fertilizing, picking, grading, wet milling, drying, warehousing, roasting.

Diversification activities included integrated improvement of gourmet coffee quality, mushroom production, organic compost and ecotourism. The project diversification strategy provided concrete options to support rural development by moving from traditional to a more efficient coffee farm management. Ecotourism, such as 'La Ruta del Café', can play an important role in reducing poverty and increasing income from off-farm activities in the region, if integrated into wider rural development programmes to ensure suitability and harmonization with natural resources conservation and preservation. The project website and Roasters Club offered unique opportunities for knowledge-sharing, innovation and learning between farmers and roasters.

#### Enhancing competitiveness of African coffee through a value chain analysis (04/08 – 09/11)

This project was approved by the CFC Executive Board in April 2008 with a total cost of US\$283,500, of which the CFC contributed US\$120,000 and ECOWAS/IACO/CABI provided US\$163,500 in co-financing. The study was carried out in nine countries: Burundi, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Ghana, Liberia, Sierra Leone, Tanzania and Zimbabwe. The project involved a research development study to identify constraints in the coffee sector value chain in Africa in order to develop project proposals to address obstacles to improving it. A wide range of constraints were identified in the different countries, whose coffee sectors are also at different levels of development. As a result of the study, six new project proposals have been designed to address the identified constraints with a view to increasing farmers' income from coffee and improving their livelihoods. Each project will address constraints in a group of countries experiencing similar problems. The total cost of six project proposals is estimated at US\$58 million, funding for which will be identified from a range of sources.

#### Pipeline

During the last coffee year, two new project proposals were evaluated by the Virtual Screening Subcommittee (VSS) and endorsed by the Council for submission to the CFC for funding. The current pipeline is composed of 20 project proposals, of which 15 have been approved by the Council and another five are currently being considered by the ICO for technical screening. Details of projects in the pipeline are provided in the table on page 15. Proposals in the pipeline already approved by the Council are divided into two categories: projects that are eligible for CFC funding and projects that require other sources of funding. In the first case, the ICO continues to rely on support from the CFC, while in the second case, new avenues must be explored to involve strategic partners who can provide financial and/or practical support.

## SUSTAINABILITY

The ICO's mission is to make a practical contribution to the development of a sustainable world coffee sector by enhancing the capacity of local communities and small-scale farmers, and promoting training and information programmes to assist the transfer of technology relevant to coffee. During the last coffee year, particular attention was given to lessons learned on knowledge-sharing from projects. Successful stories from projects are summarized below.

Gender inclusion has proven to be an effective way of building long-term approaches within the communities to achieving lasting results. In Nicaragua, for example, women play an active role in fieldwork, where they are responsible for 5% of wet coffee processing activities and 90% of seed planting activities, 100% manage nurseries, 50% carry out pest and disease control, 100% participate in coffee selection and 50% in drying coffee beans. The social impact of the technology proposed by the rehabilitation project was considerable, as it reduced the volume of water used for washing coffee enabling them to carry out this work with less effort. However, more significant was the shift in the role assumed by women in implementing the project; accounting for 35.7% of the management in Financial Institutions (FIs), 16% of people trained and 9.3% of credit beneficiaries for new coffee processing units. Additionally, the training to improve processing and marketing practices targeted farmers as well as national institutions. Training was provided for 5,247 growers (of whom 16% were women) and 357 technicians from financial institutions and local government bodies among others, achieving attendance of 116% and exceeding the target set for this activity. This means that the women participating in the project have better access to information and training and are able to participate in the decision-making process that affects them, such as access to credit, infrastructure and other business development services.

Concluded projects have encouraged participating farmers and institutions to move beyond providing traditional technical assistance by using modern tools to connect small producers with each other and with community institutions. A coffee project, implemented by the Italian Cooperation Agency in Central America, developed a website platform ([www.cafeycaffè.org](http://www.cafeycaffè.org)) to produce and promote quality coffee that has been crucial in exchanging views between farmers and roasters on good practices to respond to consumers' preferences, in accessing timely new publications and in improving the recognition of the *CaféCaffè* logo among the coffee community. The website has thus provided a cohesive element for cooperatives and producer organizations to promote their coffee and methods of production, processing and marketing. In the final phase of the project, to ensure continuing sustainability, the website was handed over to the established Roasters Club to become an active platform for questions and answers between roasters and producers.

In Honduras, the tracking system used for credit in the rehabilitation project facilitated the sharing of information with local institutions and also helped the Government to quantify the actual demand for technical

### Contributing to sustainable development

#### Strengthening knowledge-sharing and learning processes



Women playing an active role in implementing CFC/ICO projects in Central America

#### Equipping farmers with a more supportive knowledge-sharing and learning infrastructure



Capacity-building with producers in Veracruz

**Fostering partnerships for broader knowledge-sharing and learning**

**Promoting a supportive knowledge-sharing and learning culture**



**A typical daily meeting of the project in Veracruz**

and financial services required to complete the upgrading of wet-processing equipment in the country. Training for the conservation of natural resources was successfully achieved through demonstrations in private sector plots, where IHCAFE technicians successfully trained farmers illustrating how agroforestry could match coffee schemes, exceeding targeted objectives and have a drip feed effect at rural level.

The active participation of coffee roasters in the Gourmet project in Central America was crucial to the project's success; enabling producers to gain access to consumers' preferences for gourmet coffee in the roasters market and to determine how much of the final price producers received and thereby increase the economic incentive for their product and participation in the coffee gourmet market. Existing initiatives, such as Slow Food and UCODEP, joined the project and supported the promotion and production of high quality coffee in the countries involved and its distribution into niche markets that offered favourable purchasing conditions for producers.

Dissemination visits and workshops in participating countries enabled farmers to share their experiences and adapt to new technologies, as well as enabling producers not directly involved in the project to benefit from discussions and demonstrations, thus maximizing the benefits of the resources invested in each project through South-South cooperation.

The project for diversifying low productive coffee farms into agro-business in Veracruz required flexibility in assisting farmers to adapt to changing markets for the new products introduced in their farms. Technical consultants from the local university provided the necessary expertise and flexibility in planning with farmers and adapting the necessary project activities to the specific conditions of the prevailing natural agro-system.

