

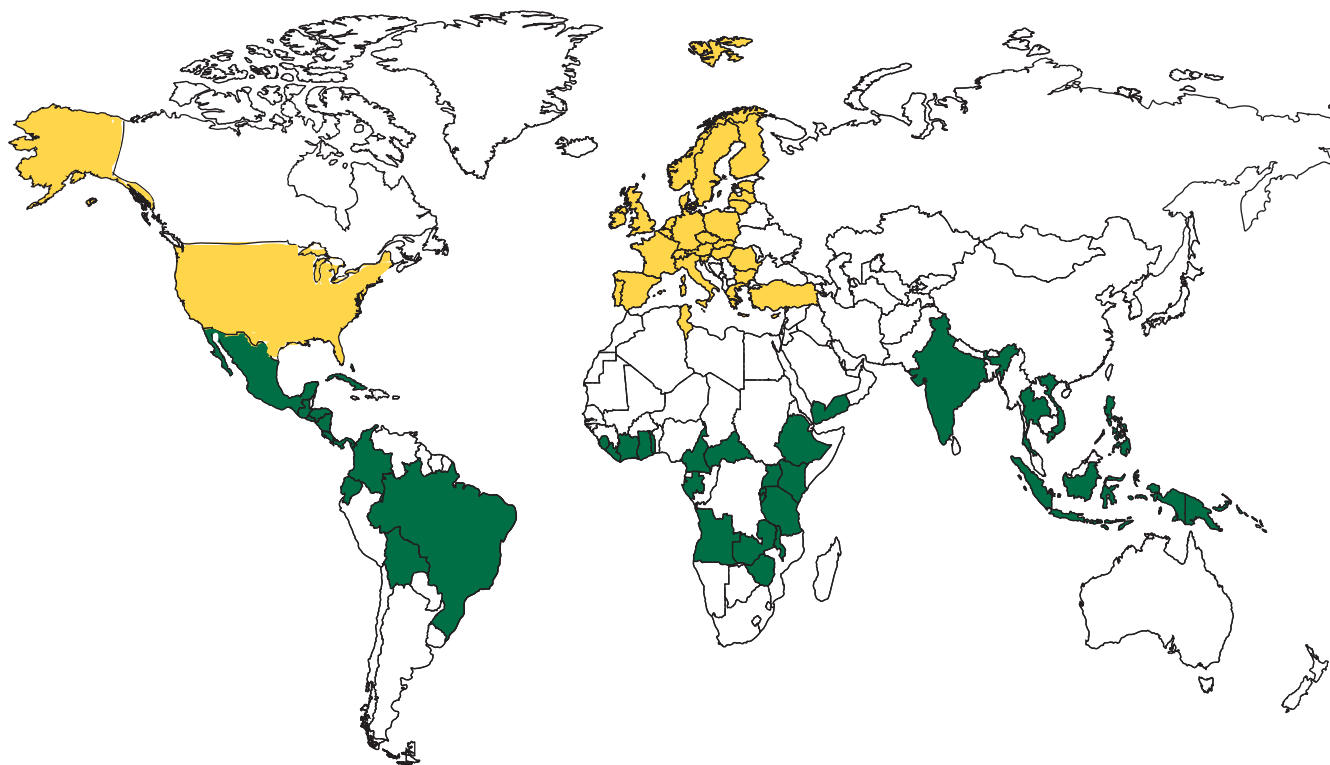
Annual Review  
Anuario

Rétrospective  
Retrospectiva



ORGANIZACIÓN	INTERNATIONAL	DEL	COFFEE	ORGANIZATION
ORGANIZAÇÃO	INTERNACIONAL	DO	CAFÉ	
ORGANISATION	INTERNATIONALE	DU	CAFÉ	

## ICO MEMBERS



### Exporting Countries

Angola - Bolivia - Brazil - Burundi - Cameroon - Central African Republic - Colombia  
Costa Rica - Côte d'Ivoire - Cuba - Ecuador - El Salvador - Ethiopia - Gabon - Ghana  
Guatemala - Honduras - India - Indonesia - Kenya - Liberia - Malawi  
Mexico - Nicaragua - Panama - Papua New Guinea - Philippines  
Rwanda - Sierra Leone - Tanzania - Thailand - Timor-Leste  
Togo - Uganda - Vietnam - Yemen - Zambia - Zimbabwe

### Importing Countries

European Union (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark,  
Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy,  
Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland,  
Portugal, Romania, Slovakia, Slovenia, Spain, Sweden,  
United Kingdom) - Norway - Switzerland - Tunisia  
Turkey - United States of America

## 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.

## CONTENTS

2	Foreword by the Chairperson of the Council
4	Overview by the Executive Director
6	World coffee market
10	International Coffee Agreement 2007
12	Coffee development projects
13	Portfolio and pipeline projects
18	Sustainability
19	Cooperation with other agencies
21	Promoting consumption
23	Private sector cooperation
24	Coffee and Health
26	Coffee Quality-Improvement Programme (CQP)
27	Statistics
28	Seminar
29	2 <sup>nd</sup> Consultative Forum on Coffee Sector Finance
31	Economic studies
33	Information services
34	Finance and administration
35	Office holders
36	Organizational structure

Front cover: Photo from the ICO Image Library: Coffee sorting and bagging, Indonesia

Back cover: Photo from the ICO Image Library: Coffee plantation in Brazil

Inside front cover: World map: MAPS IN MINUTES™

ISSN 1473-3331

## FOREWORD BY THE CHAIRPERSON OF THE COUNCIL



**Henry Ngabirano**  
Chairperson of the Council

Presiding over the International Coffee Council during coffee year 2011/12 was not only an honour for me but also a pleasure seeing highest levels of unity in diversity. This was the year in which we welcomed Robério Oliveira Silva of Brazil as the new Executive Director on 1 November 2011. The year was marked by a number of achievements, which I would like to highlight in this introduction.

One of the most significant events was the 2<sup>nd</sup> ICO Consultative Forum, held in March and chaired by Amy Karpel of the USA. The Consultative Forum is a particularly important innovation under the 2007 Agreement and the 2<sup>nd</sup> Forum enabled Members to discuss the role of producer associations, governments and other entities in making risk management and financing tools more accessible and effective for small- and medium-sized growers. We were fortunate in welcoming high-level speakers from Brazil, Costa Rica, India and Mexico who shared practical experiences of their countries with us. The Core Group which assists with organizing the Forum was strengthened by the appointment of four outside advisors, from the World Bank, Finance Alliance for Sustainable Trade (FAST), National Coffee Council of Brazil and Sucafina S.A. Planning for the 3<sup>rd</sup> Forum in September 2013 is already underway and will include the development of a typology of best practices in collaboration with the World Bank.

Another major development was a new long-term strategy for promotion and market development prepared by the Chairperson of the Promotion and Market Development Committee, Andrea Illy of illycaffè, which will help to reduce volatility by promoting value and differentiation through a multi-stakeholder network of partners.

I am pleased to report that over US\$500,000 were secured from the Common Fund for Commodities and other donors to develop three new projects to strengthen the coffee sector, including a project to promote the intensification of coffee and food crops production using animal manure in Burundi; improving coffee productivity in Yemen; and building a financial literacy toolbox to enhance access to commodity finance for sustainable small and medium enterprises in emerging economies. In total some US\$105 million have been secured to date in funding for projects over the last 17 years, almost 25 times the annual budget of the ICO and representing very good value for Members.

An excellent seminar on the economic, social and environmental impact of certification on the coffee supply chain held in September has given Members considerable material for future discussion. The presentations by the eight speakers were very well received and I would like to congratulate the Seminar Chairperson, David Braun of Switzerland and the Executive Director for their efforts in organizing this event.

---

The ICO expanded its membership by welcoming five more Members with the deposit of instruments by the Plurinational State of Bolivia, Cameroon, Malawi, Rwanda and Zimbabwe. I am also very encouraged by the statement by the delegate of the Russian Federation during the September Council that his Government intends to accede to the 2007 Agreement during the coming year.

Last but not least, I would like to congratulate the Executive Director and his team in reducing the administrative expenditure by moving to a single floor, which was extensively refurbished in a short time. This will result in considerable cost savings and value for money for Members in the long-term.

The improved supply of Arabicas from other producing countries offset reduced availability from Colombia, so the Arabica coffee market was marked by a continuing decline in prices. However, Robusta prices remained steady, in a range between 105 and 120 US cents/lb. Despite ongoing macroeconomic instability in some consuming markets, coffee consumption has held up quite well, which is a promising sign for the future.

In closing, I would like to appreciate the work and commitment of the Chairpersons of the following ICO bodies which advised the Council on different aspects of the ICO's work during 2011/12: Amy Karpel of the USA (Consultative Forum and Projects Committee), Andrea Illy of EU-Italy (Promotion Committee), Robert Nelson (Private Sector Consultative Board), Jawaid Akhtar of India (Finance and Administration Committee) and Patrice Moussy of the EU (Statistics Committee).

I would like to wish the incoming Chairperson, David Braun of Switzerland, every success in the next coffee year during which we will celebrate the 50<sup>th</sup> anniversary of the ICO and to acknowledge the generous invitation by Brazil to host the anniversary meetings in Belo Horizonte, Brazil, in September 2013.