Capacity-building will continue to be a key component of the ICO's project work, and must be country-led to address needs identified by individual countries through national priority strategies and plans.

## **COOPERATION WITH OTHER AGENCIES**

Cooperation with other organizations on global coffee matters is an important element of the ICO's work, and includes representation at international coffee conferences and related events. The Executive Director a.i. represented the ICO at the UNCTAD Global Commodities Forum which took place on 31 January and 1 February 2011 in Geneva, Switzerland and made a presentation on 'The State of Agricultural Markets: the Drivers of Volatility'. He also attended the Fourth UN Conference on the Least Developed Countries (LDCs), held in Istanbul, Turkey from 9 to 13 May 2011, where he made a presentation at a Special Event on the 'Impact of the Economic and Financial Crises on Commodity Dependent LDCs: Mapping the Exposure to Market Volatility and Building Resilience to Future Crises', organized by UNCTAD and the CFC.

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Other events at which the ICO was represented included the Forum for Agricultural Risk Management in Development (FARMD), organized by the World Bank, the Ministry of Foreign Affairs of the Netherlands and the State Secretariat for Economic Affairs of Switzerland, which took place in Zurich, Switzerland on 9 and 10 June 2011. The theme of the Conference was 'Price volatility and climate change – implications for the Ag-Risk management agenda', and the Executive Director a.i. made a presentation on the multiple dimensions of risk in coffee. He also participated in the Centennial Convention of the National Coffee Association of USA (NCA) held in March 2011 in New Orleans.

The ICO was also represented at meetings of the CFC, an important partner in developing and implementing coffee development projects (see pages 13 to 18), and developed links with the Green Commodities Facility of the United Nations Development Programme (UNDP).

Observer organizations represented at ICO meetings during the year included CAB International, the CFC, the Food and Agriculture Organization (FAO) of the United Nations, whose representative made a presentation to the Council on a study on the coffee market outlook for 2010 to 2019, the InterAfrican Coffee Organisation (IACO), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD) and the UNDP.

## PROMOTING CONSUMPTION

### ICO CoffeeClub

Three years after it was first launched by the ICO in 2008, the ICO CoffeeClub, a free social network for the coffee world, has been redeveloped to make use of Web 2.0 service tools and new features. The revamped site provides a modern user-friendly platform which allows users to get the latest news about coffee and find information about coffee and business opportunities. Improvements include a new logo, enhanced profiles, a messaging system for users and three types of communities (basic, upgraded and premium) which will enable members to post opinions, videos, photos and presentations. The relaunched website is expected to increase the numbers of visitors, establish partnerships with companies and institutions, launch new services and applications and help to develop economical sustainability.

In 2010/11 CoffeeClub received over 140,000 page views from 170 different countries, and had 1,378 members who interacted online in 84 different discussion communities. The top ten countries viewing the site were the USA, Brazil, India, United Kingdom, Canada, Colombia, Mexico, Germany, Indonesia and Australia.



## ICO CoffeeClub – relaunched website

**COFFEECLUB**  
connecting the coffee world

HOME MY COFFEECLUB COMMUNITIES MEMBERS HELP JOIN

**COFFEE BUSINESS OPPORTUNITIES**

The ideal marketing channel for you to show your coffee, company, what you need, business proposals and partnership opportunities. Join this community and tell what you need!

[www.coffeebusiness.com](http://www.coffeebusiness.com)

Host/ator: Paulo Henrique Lima  
Collaborator: Rodrigo Pasquini  
Members: 07

Join Invite

**FORUM**

Topic	Author	Views	Posts	Last post
UGANDA: Arabica coffee exports jump on prices: UCDA	Rodrigo	37	1	21/Dec/2010 18:06 h
INDIA: Use of banned pesticides brews trouble for coffee exporters	Rodrigo	112	1	21/Dec/2010 10:15 h
Vietnam learns to drink coffee, as well as grow it	Rodrigo	172	1	20/Dec/2010 13:12 h
Arabica Coffee May Extend Gains to \$4 a Pound in 1st Quarter, Hackett Says	Rodrigo	252	1	20/Dec/2010 12:20 h

**VIDEOS**

9:00 / 6:00

Add Edit See +

**CONSUMPTION TRENDS AND INNOVATION**

- New beverages and consumption habits
  - at home
  - out of home
- New products
- New equipment
  - domestic machines
  - coffee shops
  - vending
- New consumers

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Presentation on coffee consumption trends

### Cooperation with ASIC

The Promotion and Market Development Committee, a new Committee under the 2007 Agreement, met on two occasions during the year and was chaired by Henry Ngabirano of Uganda. The remit of the Committee is to advise and make recommendations to the Council on the promotion of consumption and market development matters and on arrangements for financing these. In addition to reviewing progress on the implementation of the Coffee Quality-Improvement Programme (see report on page 25), Members considered presentations on coffee consumption trends in traditional, producing and emerging markets and noted that the ICO Step-by-Step Guide to promote consumption has continued to provide valuable information for countries wishing to develop internal consumption. Several ICO Members have made use of it in developing institutional programmes to increase consumption in their countries.

The 23<sup>rd</sup> International Conference on Coffee Science took place in Bali, Indonesia from 3 to 7 October 2010, organized by the Association for Science and Information on Coffee (ASIC), and attended by over 300 delegates from 34 countries. The ICO was represented at this event and made a financial contribution of US\$2,000 from the Promotion Fund to the Conference, in view of the importance of support for science and coffee. The Conference proceedings are available for consultation in the ICO Library.

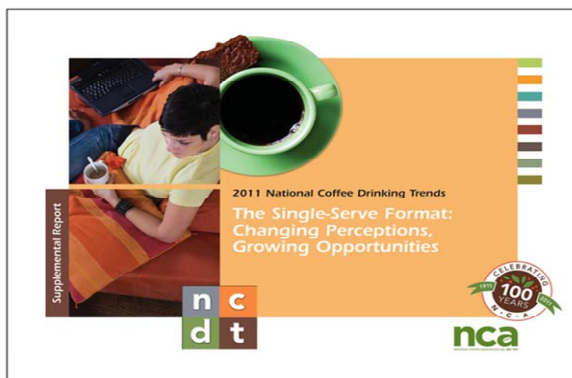
## PRIVATE SECTOR COOPERATION

The Private Sector Consultative Board (PSCB), chaired by Robert Nelson of the National Coffee Association of USA (NCA), met twice during the year to discuss a range of issues relating to the global coffee market.

Presentations made by external speakers at the invitation of the PSCB included the issue of agrochemical residue contamination in Japan; new reporting procedures being introduced on the London futures market, NYSE Euronext (Liffe), as well as the exchange's pilot study offering pre-shipment grading in Vietnam; the work of the Global Coffee Quality Research Initiative to secure and expand production of quality coffee worldwide; consumer markets, including an analysis of coffee consumption in Japan; a study of the single-serve market in the United States; and a review of the coffee market in the Russian Federation presented by the General Director of Rusteacoffee.

The PSCB discussed a variety of food safety and legislative aspects including the status of several legal cases in California which could have implications for the rest of the United States; the question of acrylamide in the context of food in general, and coffee in particular, and potential future legislation in the European Union and other consuming countries concerning acrylamide and furan. The PSCB also conducted a survey among its members to determine the main concerns affecting coffee associations: these were price volatility, climate change and the changing role of the associations themselves.

**Presentation by the Chairman of the PSCB,  
Robert Nelson of the National Coffee Association of USA**



International Coffee Organization

Monday 26 - Friday 30 September 2011

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## COFFEE AND HEALTH

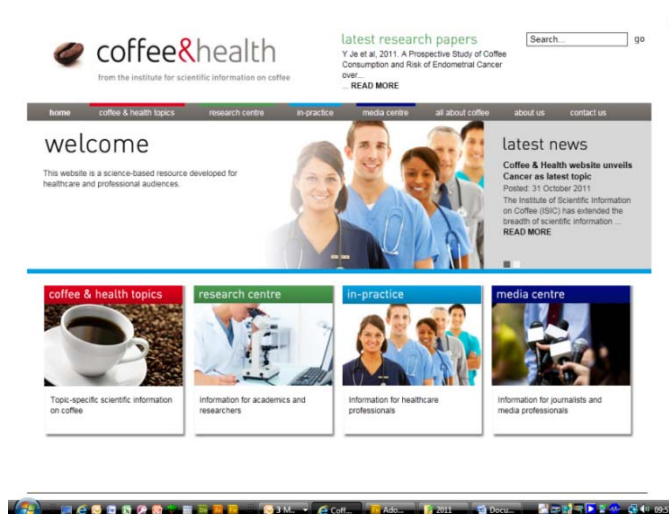
The PSCB has continued to support coffee and health programmes, including the Healthcare Professions – Coffee Education Programme which is funded/organized by the Institute for Scientific Information on Coffee (ISIC) and designed to ensure that scientifically sound information is disseminated in the public domain.

### Coffee and Health website

A new website on Coffee and Health, [www.coffeeandhealth.org](http://www.coffeeandhealth.org), was launched by ISIC in May 2011, to provide balanced, up-to-date scientific information on coffee, caffeine and health to health professionals, academics and specialist health media. It builds on collaboration by the ICO and ISIC on the Positively Coffee website which was jointly funded by both organizations. The website draws on ISIC's scientific database, encompassing hundreds of published peer-reviewed studies and includes current scientific information on a wide range of coffee-related topics, helping users get a comprehensive, balanced perspective on each topic.

The website features three dedicated information centres, tailored to the specific needs of healthcare practitioners as well as a topics centre, which provides a summary of research on a wide-range of 'coffee and health' issues. The website includes fully-referenced, balanced information, based on the latest scientific research, as well as additional background data sourced from relevant authoritative bodies on a range of health topics including cardiovascular health, fluid balance, liver function, pregnancy, sports performance, type 2 diabetes and cancer. It also includes abstracts of recent 'coffee and health' research papers, which are highlighted on the Home Page following publication in peer reviewed journals. New materials and features coming soon include a quarterly newsletter, a 'fact or fiction' leaflet and new topics on mental performance, neurodegenerative disease and antioxidants.

### New Coffee and Health website





The Health Care Professions – Coffee Education Programme is aimed at supporting a network of European health professionals and specialist media in eight countries: Denmark, Finland, Germany, Italy, Netherlands, Portugal, Spain and the United Kingdom. A workshop took place in the Netherlands in February 2011 and participating countries shared ideas and best practice, including examples of latest activities such as professional training programmes, websites, social media and outreach to new target audiences such as pharmacy students.

**Health Care Professions – Coffee Education Programme**

**COFFEE QUALITY-IMPROVEMENT PROGRAMME (CQP)**

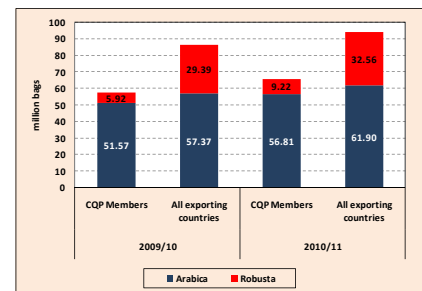
The entry into force of the 2007 Agreement in February 2011 has affected participation in the Coffee Quality-Improvement Programme (CQP) since some Members under the 2001 Agreement who were providing data on the quality of their green coffee exports are not yet Members of the new Agreement. Only 23 out of the 33 exporting Members under the ICA 2007 have so far fully implemented the programme, although some countries still to formally conclude membership procedures for the ICA 2007 continue to send data. The status of participation in the CQP can be summarized as follows:

- Members providing data regularly: 23
- Members yet to issue Certificates of Origin: 5 (4 are new Members)
- Members not sending information on Certificates of Origin: 2
- No data (Certificates of Origin) received: 3
- Members under the ICA 2001 that have not yet completed membership procedures for the ICA 2007: 11

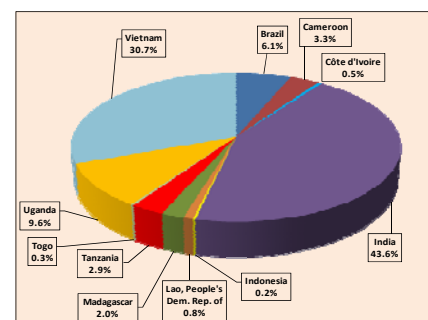
The total volume of green coffee exported by all exporting countries in 2010/11 amounted to 94.46 million bags. The volume of green coffee exported by the 23 Members effectively participating in the CQP amounted to 66.03 million bags – equivalent to just under 70% of world exports. Of this total, 56.81 million bags (86%) were Arabica and 9.22 million bags were Robusta (14%). Graph 1 shows the total volume of green coffee by type exported by the countries participating in the CQP and by all exporting countries in coffee years 2009/10 and 2010/11. In 2009/10, 90% of Arabica coffee exported was in full compliance with the CQP, whereas only 20% of the Robusta coffee exported complied with the programme. In 2010/11 these shares increased to 92% and 28%, respectively.