#### **Henry Ngabirano**

*Chairperson of the International Coffee Council 2011/12*

**Managing Director, Uganda Coffee Development Authority**

#### **109<sup>th</sup> Session of the Council, September 2012**





## OVERVIEW BY THE EXECUTIVE DIRECTOR



**Robério Oliveira Silva**  
Executive Director

As I complete my first year at the helm of the International Coffee Organization (ICO), I look back at coffee year 2011/12 with satisfaction at significant achievements and a conviction that much more remains to be accomplished.

During the year the ICO reaffirmed its status as the premier body for the discussion of the most important trends affecting the world coffee sector. In particular, I would like to highlight the Seminar on the economic, social and environmental impact of certification on the coffee supply chain, held in September 2012. This event provided a unique opportunity to analyse in depth one of the essential and most controversial topics in modern agriculture. A set of expert speakers presented a broad range of views on the various impacts of certification. The lively exchange of opinions made it clear that demand for certified and verified coffee will continue to grow strongly in the foreseeable future and producers must prepare themselves accordingly.

The continuing commitment of the ICO to the construction of a sustainable world coffee sector was demonstrated by the approval of a new Promotion and Market Development Plan which will reactivate the ICO's engagement in the growth of world coffee consumption. The Plan will pay special attention to the needs of small-scale growers, and will surely help to ensure that demand for coffee will continue to rise in forthcoming years. I would like to express my particular appreciation for the hard work of Andrea Illy, the Chairperson of the Promotion and Market Development Committee, which was essential in garnering widespread support for the Plan.

Another important ICO body, the Consultative Forum on Coffee Sector Finance, also demonstrated the importance of the Organization's role as a point for discussion of the most important issues facing the coffee value chain. The 2<sup>nd</sup> Forum, which took place in March 2012, provided an opportunity for Members to learn from successful practices in several countries. I am certain that we will continue to build on the legacy of hard work, attention to detail and enthusiasm of the Chairperson, Amy Karpel, in preparing for the 3<sup>rd</sup> Forum next year.

A look at the wider picture shows that coffee prices, as represented by the ICO composite indicator price, fell considerably during 2011/12. After reaching 231.24 US cents/lb in April 2011, its highest level since 1977, the composite indicator fell steadily, before settling into a range between 145 and 160 US cents/lb from April 2012 onwards.

However, the prices of the various groups of coffee presented very distinct patterns of behaviour in 2011/12: Arabica prices fell throughout most of the period, while Robusta quotations remained relatively steady. In fact, the prices of all three Arabica groups (Colombian Milds, Other Milds and Brazilian and Other Naturals) reached their peak in April 2011 and fell significantly since then. As of September 2012, prices for the Arabica groups had fallen by 37% (Colombian Milds), 40% (Other Milds) and 39% (Brazilian and Other Naturals). Robusta prices also fell, but much less violently: after attaining their maximum level in May 2011, they had fallen by 14% by the end of coffee year 2011/12.

---

The price declines that occurred in 2011/12 are largely attributable to a normalization of coffee supplies, which had been badly affected by inclement weather in some producing countries in recent years. As a result of shortages of Mild Arabica coffees, roasters have turned to other origins. The increased use of Robusta coffee in different blends continues to grow, such that Robustas now account for around 40% of world production.

Demand for Robusta has been especially high in recent years, since it provides a less costly alternative to Arabica, a key competitive advantage in these times of economic uncertainty, when many consumers are worried about making ends meet. It is a testimony to the powerful attraction of coffee that overall demand has held up so well in these troubled times.

In the meantime, work at the ICO goes on. During coffee year 2011/12, concrete steps were taken to reorganize the internal structure of the ICO in order to continue providing Members with the high quality services they expect at a reasonable cost. The first step was to consolidate the ICO premises on the first floor of 22 Berners Street. The next step will be to revise the administrative structure, in order to improve services to the world coffee community and reduce the financial burden on Members. I am especially grateful to the unstinting support of all staff members during this difficult transition phase.

During coffee year 2011/12, we are proud to have achieved funding for three new projects to strengthen the coffee sector at some of its most vulnerable links. The value of projects supported by the ICO is now around US\$105 million, a powerful demonstration of the usefulness of the Organization.

I would also like to highlight the contribution of the ICO's economic studies to the transparency of the world coffee market. Two of this year's reports are especially interesting: one on the continuing rise of re-exports of coffee; and the other on trends in major consuming markets. Both works are essential reading for agents in the coffee value chain.

Finally, we are coming up to a landmark in the existence of the ICO. In 2013, we will celebrate the 50<sup>th</sup> anniversary of the entry into force of the first International Coffee Agreement. I am extremely pleased that the Government of Brazil has offered to hold our meetings in September 2013 in Belo Horizonte, capital of Minas Gerais, Brazil's largest coffee-producing state. In addition to well-deserved celebrations, I intend to work in close coordination with the organizers to devise a strong programme of technical activities, in order to take full advantage of meeting in a producing country.

I would also like to acknowledge the hard work of all ICO delegates and especially the heads of ICO advisory and consultative bodies, in particular Henry Ngabirano, whose work as Chairperson of the International Coffee Council was outstanding.

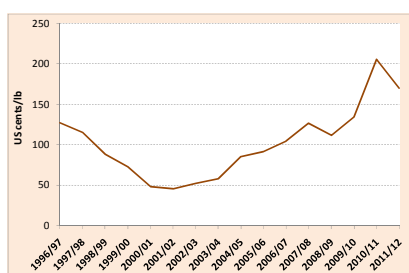
**Robério Oliveira Silva**  
*Executive Director*  
**International Coffee Organization**

---

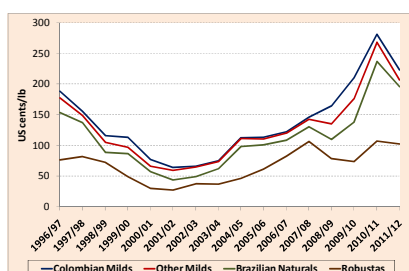
## WORLD COFFEE MARKET

## Prices

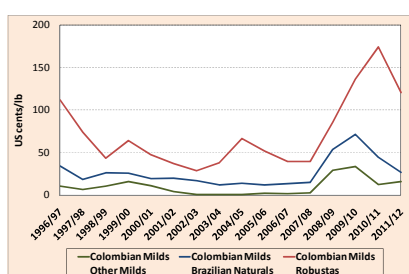
**ICO composite indicator price**  
Annual averages:  
Coffee years 1996/97 to 2011/12



**Group indicator prices**  
Annual averages:  
Coffee years 1996/97 to 2011/12



**Differential between the Colombian Milds group indicator and the other three coffee groups**  
Coffee years 1996/97 to 2011/12



Although coffee prices remain relatively high in historical terms, they were subject to significant downward corrections during coffee year 2011/12: the average of the ICO composite indicator price fell to 169.82 US cents/lb compared to 205.65 US cents during coffee year 2010/11, a fall of 17.4% (Table 1). This fall in prices should be evaluated against the background of the financial crisis now exerting negative pressures on almost all commodity prices, as well as in the context of the fundamentals of the coffee market itself.

**Table 1: ICO indicator and futures market prices**  
Coffee year averages 1996/97 to 2011/12

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
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
2011/12	169.82	222.95	206.77	195.77	102.41	197.84	91.38
% change							
2010/11-2011/12	-17.4	-20.7	-23.0	-17.3	-4.6	-20.8	-9.2

In US cents/lb

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

Compared to their levels in coffee year 2010/11 all four coffee groups recorded lower prices but falls were far more marked in the case of Arabicas. As a consequence, the differentials between Arabica and Robusta prices narrowed considerably. This was also the case in the differential between the New York and London futures markets. The differentials between prices of Colombian Mild and those of the other coffee groups also diminished, with the exception of the differential with Other Milds, which widened (Table 2). The most marked reduction was in the differential between Other Milds and Brazilian Naturals.

**Table 2: Price differentials**  
Coffee year averages 1996/97 to 2011/12

	Colombian Milds - Other Milds	Colombian Milds - Brazilian Naturals	Colombian Milds - Robustas	Other Milds - Brazilian Naturals	Other Milds - Robustas	Brazilian Naturals - Robustas	New York* - London*
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
2011/12	16.18	27.18	120.54	11.00	104.37	93.37	106.46
% change							
2010/11-2011/12	26.7	-38.9	-30.7	-65.3	-35.3	-27.9	-28.6

In US cents/lb

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



With regard to market fundamentals, total production in crop year 2011/12 was 134.4 million 60-kg bags compared to 133.5 million bags in 2010/11, a slight increase of 0.7%. Total **Arabica** production fell by 3.7% from 84.2 million bags in 2010/11 to 81 million bags in 2011/12 while **Robusta** production increased by 8.3% during the same period from 49.3 million bags to 53.4 million. The share of Robustas in world production increased from 37% in 2010/11 to 39.7%, while the share of Arabicas fell to 60.3% of the total compared to 63% in 2010/11. In terms of performance by regions during coffee year 2011/12, production fell in Africa and South America and increased in the other two regions (Table 3).

**Table 3: Total production by region, group and by type**  
Crop years 2008/09 to 2011/12

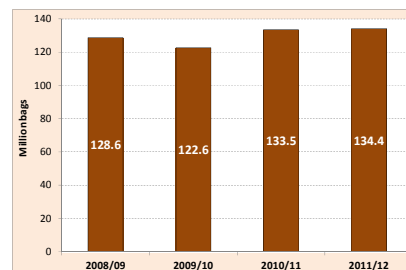
	2008/09	2009/10	2010/11	2011/12
<b>World Total</b>	<b>128 623</b>	<b>122 599</b>	<b>133 470</b>	<b>134 416</b>
Africa	16 042	15 849	16 226	14 814
Asia & Oceania	34 995	37 211	36 317	41 046
Mexico & Central America				
America	17 277	16 495	18 034	19 699
South America	60 308	53 045	62 893	58 857
Colombian Milds	9 964	9 160	9 722	8 638
Other Milds	27 041	26 263	28 810	31 453
Brazilian Naturals	41 853	37 170	45 620	40 934
Robustas	49 765	50 007	49 317	53 391
Arabicas	78 857	72 593	84 152	81 024
Robustas	49 765	50 007	49 317	53 391
<b>Percentage share</b>				
Africa	12.5	12.9	12.2	11.0
Asia & Oceania	27.2	30.4	27.2	30.5
Mexico & Central America	13.4	13.5	13.5	14.7
South America	46.9	43.3	47.1	43.8
Colombian Milds	7.7	7.5	7.3	6.4
Other Milds	21.0	21.4	21.6	23.4
Brazilian Naturals	32.5	30.3	34.2	30.5
Robustas	38.7	40.8	37.0	39.7
Arabicas	61.3	59.2	63.0	60.3
Robustas	38.7	40.8	37.0	39.7

In thousand bags

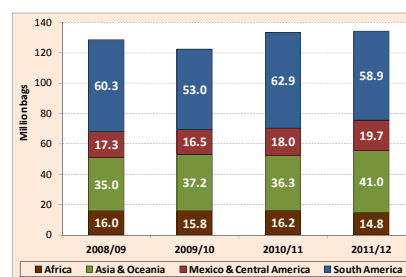
In **Africa** production fell by 8.7% from 16.2 million bags in 2010/11 to 14.8 million bags in 2011/12. As a result, Africa's share in world production during crop year 2011/12 fell to 11% compared to 12.2% in the previous crop year. This fall is mainly attributable to lower production in Ethiopia and Uganda, which are the region's leading producers, accounting for 40.6% and 19% of African production in 2011/12. Production also fell in Cameroon and Tanzania. On the other hand, Côte d'Ivoire seems to be emerging from the political crisis that affected its production in 2010/11, having attained a level of almost two million bags in 2011/12, which accounted for 12.9% of African production during this crop year.

## Market fundamentals

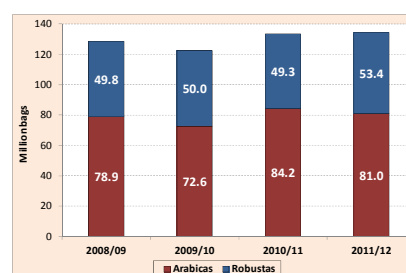
**World production**  
Crop years commencing 2008 to 2011



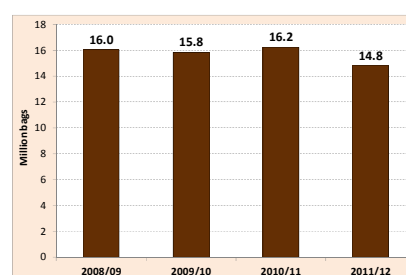
**World production by region**  
Crop years commencing 2008 to 2011



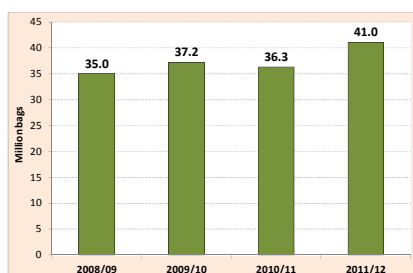
**World production by type**  
Crop years commencing 2008 to 2011



**Total production in Africa**  
Crop years commencing 2008 to 2011

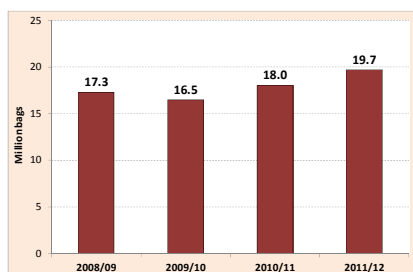


### Total production in Asia and Oceania Crop years commencing 2008 to 2011



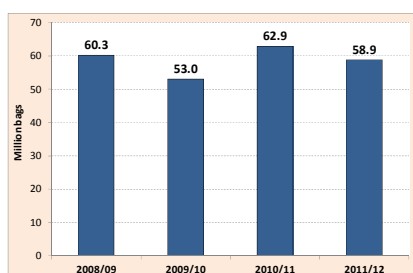
In **Asia and Oceania** production increased by 13% from 36.3 million bags in 2010/11 to 41 million bags in 2011/12. The region accounted for 30.5% of world production in 2011/12. Production in Vietnam, which increased by 23.6% from 19.5 million bags in crop year 2010/11 to 24.1 million bags, was the driving force behind the region's strong production performance. Production also increased in Papua New Guinea (+62.7%) and India (+4%), but was lower in Indonesia (-5.6%). The region's three leading producers are Vietnam (58.6% of total regional production in 2011/12), Indonesia (21%) and India (12.7%).

### Total production in Mexico and Central America Crop years commencing 2008 to 2011



In **Mexico and Central America** production increased by 9.2% in crop year 2011/12, at 19.7 million bags compared to 18 million in 2010/11. Apart from El Salvador and, to a lesser extent, Guatemala, all countries in the region recorded increases in production. The regional share of world production was 14.7% in crop year 2011/12. Honduras confirmed its position as the region's leading coffee producer, with a share of 29%, followed by Mexico (23.1%) and Guatemala (19.5%).

### Total production in South America Crop years commencing 2008 to 2011



Production in **South America** fell by 6.4% to 58.9 million bags in crop year 2011/12 compared to 62.9 million bags in 2010/11. The region accounts for 43.8% of world production. As well as lower production in Brazil, which reflects the off year in the biennial cycle of Brazilian Arabica production, Colombia continues to experience below-average production, despite the recovery that seemed to have begun during the previous crop year. This means that the region's two leading producers lost 9.6% and 10.2% of their production compared to 2010/11 (Table 3) during crop year 2011/12. Finally, the ten leading producers in crop year 2011/12 are shown in Table 4.

**Table 4: Ten leading producing countries in crop year 2011/12**

	Production	% share of world total
1. Brazil	43 484	32.4
2. Vietnam	24 058	17.9
3. Indonesia	8 620	6.4
4. Colombia	7 653	5.7
5. Ethiopia	6 008	4.5
6. Honduras	5 705	4.2
7. Peru	5 581	4.2
8. India	5 233	3.9
9. Mexico	4 546	3.4
10. Guatemala	3 840	2.9

In thousand bags

The total volume of exports in coffee year 2011/12 reached a record of 109.4 million bags, an increase of 4.5% in relation to 2010/11. Exports of Robustas recorded a marked increase of 16.6%, from 37 million bags in 2010/11 to 43.1 million bags, accounting for 39.4% of total exports by exporting countries. Arabica exports fell by 2.2%, mainly on account of the fall in exports of Colombian Milds (-9.5%) and Brazilian Naturals (-8.1%), but exports of Other Milds increased (8.3%).

Despite the record export level of 109.4 million bags in coffee year 2011/12, the total value of exports is provisionally estimated at US\$21.6 billion, a fall of 8.3% compared to US\$23.6 billion in 2010/11 for a volume of 104.7 million bags (Table 5).

**Table 5: Volume and value of exports and re-exports  
Coffee years 2008/09 to 2011/12**

	2008/09	2009/10	2010/11	2011/12	% change 2010/11 - 2011/12
<b>Volume (million bags)</b>					
<b>Total</b>	<b>97.7</b>	<b>94.3</b>	<b>104.7</b>	<b>109.4</b>	<b>4.5</b>
Colombian Milds	10.0	8.1	9.2	8.3	-9.5
Other Milds	21.5	22.1	25.4	27.5	8.3
Brazilian Naturals	31.0	31.4	33.1	30.5	-8.1
Robustas	35.2	32.8	37.0	43.1	16.6
Arabicas	62.5	61.5	67.8	66.3	-2.2
Robustas	35.2	32.8	37.0	43.1	16.6
<b>Value (US\$ billion)</b>					
<b>Total</b>	<b>13.6</b>	<b>15.1</b>	<b>23.6</b>	<b>21.6</b>	<b>-8.3</b>
Colombian Milds	2.0	2.1	3.2	2.7	-17.2
Other Milds	3.6	4.3	7.5	7.3	-2.3
Brazilian Naturals	4.5	5.2	8.1	7.6	-5.7
Robustas	3.5	3.4	4.8	4.0	-16.1
Arabicas	10.1	11.6	18.8	17.6	-6.3
Robustas	3.5	3.4	4.8	4.0	-16.1
<b>Re-exports</b>					
Volume (million bags)	35.9	38.6	40.4	37.0	-8.3
Value (US\$ billion)	9.3	10.5	14.2	13.3	-6.6

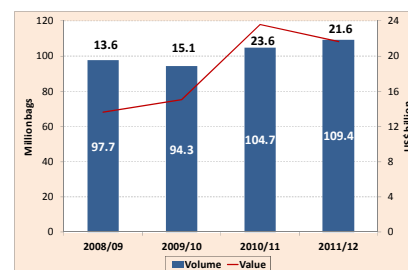
The value of re-exports by importing countries in coffee year 2011/12 was US\$13.3 billion for a volume of 37 million bags. The value and volume of re-exports both fell in relation to the previous year, at US\$14.2 billion and 40.4 million bags. On the other hand, the unit value of re-exports increased by 1.9%. In more specific terms, the unit value of re-exports of green coffee fell by 9.7%, while the unit value of re-exports of soluble and roasted coffee increased by 12.5% and 4.1%, respectively.