The London futures market, NYSE Euronext (Liffe), systematically grades Robusta coffee on a monthly basis. In coffee year 2010/11, a total of 981,500 bags were deemed to be below the CQP standards, of which nearly 65% was from Vietnam, 11% from Indonesia and 9% from Togo. In 2010/11, coffee graded under the classification ‘P’, for *Premium Class*, which refers to coffee that exceeds the usual classification standards (grades 0 to 4), amounted to 255,000 bags, of which nearly 44% was from India, 31% from Vietnam and 10% from Uganda (see Graph 2).

**Graph 1 – Volume of green coffee exports in 2009/10 and 2010/11**



**Graph 2 – Origin/percentage of Premium class coffee in 2010/11**



The New York futures market, Inter-Continental Exchange (ICE), posts monthly results on Arabica coffee by grade and also by cup flavour and bean colour. Arabica producers have continued to achieve high levels of approved rates in all three categories as this reflects their accomplishment on quality. In coffee year 2010/11, the original level of ‘pass’ reached 85% on grade quality, 82% on cup and over 86% on colour.

The Organization will continue to monitor progress on the implementation of the CQP and Members are requested to inform it of their experiences in using the programme guidelines, whenever possible, in their promotion and marketing strategies.

## STATISTICS

### Country data sheets



COTE D'IVOIRE	
Data for crop/calendar year commencing: 2009	
<b>GENERAL INFORMATION</b>	
Area (sqm)	322 403
Population (million)	21.08
Continent	CEA Franc (CEA F)
GDP (mln US\$)	21 042
GDP per capita (US\$)	1 093
Value of all exports (mln US\$)	20 581
Value of all imports (mln US\$)	23 771
Exchange rate (US\$ 1)	412.14
Official language	French
<b>COFFEE SECTOR</b>	
ICO membership status	Exporting Member
ICO Contact	Bureau des café et du cacao (BCC)
Type of coffee produced	Robusta
Harvesting year	October-September
Method of processing	Dry
Total production (crop year) (000 bags)	1 795
Domestic consumption (crop year) (000 bags)	317
Per capita consumption (kg)	0.90
Exports of green coffee (00-kg bags)	1 458 455
Exports of processed coffee (00-kg bags GBE)	353 091
Gross stocks at start of crop year (000 bags)	970
Value of exports of all forms of coffee (mln US\$)	169.37
Value of exports of all commodities (mln US\$)	8 900
Value of coffee as a percentage of all commodities (%)	1.90
Value of coffee as a percentage against CAGR (%)	0.74
Total area planted to coffee (ha)	
in production (crop year)	
in formation (crop year)	
Total number of trees (000)	Not available
in production (crop year)	
new trees (crop year)	
Yield (crop year) (bags/ha)	
Domestic (crop year) (bags/ha)	
VAT on coffee (%)	Not available
Additional taxes and levies	
on imports of green coffee	
on imports of roasted coffee	
on imports of soluble coffee	
on exports of green coffee	
on exports of roasted coffee	
on exports of soluble coffee	Not available

The entry into force of the 2007 Agreement in February 2011 automatically triggered the introduction of new Rules on Statistics – Certificates of Origin and Statistical Reports. However, Member countries have been given a period of 12 months before they have to start complying with the new Rules. Among the most important innovations are changes in the Rules on Certificates of Origin that will allow the preparation of more detailed reports on exports of coffee with special characteristics, such as those covered by certification schemes. Monthly reports will also be expanded in order to show additional information relevant to exports, such as organic coffee, method of processing and Harmonised System codes.

In addition, the new Rules on Statistics – Indicator Prices came into effect on 1 March 2011. Among the changes are the inclusion of new growths and the expanded collection of prices in Germany and in France, which are now reflected as an average for the ‘European Market’. The new procedures will be applied for the duration of the ICA 2007 subject to periodic reviews to take into account changes in patterns of trade.

During coffee year 2010/11 the composition of the Statistics Committee was also changed in line with other ICO Committees, and it now has full representation from the delegations of Member countries. Marcela Urueña of Colombia was elected as Chairperson for this coffee year and the Committee Members were: Angola, Brazil, Colombia, Costa Rica, Côte d'Ivoire, Cuba, European Union, India, Indonesia, Switzerland and the USA. The main topics discussed at the meeting held in September were:

- Compliance with the provision of statistical data: on average, exporting Members’ performance achieved 68% on a satisfactory and full compliance with the statistical rules, whereas that of importing Members’ achieved 98%.
- Statistics on organic coffee exports: an extensive exercise of reconciliation of data extracted from Certificates of Origin and Statistical Reports was undertaken, such that the discrepancies between the two sources have now decreased considerably.

- Exports to exporting countries: the increasing importance of this trade, which amounts to over five million bags per annum, confirms the need for the Organization to continue to monitor this flow of exports closely. Under the new Rules on Statistics, exporting Members will henceforth have to provide data on the volume and value of their imports of coffee by origin.
- New coefficients of 1.25 and 2.73 for the conversion of decaffeinated roasted and decaffeinated soluble coffee respectively into green bean equivalent were approved by the Council. These coefficients have been applied from October 2011 onwards but will not apply to the historical series held by the Organization. Since the identification of decaffeinated soluble coffee is not possible under existing Harmonised System codes, the trade of this segment will be closely monitored and periodic reports will be prepared for Members.