Stocks are falling in many countries. In crop year 2012/13 opening stocks in exporting countries are estimated at 15.1 million bags compared to 18.2 million in 2011/12, a fall of 17.1%. Inventories held in importing countries were estimated at 19.9 million bags at the end of September 2012.

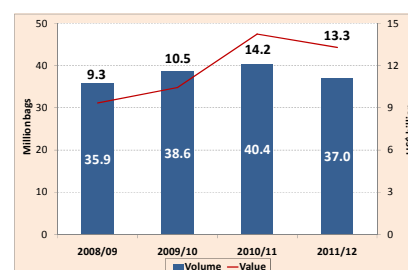
World consumption has grown strongly over the last ten coffee years and was estimated at 138.5 million bags in coffee year 2010/11. Preliminary data for coffee year 2011/12 seem to confirm the continuation of this trend, despite the economic crisis affecting many traditional markets in Western Europe and North America. This continuing buoyancy is driven mainly by growth in the emerging markets and increased domestic consumption in exporting countries. If this sustained growth continues, it is very likely that the world market will absorb over 160 million bags by 2020.

## Exports

**Volume and value of exports  
Coffee years 2008/09 to 2011/12**



**Volume and value of re-exports  
Coffee years 2008/09 to 2011/12**



## Stocks

## Consumption

### Conclusion and prospects

Prices of green coffee were subject to significant downward adjustments in coffee year 2011/12 but have remained at relatively firm levels in historical terms. Total production for crop year 2011/12 is slightly higher than the level recorded in 2010/11. Nevertheless, the continued resilience of world consumption should ensure the maintenance of a narrow balance between supply and demand, a determining factor in the firmness of prices. Activities designed to promote improved organisation of domestic consumption in exporting countries should help to reinforce these positive trends in world consumption.

## INTERNATIONAL COFFEE AGREEMENT 2007

### Background

The International Coffee Agreement 2007, the seventh Agreement since 1962, entered into force on 2 February 2011 and will last for ten years, with the possibility of extension for a further eight years. 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\$25 billion in calendar year 2011 for producing countries while around 600 billion cups are consumed every year throughout the world.

### Expansion of membership

Membership of the 2007 Agreement continued to expand during the coffee year with the deposit of instruments by five more Governments: the Plurinational State of Bolivia, Cameroon, Malawi, Rwanda and Zimbabwe. As at 30 September 2012, the ICO had 44 Member Governments compared to 39 in the previous coffee year. Taking into account the European Union with 27 member States, a total of 71 Governments have now fulfilled all their membership requirements under the 2007 Agreement (see below). A further six Governments are in the process of finalizing internal procedures for membership.



**Plurinational State of Bolivia**  
**Notification of provisional application:**  
**10 April 2012**

At its 109<sup>th</sup> Session in September 2012, the International Coffee Council adopted Resolution 449 extending the deadline for the deposit of instruments of ratification, acceptance, approval or accession to 30 September 2013.

During the coffee year, the Council welcomed delegations from a number of Governments interested in pursuing membership of the ICO, including China, the Lao People's Democratic Republic, Nepal and the Russian Federation. During the 109<sup>th</sup> Council Session the representative of the Russian Federation advised Members that his Government was committed to joining the ICO and hoped to deposit an instrument of accession in 2013. At the same Session, for the first time in the history of the Organization, a Russian private sector association (Rusteacoffee) was designated by the Council as a member of the Private Sector Consultative Board.

## Membership of the ICA 2007 as at 30 September 2012

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



**Zimbabwe – Ratification:  
24 May 2012**

50<sup>th</sup> anniversary

In 2013, the ICO will celebrate its 50<sup>th</sup> anniversary in Brazil, following a decision by the Council in September 2012 to accept Brazil's generous invitation to host the 110<sup>th</sup> Council Session and the 3<sup>rd</sup> Consultative Forum on Coffee Sector Finance in Belo Horizonte, Minas Gerais (see document ICC-109-9). The ICO was established in 1963 when the first International Coffee Agreement entered into force, provisionally in July 1963 and definitively in December 1963.

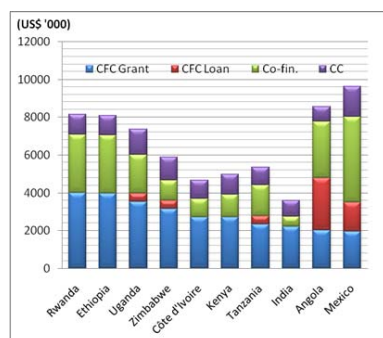
Mr Elmiro Alves do Nascimento, Secretary of State for Agriculture, State of Minas Gerais presented information about Minas Gerais, which is the largest coffee-producing state in Brazil. One of the Executive Director's first meetings on taking up office was with the Governor of the State, Antonio Anastasia, to discuss preparations for the celebration of the anniversary.



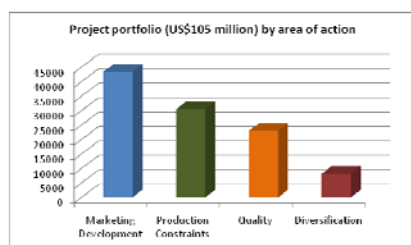
## COFFEE DEVELOPMENT PROJECTS

### Projects contribute to ICO mission

#### Coffee development projects: Top ten beneficiaries – funding sources



#### Project portfolio (US\$105 million) by area of action



ICO project activities contribute to the Organization's mission of strengthening the entire coffee value chain and improving the living standards of coffee farmers in producing countries. They provide practical assistance to the world coffee economy, contributing to poverty reduction in developing countries and sustainable development by improving the prospects of coffee growers all over the world.

The funding that the ICO has secured for projects over the last 17 years has allowed it to strengthen its partnership with other international cooperation agencies and to consolidate in-house procedures for the design, monitoring and implementation of projects to secure valuable results in tackling coffee development issues.

ICO project activities enable producing countries to participate in pilot projects aimed at increasing national sector competitiveness while addressing challenges faced by small producers through timely policies and solutions to meet priority needs. Typical needs to be addressed include:

- Lack of necessary inputs to tackle low productivity, at the farm level.
- Poor access to markets, long supply chains and low value addition to green coffee, at the marketing level.
- Lack of infrastructure, inadequate access to financial services and insufficient transfer of technology, at the country level.

During the last coffee year the ICO participated in a series of events aimed at discussing and disseminating the results and lessons learned from projects. They included a special high-level event 'Implementation of the Istanbul programme of action for LDCs: Graduation and structural transformation,' which was held in Qatar in April 2012, organized by the United Nations Conference on Trade and Development (UNCTAD) with financing from the Common Fund for Commodities (CFC). The ICO also participated in a conference on 'Technologies and best practices for optimal utilization of by-products in the coffee value chain: how to increase sustainability in the coffee supply chain in East African countries', held in Trieste in June 2012, which evaluated experiences and solutions for possible cooperation on this topic among the United Nations Industrial Development Organization – International Centre for Science and High Technology (UNIDO-ICS), illycaffè in Trieste, and coffee institutions in Africa, Central America and South America. Finally, a dissemination workshop in Ecuador in August 2012 reviewed results from the 'Reconversion of small coffee farms into self-sustainable agricultural family units' project and facilitated knowledge-sharing with Cuban representatives (see page 17).

As at 30 September 2012, the ICO has sponsored and secured financing for 38 coffee projects with an aggregate value of around US\$105 million, about US\$55 million of which has been financed by the CFC, with US\$30 million provided by bilateral and multilateral donor institutions in the form of co-financing, and around US\$20 million by beneficiary countries in the form of counterpart contributions. In total, 25 projects have been concluded and 13 are being implemented.

PORTFOLIO PROJECTS	Total cost	CFC	Co-fin.	CC	STATUS OF PROJECT IMPLEMENTATION*		
	(in thousand US\$)				1995/96 – 2009/10	2010/11	2011/12
PROJECTS CONCLUDED (25)	63,336	31,429	18,442	13,466			
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 (tracheomycosis) (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 – 08/10)	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		
Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador (10/05 – 08/12)	3,199	1,118	858	1,223	Concluded		

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

\*\* 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

VSS = Virtual Screening Subcommittee

PORTFOLIO PROJECTS	Total cost	CFC	Co-fin.	CC	STATUS OF PROJECT IMPLEMENTATION*		
	(in thousand US\$)				1995/96 – 2009/10	2010/11	2011/12
PROJECTS ONGOING (13)	41,626	23,819	11,127	6,680			
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		
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 in coffee certification and verification for specialty coffee farmers in EAFCA countries (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 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	
Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war in the Democratic Republic of Congo (10/11 – to be started)	2,638	1,369	900	369			Ongoing
Promoting the intensification of coffee and food crops production using animal manure in areas covered by the project CFC/ICO/30 in Burundi (02/12 – ongoing)	393	98	220	75			Ongoing
Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies (02/12 – ongoing)	120	120	0	0			Ongoing
Improving coffee productivity in Yemen (Concept note) (02/12 – ongoing)	30	30	0	0			Ongoing
PORTFOLIO TOTAL (38)	104,962	55,248	29,569	20,146			

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

\*\* 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

VSS = Virtual Screening Subcommittee

PIPELINE PROJECTS	Total Cost	CFC	Co-fin.	CC	STATUS OF PROJECT CONSIDERATION**		
					2000/01 – 2009/10	2010/11	2011/12
	(in thousand US\$)						
UNDER CONSIDERATION BY THE CFC (9)	33,569	16,975	7,950	8,644			
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	CFC PAC		
Raising income security of smallholder coffee farmers in Malawi and Tanzania through sustainable commodity diversification (ICO: 09/08)	2,999	2,183	650	166	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		
Adaptation to climate change in three PROMECAFE member countries (Costa Rica, Guatemala and Honduras) (ICO: 09/11)	600	300	300	0		CFC PAC	
Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda (ICO: 03/12)	2,600	2,100	0	500			CFC PAC
Financial mechanisms for sustainable coffee in Colombia and Honduras (ICO: 03/12)	4,901	1,500	3,000	401			CFC PAC
Economic incentives for coffee agroforestry systems in Costa Rica (ICO: 09/12)	2,000	800	1,000	200			CFC PAC
UNDER CONSIDERATION BY OTHER DONORS (9)	26,721	17,653	5,462	3,606			
Enhancing use of coffee germplasm – an African perspective (ICO: 05/01)	10,929	8,566	0	2,363	Sources of funding to be sought		
Improvement and diversification of coffee production of smallholders in Central America (ICO: 09/02)	7,858	3,790	4,068	0	Sources of funding to be sought		
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		
Study of the potential for commodity exchanges and other forms of market places in West Africa (ICO: 05/08)	107	94	0	13	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	Sources of funding to be sought		
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		Sources of funding to be sought	
UNDER CONSIDERATION BY THE ICO (5)	74,046	31,589	9,000	33,457			
Enhancing income of smallholder farmers groups in the coffee producing belt of Nigeria (ICO: 05/05)	5,822	4,822	0	1,000	VSS		
Characterization, enhanced utilization and conservation of Coffea germplasm diversity (ICO: 09/09)	3,000	3,000	0	0	VSS		
Smallholder coffee expansion in Malawi – Concept note (ICO: 03/10)	0	0	0	0	VSS		
Promoting coffee sustainability through productivity increases and youth participation in Cameroon and the Central African Republic (ICO: 09/12)	7,224	6,967	0	257			VSS
Enhancing competitiveness of African coffee through a value chain strengthening (ICO: 09/12)	58,000	16,800	9,000	32,200			VSS
PIPELINE TOTAL (23)	134,336	66,217	22,412	45,706			

## Projects approved by the CFC

### New projects approved



**New project approved for the Democratic Republic of Congo**

The value of the projects portfolio increased by US\$3.3 million to a total of US\$105 million in 2011/12 with the approval by the CFC of four new projects. Details of all projects are summarized in the table on page 14 and an outline of the four new projects approved by the CFC is given below.

**Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war in the Democratic Republic of Congo (10/11 – to be started)**

The CFC approved this project in October 2011, having previously granted Project Preparation Facility to develop the proposal in January 2011. The total cost of the project is US\$2,637,540, of which the CFC will contribute US\$1,368,990. The aim is to rehabilitate the coffee sector through the creation of centres for coffee plants propagation and distribution, the establishment of extension and support teams and by making available to farmers high performance cuttings, essential inputs and appropriate guidance. Implementation will commence once a Project Executing Agency has been appointed.

**Promoting the intensification of coffee and food crops production using animal manure in areas covered by the project CFC/ICO/30 in Burundi (02/12 – ongoing)**



**Intensification of coffee and food crop production using animal manure**

This fast-track project was approved by the CFC in February 2012 with the aim of consolidating the positive achievements of a previous project 'Access to finance for the development of diversification crops in coffee producing areas', implemented in Burundi and Côte d'Ivoire. The objective is to strengthen extension services for familiarizing coffee farmers with good agricultural practices, while intensifying the production of coffee and food crops using animal waste. The total cost of the project is US\$392,825, of which the CFC is contributing US\$98,175, with a counterpart contribution of US\$220,000 from an existing Revolving Fund. The Burundi Regulatory Authority of the Coffee Sector (ARFIC) is acting as the Project Executing Agency.

**Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies (02/12 – ongoing)**



This project was approved by the CFC in February 2012 with the aim of facilitating access to finance for developing country small and medium enterprises (SMEs) producing commodities in accordance with internationally recognized practices for sustainable production. The project will develop the core elements of a generic, publicly accessible, Financial Literacy Toolbox and apply the toolbox through a series of training workshops with technical assistance providers and SMEs in the East African region. The total cost of the project (US\$120,000) has been funded by the CFC.



### Improving coffee productivity in Yemen (02/12 – ongoing)

In February 2012 the CFC granted a Project Preparation Facility to develop this proposal that was submitted to the ICO as a concept note and which aims to boost the productive capacity in Yemen by helping and encouraging small farmers to develop agricultural capacity through introducing modern methods in agricultural and harvesting operations, and improving water efficiency.



**Project preparation facility granted for Yemen**

### Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador CFC/ICO/31 (10/05 – 08/11)

This project, which concluded in August 2011, provided guidance on turning low yield coffee plots into new profitable agricultural farms to 1,244 families in three provinces in Ecuador (El Oro, Loja and Manabí). This was achieved by grouping farmers into cooperatives, thereby facilitating technical assistance, input distribution, credit, marketing of surplus and training for community leaders (see <http://www.cofenac.org/refinca>). Achievements included higher income levels and greater food security for participating families and preservation of natural resources. The results of the project were shared with technicians from Cuba, Guatemala and Honduras, as part of the project activities. The total cost of the project was US\$3,198,635, of which the CFC contributed US\$1,117,640, with a co-funding contribution of US\$868,165 and a counterpart contribution of US\$1,222,830 by COFENAC, which acted as the Project Executing Agency.

### Concluded project



**Project implemented in three coffee-producing provinces of Ecuador**

The current pipeline (see table on page 15) is composed of 23 project proposals, of which 18 have been approved by the Council and another five are currently being considered by the ICO for technical screening.

### Pipeline

During coffee year 2011/12 eight new project proposals were evaluated by the Virtual Screening Subcommittee (VSS), six of which were endorsed by the Council for submission to the CFC for funding. CFC consideration of new coffee proposals during 2011/12 was postponed until October 2012, when new criteria and guidelines for CFC project formulation and appraisal were finalized. In the light of the new criteria, the ICO will consider alternative sources of funding with strategic partners for the implementation of projects in the pipeline in producing countries.

## SUSTAINABILITY

### Dissemination of lessons learned from rehabilitation and diversification projects



**Environmentally-friendly CPF under design**



**Environmentally-friendly CPF being used**



**Training coffee communities in Central America on diversification**

Sustainability is the key criteria in considering projects to be sponsored by the ICO. All coffee projects are designed to make a tangible contribution to the coffee sector in economic, environmental and social terms. The ICO is keen to encourage Member countries to share lessons learned and results obtained from projects that demonstrate how interventions can improve the livelihoods of families engaged in coffee production, processing and marketing.

On the environmental side coffee is an evergreen shrub, hence an important contributor to carbon sequestration. It also promotes the preservation of much of the original bio-diversity in planted areas. One of the main problems is water pollution arising from wet processing. To tackle this issue, projects encourage farmers to invest in processing capacity that, as well as conserving natural resources, also increases operational efficiency and coffee quality. Credit to small and medium farmers is thus instrumental, as demonstrated by a coffee project for the re-construction of coffee processing facilities in Honduras and Nicaragua, severely damaged by Hurricane Mitch in 1998. The pilot project was implemented from 2006 to 2011 to rehabilitate almost 10% of both countries' processing capacity with environmentally-friendly technology. Project outcomes enabled local institutions to: i) quantify the country's credit demand for technical and financial services still required for construction work and modern wet processing equipment; ii) use the rehabilitated coffee processing facilities (CPFs) to discuss with farmers their characteristics and the credit required by size; iii) institutionalize 'agro-forestry with coffee' schemes by using established nurseries and demonstration plots; and iv) tune up existing public environmental policies to realistically assist farmers in complying with national contamination indicators and wastewater management for coffee processing.

In terms of economic and social sustainability, coffee also makes a substantial contribution to maintaining rural employment and stable communities. The main problem is guaranteeing economic sustainability to small and medium farmers.