UNITED STATES OF AMERICA																																																	
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### 1<sup>st</sup> CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE

The 1<sup>st</sup> Consultative Forum on Coffee Sector Finance took place on 27 September 2011, chaired by Michael Wheeler of Papua New Guinea. The objective was to discuss mechanisms, tools or strategies which existed or could be developed or improved, to help small- and medium-sized producers manage the risk of green coffee price volatility; the challenges for each of the mechanisms, and how they could be overcome to make the tools/strategies more accessible and useful for producers. Contributions were made by four experts: Oscar Schaps, Managing Director, Global Soft Commodities, INTL Hencorp Futures LLC; Edgar Cordero, Executive Vice President of the Colombian Coffee Growers' Federation; David Browning, Director of Technoserve and Professor Christopher Gilbert of the University of Trento, Italy. The presentations were followed by an exchange of views with all participants that included the points summarized below (see document CF-1/11 for the full report of the Forum):

**Strategies to combat limited knowledge and awareness of market-based and other instruments to mitigate risk:** Strategies are needed to help small- and medium-scale farmers to better understand volatility risks and the value of hedging and other risk management tools. This would help facilitate these farmers' access to existing risk management tools. Consideration could also be given to developing the use of new technology, such as hand-held communication tools or mobile devices, to provide information on transactions by small- and medium-scale producers and facilitate communications on market developments. There is a need for capacity building in financial literacy for public sector personnel involved in financing to enable them to understand risk and mitigation opportunities.



Oscar Schaps  
INTL Hencorp Futures LLC



Edgar Cordero  
Colombian Coffee Growers' Federation



**David Browning**  
TechnoServe

**Developing new and improving the use of existing risk management instruments:** Further consideration should be given to opportunities for direct and longer-term contracts between producers and roasters/importers, including challenges posed by defaults when the market prices rise above or fall below the contract price. Further consideration should also be given to insurance type instruments such as puts and collars and how they could be made more effective. Countries need to invest in institutions to promote the use of risk management instruments, and the state and other entities could have an important role to play in providing access to hedging instruments for small- and medium-scale producers under government programmes. Initiatives taken by a number of producing countries could be explored, for example the mini contracts developed by the Colombian Coffee Growers' Federation and the financing of options contracts for small producers developed by Mexico. One possible avenue to be explored is the use of multi-day averages as a price reference in order to attenuate the effects of volatility.



**Professor Christopher Gilbert**  
University of Trento, Italy

**Producer aggregation into cooperatives or associations:** Producer cooperatives and rural producer organizations can be used as a means of pooling risk as well as improving farmers' understanding of, and access to, risk management tools. These institutions could also manage credits and increase guarantee funds. Producer organizations with government support, as necessary, could coordinate these activities on behalf of farmers, bearing in mind that producer aggregation reduces costs and facilitates dissemination of information. Quasi-centralized marketing systems could act as a shock absorber in mitigating the impact of market fluctuations.

**Other challenges:** The divergence between physicals and futures markets is a matter of great concern to producers that requires further consideration. While tools that might be developed or applied to manage differential volatility are of potential interest to actors in the physical market, they are likely to be of less interest to speculators whose emphasis is on the futures market. Non-commercial players and speculators have become increasingly involved in the coffee market. Commodities in general are regarded as a new asset class and coffee has become an attractive investment whose price movements are not closely related to those of equities and other financial instruments. While speculative interest is needed to support trade interest in the coffee market, these recent developments could have significant effects on future coffee price volatility.

Priorities for future discussion and exploration included measures to be taken to meet the need to raise small- and medium-scale growers' understanding of, and access to, risk management tools, and the institutions or mechanisms that should be established or improved to develop the activities required; further study of mitigation mechanisms, particularly those supported through producer associations and government action; and identification of specific mechanisms or tools that may warrant more in-depth analysis and serve as topics for focussed discussion in future Forums, including potential instruments that could help producers to protect themselves against the effects of challenges such as climate change.

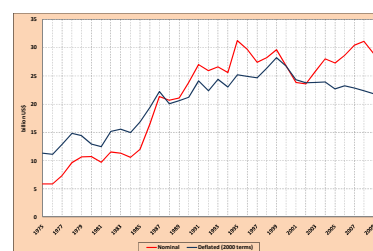
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**ECONOMIC STUDIES**

**Coffee value chain in selected importing countries**

The study contained in document ICC-106-1 consists of an analysis of overall shares in all resources created along the coffee value chain in nine selected importing countries: France, Germany, Italy, Japan, Netherlands, Spain, Sweden, United Kingdom and the USA. A comparison between annual averages of unit values of coffee imports and retail prices during the period from 1975 to 2009 was conducted to highlight the global added value of the roasting industry from coffee consumption. Over the period from 1975 to 2009, the average gross added value obtained by the roasting industry was US\$20.9 billion on total average consumption of 51.3 million 60-kg bags. More specifically, the gross added value for 2008 and 2009 totalled US\$31.1 billion and US\$28.8 billion for total consumption of 58.4 and 56.3 million bags respectively. Comparatively, the total export earnings of all exporting countries in the same period were estimated at US\$15.4 and US\$13.3 billion in 2008 and 2009 for exports totalling 97.6 million and 96.2 million bags respectively. However, these figures depend on the method of calculation and may have understated the true value. Moreover, the shares of the gross added value in retail prices have increased significantly during recent years.

**Total gross added values  
Nominal and deflated  
(2000 terms) 1975 to 2009**



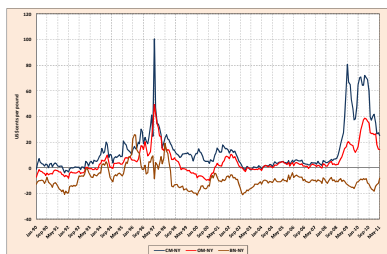
**Volatility of retail prices of roasted coffee  
in selected importing countries**

A comparative analysis of retail price volatility in 12 selected importing countries during the period from January 1975 to December 2010 was carried out (see document ICC-106-12). The 12 countries (Belgium, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom and USA) accounted for 66.4% of total coffee imports by all importing countries during the period of the study. The volatility indices were calculated for the retail prices expressed both in US cents/lb and in national currencies. With the exception of Japan, retail price volatility in the selected importing countries weakened during the free market period (1990 to 2010) and was even weaker during the most recent period in comparison with previous years. In the case of retail prices expressed in US dollars, volatility was significantly influenced by fluctuations in exchange rates between national currencies and the US dollar. Retail prices are less volatile than the ICO composite indicator prices since they include more stable components such as logistics, marketing and processing costs as well as taxes and profits.