ICO/CFC coffee development projects assist farmers to increase income and to improve living standards through diversification. In social terms, it has a significant impact on both men and women as they became involved in training offered to enhance decision-making, reorganize assets, produce high quality products and services, and reach differentiated markets. A coffee project implemented by DIPROCAFÉ in Mexico from 2006 to 2011, for instance, successfully combined coffee production with other crops and services, allowing farmers to double their agricultural incomes, generating significant additional employment in and off-farm at a time when migrants are returning to their homeland as a result of the international financial crisis.

## 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 as well as collaboration with intergovernmental and other organizations during Council Sessions.

In March 2012, the Council approved a Memorandum of Understanding (MOU) with the Brazilian Agency for Cooperation (ABC) which will enhance the capacity of the ICO to assist exporting Members, particularly least developed countries (LDCs). The full MOU can be consulted on the ICO website (see document ICC-108-7 Rev. 1).

In May 2012, the Executive Director met the Ambassador of Mexico, H.E. Mr Eduardo Medina Mora, to deliver the ICO submission to the G-20 Summit which took place in Mexico on 18 and 19 June 2012 (see document ED-2133/12). The submission highlighted the importance of addressing risks associated with trading coffee and other commodities, and was presented to the President of Mexico.

The Executive Director and senior ICO officials represented the ICO and made presentations on the world coffee market and related topics at global coffee events in 2011/12 including:

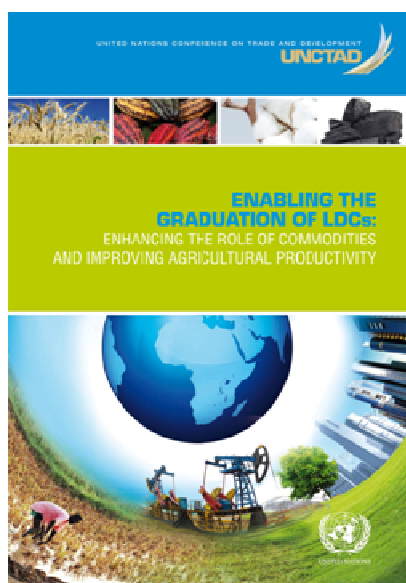
- 19<sup>th</sup> National Conference of Coffee Industries (ENCAFÉ), Brazil (3 to 6 November 2011)
- Central American Integration System (SICA) Forum, England (10 and 11 November 2011)
- 50<sup>th</sup>/51<sup>st</sup> Annual General Assembly of the InterAfrican Coffee Organisation (IACO), Kenya (21 to 24 November 2011)
- 17<sup>th</sup> Asia International Coffee Conference 2011, Vietnam (8 and 9 December 2011)
- 4<sup>th</sup> India International Coffee Festival, India (18 to 20 January 2012)
- Expert Meeting on Commodities and Development (UNCTAD), Switzerland (25 and 26 January 2012)
- 9<sup>th</sup> African Fine Coffee Conference and Exhibition, Ethiopia (16 to 18 February 2012)
- 2012 Convention of the National Coffee Association of USA, USA (22 to 24 March 2012)

### Memorandum of Understanding signed with Brazil

### ICO submission to G-20 Summit, Mexico



**Executive Director submits  
ICO submission to the G-20 Summit  
to the Ambassador of Mexico**



**UNCTAD study financed by the CFC and sponsored by the ICO**

- Special high-level event: Implementation of the Istanbul programme of action for LDCs: Graduation and structural transformation, organized by UNCTAD with financing from the CFC, Qatar (21 to 26 April 2012)
- XIX Santos International Coffee Seminar, Brazil (9 and 10 May 2012)
- Technologies and best practices for optimal utilization of by-products in the coffee value chain: how to increase sustainability in the coffee supply chain in East African countries, (UNIDO-ICS), Trieste, Italy (11 to 14 June 2012)
- International Conference of Coffea Canephora, Brazil (11 to 15 June 2012)
- ASEAN International Seminar on Coffee, Indonesia (12 and 13 June 2012)
- Rio+20 United Nations Conference on Sustainable Development, Brazil (20 to 22 June 2012)
- 1<sup>st</sup> Latin American Coffee Summit, Mexico (22 to 24 August 2012)

During Council Sessions in March and September 2012, Members received presentations from the Acting Managing Director of the CFC on the role and future mandate of that organization. Dr Eve Crowley, Officer in Charge and Deputy Director, Gender, Equity and Rural Employment Division, Economic and Social Development Department of the Food and Agricultural Organization of the United Nations (FAO) presented the work of that organization on gender to the Council in September 2012 and Grace Mena, President of the International Women's Coffee Alliance (IWCA), made a presentation on the establishment of IWCA chapters all over the world and most recently in East Africa. The representative of UNCTAD made a presentation on the role of commodities in the economic growth and development of the 48 countries designated by the United Nations as LDCs.

The ICO has agreed to participate on an advisory panel of high-level experts to facilitate the structuring and focus of the United Nations (UN) Forum on Sustainability Standards (UNFSS) – a platform created by five UN agencies including the FAO, International Trade Centre (ITC), United Nations Environment Programme (UNEP), UNCTAD and UNIDO – with the aim of facilitating and strengthening participation by developing countries on international dialogue on voluntary sustainability standards (see document ICC-108-8). The Panel met in June 2012, and a copy of the summary conclusions and next steps are available for consultation by Members.

Representatives of the Sustainable Commodity Assistance Network, FAST, the African Fine Coffees Association (AFCA) and the Sustainable Agriculture Initiative (SAI) platform also made presentations to the Council on topics including a Financial Literacy Toolbox and building capacity in coffee certification and verification for specialty coffee farmers. Copies of these and other presentations made to Members on a wide range of issues are available on the ICO website.

## PROMOTING CONSUMPTION

In March 2012, the Promotion and Market Development Committee appointed Andrea Illy of the EU-Italy as the Chairperson of the Committee.

### Andrea Illy appointed as Chairperson

**Biography:** *In 1990, Andrea Illy joined illycaffè, a family business which started in Trieste in 1933. After becoming Director of Production and Quality Control, he was appointed as Chief Executive Officer in 1994, and in 1997 became Chairperson of the Board of Directors. He has been the Chairperson of the Association for Science and Information on Coffee (ASIC) since 1999 and organized the XIX International Conference on Coffee Science in Trieste. He is also the Vice-Chairperson of the Executive Board of Altagamma, the Italian association of Premium Brand Industries, and coordinates the Working Group on Food, which aims to promote high range foods by strengthening representation in the field. He edited and contributed to the book 'Espresso Coffee: the Chemistry of Quality' and has been described as a 'Marketing Superstar' by the American magazine Advertising Age and was also named as Businessman of the Year 2004 by Ernst & Young Italia.*

### Andrea Illy (right) chairing the Promotion and Market Development Committee





## **Background**

ICO promotion programmes made a positive contribution to developing the coffee sector during the coffee price crisis (2000-2005) as part of an overall strategy to reduce imbalances between demand and supply in traditional and emerging markets. Since 2001, annual growth rates of coffee consumption have averaged around 2.3%, compared to under 2% in the 1990s.

## **Council approves new plan**

One of the central objectives of the 2007 Agreement is to promote the development of consumption and markets for all types and forms of coffee. A long-term strategy could help to reduce volatility, and promoting consumption when prices are higher could help to avert a future crisis if coffee supplies increased in response to increases in prices. During the year, Andrea Illy held extensive consultations with stakeholders in the coffee sector, presented a proposal for future promotion activities to the Committee in March 2012 and carried out a feasibility study which generated positive feedback. He subsequently developed a Plan for Promotion and Market Development which was approved by the Council in September 2012 (see document ICC-109-13). The focus of activities under the Plan will shift from promoting coffee consumption to promoting value and differentiation through a multi-stakeholder network of partners, with two strategic goals:

- To promote value through quality, health, sustainability and differentiation, by building a multi-stakeholder network of partners.
- To support producing countries in de-commoditizing coffee through programmes to increase income, with a particular focus on small growers, with the ICO acting as a facilitator and knowledge provider.

### **ICO Promotion and Market Development Committee September 2012**



The role of the ICO will be to act as a facilitator and catalyst by developing a multi-stakeholder network of partners and promotion agents who will implement the Plan on a *pro bono* basis, and to coordinate the use of a holistic claim about coffee in communications. Two landmark events will provide an opportunity for the participation of partners in the Plan: the 50<sup>th</sup> anniversary of the ICO in Brazil in September 2013 and Expo 2015 in Milan, on the theme of 'Feeding the Planet, Energy for Life' and including a 'Coffee Cluster' presenting the entire coffee chain. Andrea Illy has undertaken to explore with the Government of Italy the possibility of hosting the 4<sup>th</sup> World Coffee Conference at the same time as Expo 2015. The next steps will be to disseminate the Plan to all Members and potential stakeholders, to establish a network of potential stakeholders, and to recruit promotion agents. A small Steering Group of Members will assist the Chairperson in his work.

ICO exporting Members made a financial contribution of US\$5,000 from the Promotion Fund to support the 24<sup>th</sup> International Conference on Coffee Science, which took place in Costa Rica in November 2012, organized by the Association for Science and Information on Coffee (ASIC).

CoffeeClub, a free social network for the coffee world launched by the ICO in 2008 was redeveloped to make use of Web 2.0 service tools and new features. In 2011/12, CoffeeClub received over 65,000 page views from 155 different countries, and had 1,819 members who interacted online in 55 different discussion communities.

### Cooperation with ASIC

### CoffeeClub



### PRIVATE SECTOR COOPERATION

The Private Sector Consultative Board (PSCB) met twice during the year, chaired by Robert Nelson of the National Coffee Association of USA (NCA). It discussed a wide range of matters concerning the global coffee market, such as food safety issues and developments in coffee consumption. The Board received updates on the status of litigation regarding acrylamide, especially in California, which could have significant implications for the coffee industry worldwide; as well as potential litigation in other states and countries concerning both acrylamide and furan. In addition, the Board kept several agenda items under continuous review, including progress on the Coffee Quality-Improvement Programme (CQP), the Healthcare Professions – Coffee Education Programme (HCP-CEP), and suggestions about how to improve the relevance of the PSCB.

---

During its meetings, the Board received a number of presentations on: aspects of coffee consumption in the United States, including the advantages of early engagement with coffee drinkers and the definition of specialty coffee; developments concerning lawsuits brought under Proposition 65 in California; and on a new consumption promotion campaign in the United States. Further subjects addressed included labelling information for consumers and some of the challenges facing a private sector association in Europe; the evolution and outlook for coffee sustainability initiatives in Colombia, and the impact of malaria in the developing world with particular attention to coffee producing countries.

**Presentation on specialty coffee by the Executive Director of the Specialty Coffee Association of America (SCAA)**



## **COFFEE AND HEALTH**

The PSCB has continued to assist coffee and health programmes, including the HCP-CEP 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.

### Coffee and Health website – home page



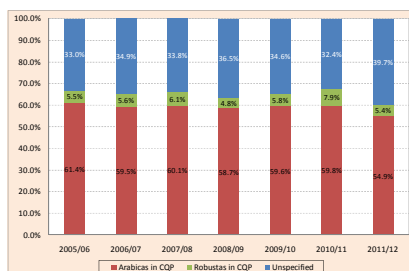
Other information included on the website are podcasts (on sports performance and fluid balance and on neurodegenerative diseases) and a 'fact or fiction' leaflet. A quarterly News Bulletin highlights the latest developments and updates. Coffee and Health can be followed on Twitter (@coffeeandhealth).

The Healthcare 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 Madrid in February 2012. Participants shared experiences and best practices, were informed about coffee from a public health perspective in Spain, had an interactive session on the use of social media and shared thoughts with the health editor of one of the leading Spanish newspapers on best practices to provide journalists with information on coffee and health.

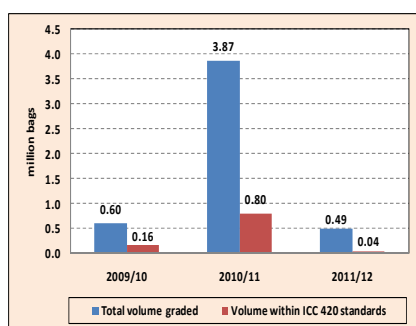
### Healthcare Professions – Coffee Education Programme

## COFFEE QUALITY-IMPROVEMENT PROGRAMME (CQP)

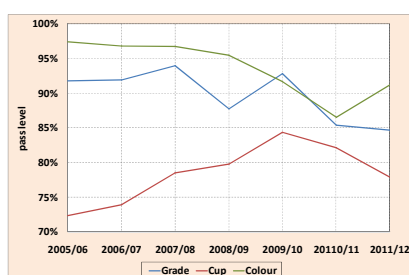
**Share of green coffee exported by the countries participating in the CQP by type**  
Coffee years 2005/06 to 2011/12



**Gradings volume by NYSE Euronext (Liffe) – total and within ICC Resolution 420 standards from 2009/10 to 2011/12**



**Evolution of gradings analysis by ICE from 2005/06 to 2011/12**



Council Resolution 420 requests exporting Members to indicate in box 17 of all Certificates of Origin, on a voluntary basis, information on the quality of the coffee exported including defects and moisture content, in order to monitor compliance with target standards set out in the Resolution. The status of the 38 exporting countries participating in the CQP in 2011/12 can be summarized as follows:

- Countries providing data regularly: 17
- New Members yet to issue Certificates of Origin: 3
- Countries that appear to have opted not to issue Certificates of Origin: 1
- Countries sending partial or no data (Certificates of Origin): 17
- Countries sending information on quality which have not yet ratified the ICA 2007: 3

The total volume of green coffee exported in 2011/12 by exporting countries providing information on quality amounted to 60.9 million bags, equivalent to 63% of world exports.

The London futures market, NYSE Euronext (Liffe), systematically grades Robusta coffee on a monthly basis. In 2011/12, it graded a total of 490,333 bags, of which 44,167 bags were below the standards of Resolution 420. Of this amount, 62% came from Vietnam, 14% from Côte d'Ivoire, 12% from Indonesia, 5% from Sierra Leone, 4% from Cameroon, 2% from Guinea and 1% from Brazil.

Meanwhile, the New York futures market, Intercontinental Exchange (ICE), posts monthly results on Arabica coffee by grade and also by cup flavour and bean colour. In 2011/12, the original 'pass' level reached 85% on grade quality, 78% on cup quality and over 91% on colour. The grading analysis results showed that the three origins with the highest pass levels were Colombia, Guatemala and Honduras. Pass levels higher than 70% were also achieved by El Salvador, Mexico, Nicaragua and Peru.

The ICO will continue to monitor progress on the implementation of the CQP and Members are encouraged to inform the Organization of their experiences in using the programme guidelines to eliminate practical problems and to make use of the programme in marketing and promotion strategies.



## STATISTICS

The new Rules on Statistics for Certificates of Origin and Statistical Reports came into effect in February 2012. The additional statistical information provided by Members will enable the preparation of more detailed studies and reports by the Organization.

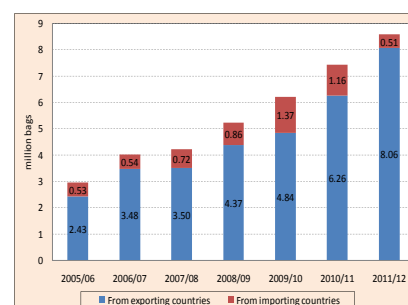
The Statistics Committee met in March and September 2012 and discussed the following topics:

- Compliance with the provision of statistical data: on average, exporting Members achieved 75% satisfactory and full compliance with the Rules on Statistics, while importing Members achieved 99%.
- Exports to exporting countries: given the increasing importance of this trade, the Organization continues to monitor this flow of exports closely. Better reporting on the volume of imports by exporting Members should enable the preparation of more accurate reports on this topic.
- Statistics on exports of organic and differentiated coffees: better reporting by exporting Members has reduced the gap in the volume of organic coffee exports based on Certificates of Origin and Statistical Reports by 11%.
- The use of 10 to 12 digits on the Harmonized System codes to report coffee trade by importing Members would enable the preparation of reports with more details on some segments of the market, such as the decaffeinated soluble trade. So far, only the USA has adopted this system. The Committee encouraged other importing Members to adopt this procedure in the future.
- The Statistics Committee encouraged other importing countries to review their internal procedures so that this information could be widely available for all Members in this category.

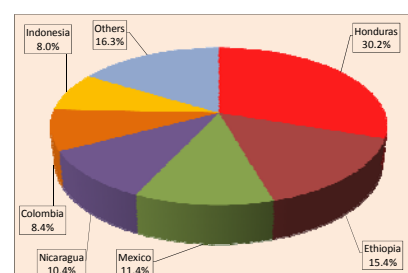
The incorporation into the Organization's database of the volume of inventories in European ports collected by the European Coffee Federation has minimized discrepancies with other sources.

The ICO organized a statistical workshop for the African region from 25 to 27 November 2011, in cooperation with the InterAfrican Coffee Organisation (IACO). The ICO/IACO workshop took place in Nairobi, Kenya with the aim of improving compliance with the Organization's Rules on Statistics. Twenty delegates from the following nine countries participated in the workshop: Cameroon, Central African Republic, Côte d'Ivoire, Democratic Republic of Congo, Ghana, Kenya, Sierra Leone, Tanzania and Togo.

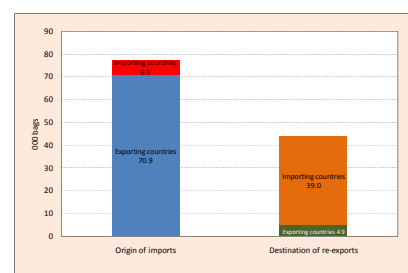
**Exports to exporting countries  
Coffee years 2005/06 to 2011/12**



**Share of exports of organic and  
differentiated coffees by origin  
Coffee year 2011/12**



**USA: Trade of soluble  
decaffeinated coffee  
Coffee year 2011/12**



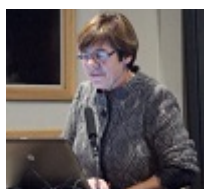
**ICO/IACO workshop on statistics**

## SEMINAR

### Seminar presenters



**Daniele Giovannucci**  
COSA



**Annemieke Wijn**  
Rainforest Alliance



**Nathalie Ritchie**  
Kraft Foods UK



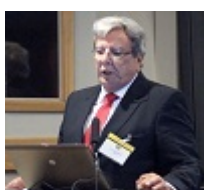
**Karin Kreider**  
ISEAL Alliance



**Filtone Sandando**  
AFCA



**Carlos García**  
CRECE



**Gabriel Bartholo**  
EMBRAPA



**Misnawi Jati**  
ICCRI

The ICO held a Seminar on the economic, social and environmental impact of certification on the coffee supply chain on 25 September 2012 which examined the various impacts of certification. The programme was divided into three sections: (1) Introduction to key issues; (2) Perspectives of certification bodies and the demand side; and (3) Perspectives and experiences of coffee producers.