**Volatility index averages (calculated  
from prices in US cents/lb)**

	Period average			
	1975-2010	1975-1989	1990-2010	2001-2010
Belgium	11.2%	13.5%	9.6%	9.5%
Finland	12.5%	11.4%	12.9%	11.5%
France	11.7%	15.1%	9.3%	8.8%
Germany	10.2%	9.9%	10.3%	10.1%
Italy	8.8%	9.5%	8.4%	8.3%
Japan	15.6%	11.2%	17.3%	21.2%
Netherlands	12.7%	16.1%	10.3%	8.7%
Spain	10.6%	11.8%	9.8%	8.4%
Sweden	13.6%	15.4%	12.3%	10.0%
Switzerland	11.9%	11.3%	12.4%	11.0%
United Kingdom	10.8%	10.6%	10.9%	10.1%
USA	9.1%	9.0%	9.2%	8.5%
ICO composite	23.3%	25.2%	22.0%	17.8%

**Differential between Arabica spot prices and the New York futures market**

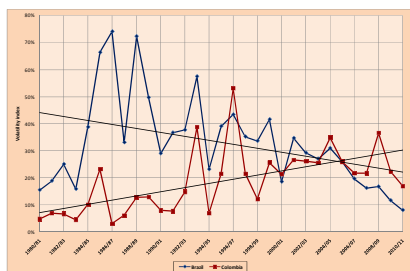


**Relationship between coffee prices in physical and futures markets**

The study contained in document ICC-107-4 explored the relationship between physical and futures markets over the period from 1990 to 2011. The ICO indicator prices for the four groups including Colombian Milds, Other Milds, Brazilian Naturals and Robustas were used as spot prices. Futures market prices were represented by the average of the 2<sup>nd</sup> and 3<sup>rd</sup> positions of the Inter-Continental Exchange (ICE) in New York for Arabica and the NYSE Liffe Futures and Options in London for Robusta. The relationship between physical and futures prices and its development over the period from 1990 to 2011 was established through statistical tests. These tests revealed a very strong relationship between futures contracts and spot prices for all groups of coffee, indicating that futures prices are very closely related to physical prices and vice versa. However, price risk management in the futures market through hedging can only protect against changes in the spot prices as the risk related to the volatility of their differentials, known as basis, is not covered. Basis risk is unstable and represents a significant risk for commercial transactions. Furthermore, although volatility of the spot price may have fallen in recent years, basis risk for three out the four groups of coffee (Colombian Milds, Other Milds and Robustas) has increased. Changes in differentials are independent of price levels, meaning that differentials can be very volatile even when prices are generally weak, as was the case at the end of the 1990s.

**Volatility of prices paid to coffee growers in selected exporting countries**

**Volatility index of prices paid to coffee growers in Brazil and Colombia**



This study examined trends in the volatility of prices paid to coffee growers in seven exporting countries over the last 30 years (see document ICC-107-10). The selected countries providing regular information on prices paid to coffee growers included Brazil, Colombia, El Salvador, Ethiopia, Guatemala, Honduras and India. Volatility indices were calculated for prices paid to coffee growers expressed in US dollars and in national currencies over the period from coffee years 1980/81 to 2010/11. Over the recent period covering coffee years 2000/01 to 2010/11 volatility has increased in four out of the seven selected exporting countries (Colombia, Guatemala, Honduras and India). The other selected countries recorded lower volatility during the same period. Fluctuations in exchange rates between national currencies and the US dollar do not appear to have influenced the volatility of prices paid to coffee growers since the volatility indices are relatively similar.

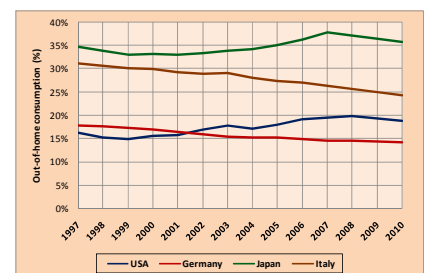
**Drinking patterns in selected importing countries**

The structure of coffee consumption in selected importing countries was reviewed in this study (see document ICC-107-11). Data from the Euromonitor market research database was applied to ICO consumption statistics to reveal trends and developments in coffee drinking patterns in eight importing countries from 1997 to 2010. The respective shares of roasted versus soluble coffee consumption, and at-home versus out-of-home consumption were determined for the following importing countries: France, Germany, Italy, Japan, Russian Federation, Spain, United Kingdom and the USA. The dominant form of coffee consumed in six out of eight importing countries was roasted coffee. The United Kingdom and the Russian Federation were the only countries in which soluble coffee consumption was dominant. As far as the location of coffee consumption is concerned the study reveals that the simplification of methods for brewing roasted coffee, rising prices and the world economic crisis have encouraged at-home consumption which continues to be the preferred location in all selected importing countries. One of the reasons could be the recent development of sales of coffee pods and capsule machines which enable consumers, in particular younger and single people, to make good coffee at home without significant effort.

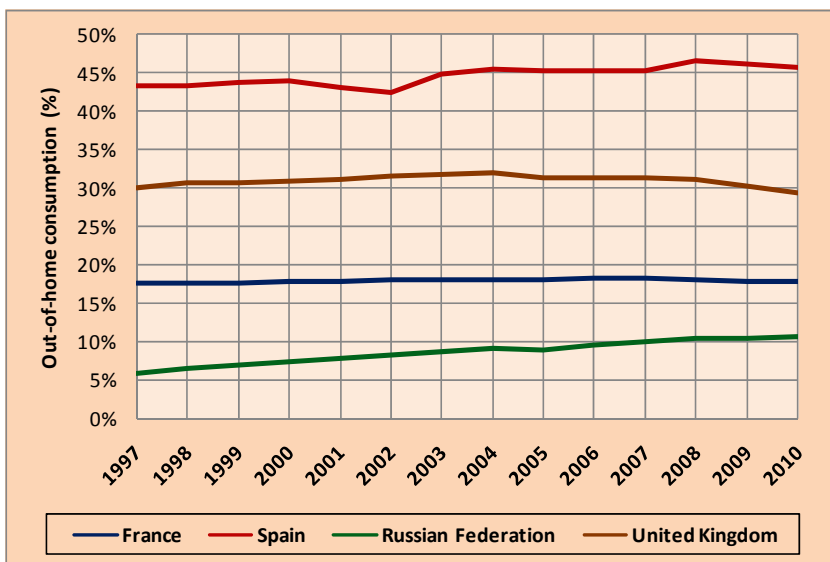
**Average share of total coffee consumption (1997-2010)**

	Roasted	Soluble
France	87.9%	12.1%
Germany	79.5%	20.5%
Italy	94.0%	6.0%
Japan	64.2%	35.8%
Russian Federation	11.2%	88.8%
Spain	82.5%	17.5%
UK	20.2%	79.8%
USA	91.2%	8.8%

**Out-of-home consumption in the USA, Germany, Japan and Italy**



**Out of home consumption in France, Spain, the Russian Federation and the UK**



## INFORMATION SERVICES

### Library/Information Section

*"We are very grateful to the ICO Information Service, not only for their willingness to help but also the speed in which we receive not only an acknowledgement, but also the information requested. We look forward to continuing to work with this department in the future."*  
Sustainable Coffee Manager,  
Complete Coffee, London, UK

*"The ICO Library and Information Section provided timely and relevant information, data and resources that have helped us in furthering our research on coffee. It has helped us in publishing some very interesting research papers on coffee. Keep up the good work!"*  
Director of International Business  
Programme, University of Dundee, UK

*"The relationship ICO/ITC has benefited considerably from help provided by ICO's statistical and information services, and the guidance freely offered by numerous ICO personalities, both past and present."*  
Senior Market Development Adviser,  
ITC, Geneva

*"No entity is better placed than the ICO to serve as THE world's primary repository of information on the many important facets of coffee: economic, social and environmental. It should thus be well-supported to fulfil that role."*  
Executive Director, Committee on  
Sustainability Assessment (COSA), USA

During the past year the Information Section has responded to over 2,000 enquiries from across its global network of users in industry and academe, NGOs and the media, and conducted almost 150 pieces of research on a diverse range of topics, including the impact of climate change on global production, risk management, the interdependence of spot and futures markets for coffee, obstacles to consumption and price volatility.

The unique resource at the centre of the Section's activity, and the Organization's principal research tool, is the *Coffeeline* database, a searchable online catalogue of material identified by the ICO that currently contains over 50,000 entries. The *Heritage* Library Management System (<http://ico.heritage4.com/>), which was launched in 2010, has been well received by Members and external users, with around 4,000 searches during the last year, and has facilitated universal access to information and resources on coffee. Connected by hyperlinks to the wider research community, it establishes the Organization at the hub of a worldwide online network of coffee-related information.

The Organization's website received more than 44,000 visitors per month during 2010/11 (an increase of 22% on the previous year). Following a significant redesign to improve overall presentation, enhance navigability and facilitate access to data, including a new page on coffee resources, the website has continued to play an important role in providing information on global coffee matters.

### New website page on coffee resources



In fulfilling its role as the ICO's primary point of contact, the Information Section has striven to maintain the Organization's profile and position with its diverse array of stakeholders across the global coffee community.

Some questions received in the past year:

*"I'm looking for information about emissions in kg CO<sub>2</sub>e (or CO<sub>2</sub>)/kg green coffee from the cultivation of coffee and the background for these data. I would be grateful for specific data for the following countries: Ethiopia, Kenya and Indonesia, Brazil, Honduras, Peru, Colombia, El Salvador."*

Climate Strategy Consultant, Sweden

*"I'm wondering if I can get some information regarding the common shrinkage percentage to process raw dry Robusta coffee (from smallholder farmers, we call it as "asalan" in Indonesia) to be "ready for export" (with moisture content not more than 13% using calibrated Cerra Tester)."*

Coffee exporter, Indonesia

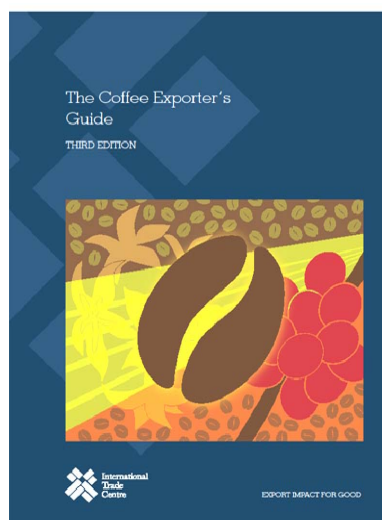
*"I am looking for information on the nutritional facts of coffee (e.g. the calorie content, fats, carbohydrates, etc.) that can be taken from a recognised source."*

Quality Controller, roasting company, Ireland

*"I'm working on an article for the Wall Street Journal about opium poppy producers in Mexico starting to cultivate coffee instead due to high prices. I'm trying to figure out if other countries that produce opium poppies (such as Colombia) are seeing similar shifts, at least anecdotally in a few cases."*

Journalist, Mexico City

### **The new (third) edition of the Coffee Exporter's Guide**



**Published by the International Trade Centre,  
the guide is described as the world's most extensive and  
authoritative publication on the international trade of coffee**

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## FINANCE AND ADMINISTRATION



**Board Room**

The Organization currently employs 26 people of 13 different nationalities. José Sette was appointed Executive Director a.i. by the Council after the departure of Néstor Osorio to take up the post of Ambassador of Colombia to the United Nations at the end of October 2010. He was succeeded as Executive Director by Robério Oliveira Silva, who was appointed by the International Coffee Council in September 2011. José Sette then returned to his position as Head of Operations. Three other new members of staff joined the Organization during the year: Vanessa Cacere as Documents Assistant, Thomas Cople as Research Officer and Matthew Elliott as Statistics Assistant.

The Organization is financed by contributions from Member Governments who pay a contribution based upon their average coffee exports or imports as a percentage of total exports or imports. The total expenditure budget amounted to £3 million in 2010/11.

The ICO has extensive conference facilities at its headquarters in London. The Organization holds its regular meetings, seminars and workshops at these conference facilities, which are also hired out to other international organizations and commercial entities. Use of the facilities by external bodies has remained buoyant over the past two years despite the prevailing financial climate: the facilities constitute an attractive venue for parliamentary-style meetings and presentations since they can accommodate up to 280 people, while they are also one of the few facilities in London which can provide simultaneous interpretation.

### **Council Chamber**



## OFFICE HOLDERS

**International Coffee Council (2010/11)****Chairman:** Ewald Wermuth (Netherlands – European Union) ■**Vice-Chairperson:** Christine Detaille (Belgium – European Union)**Private Sector Consultative Board (2009/10 – 2010/11)****Chairman:** Robert Nelson (NCA of USA) ■ **Vice-Chairman:** RicardoVillanueva (*Anacafé*) ■ **Producer representatives: Colombian Milds:***Asociación de Exportadores de Café de Colombia (ASOEXPORT), Sociedad**Exportadora de Café de las Cooperativas de Caficultores (EXPOCAFÉ),**Federación Nacional de Cafeteros de Colombia (FEDECAFE), Eastern African**Fine Coffees Association (EAFCA) ■ Other Milds:* Asociación Nacional del*Café (Anacafé), Asociación Mexicana de la Cadena Productiva del Café**(AMECAFÉ), Coffee Exporters Association of India, Speciality Coffee**Association of India ■ Brazilian and Other Natural Arabicas:* Associação*Brasileira da Indústria de Café (ABIC), Associação Brasileira da Indústria de**Café Solúvel (ABICS), Conselho dos Exportadores de Café do Brasil (CeCafé),**Confederação da Agricultura e Pecuária do Brasil (CNA), Conselho Nacional do**Café (CNC) ■ Robustas:* Association of Indonesian Coffee Exporters (AEKI),*Uganda Coffee Trade Federation (UCTF), Comité de Gestion de la Filière Café-**Cacao de Côte d'Ivoire (CGFCC) ■ Consumer representatives:* All Japan*Coffee Association (AJCA), Coffee Association of Canada, European Coffee**Federation (ECF), Institute for Scientific Information on Coffee (ISIC), National**Coffee Association of USA (NCA), Specialty Coffee Association of America**(SCAA), Speciality Coffee Association of Europe (SCAE), European**Decaffeinators Association (EDA)*

Note: Alternates are shown in italics

**Promotion and Market Development Committee****Chairman:** Henry Ngabirano (Uganda) ■ **Vice-Chairman:** European Union ■**Exporting Members:** Brazil, Colombia, Honduras, India, Indonesia, Kenya,Mexico and Uganda ■ **Importing Members:** European Union, Switzerland

and the USA

**Projects Committee****Chairman:** Ambassador José Ángel López Camposeco (Guatemala) ■ **Vice-****Chairperson:** Amy Karpel (USA) ■ **Exporting Members:** Brazil, Colombia,

Côte d'Ivoire, Ecuador, Guatemala, India, Indonesia and Tanzania ■

**Importing Members:** European Union, Switzerland and the USA**Finance and Administration Committee****Chairman:** Damon DuBord (USA) ■ **Vice-Chairman:** Pablo Braga CostaPereira (Brazil) ■ **Exporting Members:** Brazil, Colombia, El Salvador, Ghana,India and Vietnam ■ **Importing Members:** European Union, European

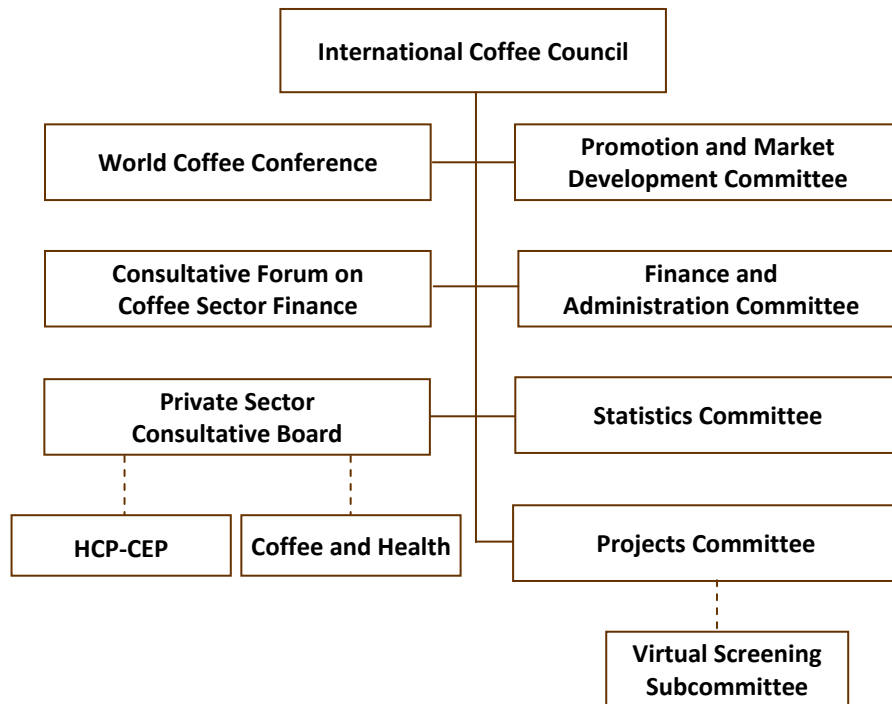
Union, Switzerland and the USA

**Statistics Committee****Chairperson:** Marcela Urueña (Colombia) ■ **Vice-Chairman:** David Braun(Switzerland) ■ **Exporting Members:** Angola, Brazil, Colombia, Costa Rica,Côte d'Ivoire, Cuba, India and Indonesia ■ **Importing Members:** European

Union, Switzerland and the USA

**Virtual Screening Subcommittee****Chairman:** Executive Director ■ **Exporting Members:** Brazil, Côte d'Ivoire,Guatemala and Indonesia ■ **Importing Members:** European Union and the USA

**ORGANIZATIONAL STRUCTURE**



**SECRETARIAT STRUCTURE**