Presentations were made by eight speakers from the following organizations: African Fine Coffees Association (AFCA); Brazilian Agricultural Research Agency (EMBRAPA), Brazil; Centre for Regional, Coffee and Entrepreneurial Studies (CRECE), Colombia; Committee on Sustainability Assessment (COSA); Indonesian Coffee and Cocoa Research Institute (ICCRI); ISEAL Alliance; Kraft Foods UK; and the Rainforest Alliance.

The Chairperson, David Braun of Switzerland, presented a report to the Council (see document ICC-109-14) summarizing the key issues as follows:

- Demand for certified coffee is growing and forecast to reach 18% of the coffee market by 2015.
- There are clear signals of a commitment by the coffee industry in consuming countries to a fully certified supply chain.
- The impact of certification needs to be examined on multiple levels through the use of clear and transparent measurement tools, particularly by institutions in producing countries.
- The costs and benefits of certification for farmers vary greatly depending on scale and prior compliance.
- Since premiums tend to decrease over time, farmers need to consider the wider benefits of certification.
- The multiplicity of certification standards has led to a move towards a baseline standard.
- Capacity building efforts for producers should be accompanied by addressing compliance costs.
- There are signs of a shift from traceability to transparency of the entire supply chain.
- A long-term impact assessment using broadly comparable data is needed to test the durability of the various impacts of standards and certification systems.
- Certification is not a goal in itself but a tool that can improve standards for all farmers.

Copies of the Chairperson's report and presentations made at the Seminar are available on the ICO website ([www.ico.org/workshop.asp](http://www.ico.org/workshop.asp)).

---

## 2<sup>nd</sup> CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE

The 2<sup>nd</sup> Consultative Forum on Coffee Sector Finance took place on 6 March 2012, chaired by Amy Karpel of the USA. The objective was to discuss the role of producer associations, governments and other entities in making risk management and financing tools more accessible, and more effective, for small- and medium-sized growers. Contributions were made by six panellists: Jawaid Akhtar, Chairperson, Coffee Board of India; Ernesto Fernández Arias, Undersecretary of Agriculture, Ministry of Agriculture (SAGARPA), Mexico; Xinia Chaves, Vice Minister of Agriculture and Livestock, Costa Rica; Edilson Alcântara, Director, Coffee Department, Ministry of Agriculture, Livestock and Food Supply, Brazil; Matt Horsbrugh, Head of Trading, Twin Trading Company; and Marc Sadler, Team Leader, Agricultural Finance and Risk Management Unit (AFRMU), Agriculture and Rural Development Department, World Bank. The event was part-sponsored by Banco do Brasil and the National Coffee Council (CNC) of Brazil.

The presentations were followed by an exchange of views with all participants that included the points summarized below (see document CF-2/12 for the full report of the Forum):

**Role of institutional and legal frameworks:** Governmental institutions can provide valuable assistance to growers in the form of finance and risk management tools, including through: administering insurance schemes covering weather risks and damage caused by pests and diseases; guaranteeing funds to provide greater access to credit for risk mitigation; and funding systems developed through various institutional frameworks, whether through a 'coffee fund' approach providing assistance throughout the supply chain, or as contingency measures. Well-designed government institutions and legal frameworks are instrumental in developing and implementing effective public policies aimed at addressing growers' finance and risk management needs.

**Importance of effective communication and education regarding finance and risk management:** Countries need to invest in ways to communicate effectively with farmers about finance and risk management. Education about the benefits of existing finance and risk management programmes is needed to help to achieve wider participation in those programmes. Financial literacy training for nearly all participants in the coffee sector would be beneficial. Changing the 'culture' of coffee growers, who may be reluctant to participate in existing programmes or adopt new approaches, begins with effective communication and education.

**Identification of beneficiaries:** Growers do not operate in a vacuum and the involvement of other stakeholders, such as industry, trade, suppliers of inputs, and financial institutions, is necessary to find solutions to finance and risk management challenges. Risk management programmes geared to social protection must have a different structure than those that seek to foster commercial development. The institutions implementing these programmes must have a clear vision on where they stand in this regard.



Jawaid Akhtar  
Coffee Board of India



Ernesto Fernández Arias  
SAGARPA



Xinia Chaves  
Ministry of Agriculture and Livestock  
Costa Rica



**Matt Horsbrugh**  
Twin Trading Company



**Marc Sadler**  
World Bank

### Core Group

**Transparency across the supply chain:** Transparency is critical in making finance and risk management tools more accessible and workable. It becomes easier to devise innovative win-win solutions as different actors gain a better understanding of the roles and risks faced by other actors in the supply chain. Expansion of ongoing programmes to train lenders about the coffee sector could help to encourage additional financing for growers. Risks for actors involved in the coffee supply chain decrease when risks faced by growers at the base of the chain decrease. This creates the potential for win-win solutions so that, as growers are better able to manage risk and gain access to finance, coffee traders and roasters become better able to manage the risks they face.

**Time frame and lessons learned:** Finance and risk management programmes implemented by Brazil, Costa Rica, India and Mexico reflect years of work. Other programmes are making a positive difference in producers' ability to manage risk and access finance. The key is to identify successful elements of existing programmes and adapt them in ways that can address the needs of growers. Risk is idiosyncratic and there is no model solution suitable for all countries; individual countries need a plan based on the reality in their country and institutions to implement that plan. Further consideration should be given to identifying first steps that countries with limited risk management and finance strategies might take to develop and implement more effective programmes for their growers, and to the role governments can play in creating enabling environments to encourage non-government institutions to contribute to finance and risk management solutions for growers.

**Key issues to be explored in greater depth included:** Ways in which to develop a typology of best practices in this field; interaction between institutional actors, such as cooperatives and growers associations, with overall government policy; forms of stimulating grower participation in risk management and financing schemes, for example through improving growers' financial literacy and understanding of programme benefits as well as through incentive schemes; the need for transparency and understanding of respective roles and risks throughout the supply chain in order to promote cooperation and win-win solutions; and the role of governments in creating enabling environments to encourage innovative solutions to address growers' finance and risk management needs.

The Core Group on the Consultative Forum met on two occasions during the year (see documents CG-2/12 and CG-5/12, available on the ICO website). Four outside advisors joined the Group in September 2012: Marc Sadler, World Bank; Noemí Pérez, Finance Alliance for Sustainable Trade – FAST; Silas Brasileiro, National Coffee Council, Brazil; and Nicolas Tamari, Sucafina S.A.

During the coffee year, the Group discussed ways of disseminating the results of the Forum, encouraging sponsors, suggestions for advisors and their role, and plans for outreach. Members agreed that the Group had both an advisory and an organizing function and could act as a platform for exchanging ideas where experts could share their experiences and devise ways of addressing challenges as well as reviewing discussions at Forum events. The Group also discussed finance and risk management challenges faced by producers, particularly smallholders, and strategies or programmes that could be effective in addressing those challenges, in

---



areas including the relationship between finance, cost of production and productivity, knowledge and education, educating financial institutions about the coffee sector, and the role of the ICO in addressing these.

The Group recommended that the format of the 3<sup>rd</sup> Forum which will take place in Brazil in September 2013 should include a force-field analysis that would generate specific recommendations and priorities to be set out in a declaration. A second deliverable should comprise a typology of global best practices on agriculture finance and risk management relevant to coffee aimed at governments, the commercial sector and producers, to be developed by the World Bank in collaboration with Members.

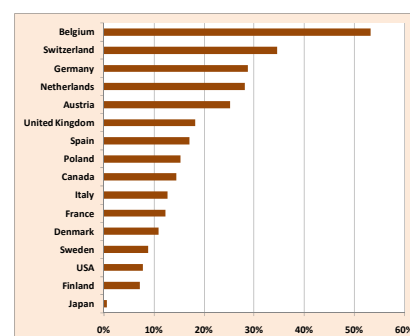
### Re-exports of coffee

This study (document ICC-109-2 Rev. 1) examined trends in the volume and value of re-exports by selected importing countries and compared them with those of exports by exporting countries. The analysis was based on observations over the period 1965 to 2010, which was divided into sub-periods taking into account when market regulation was in force (1965 to 1989) and the free market period (1990 to 2010). Recent developments from 2000 were also considered in the analysis. The average annual volume of imports of all forms of coffee by the selected importing countries was 68 million bags, accounting for 80.8% of average annual world coffee imports during calendar years 1965 to 2010. Average annual re-exports of all forms of coffee by these countries during the same period totalled 10.9 million bags, representing 16% of their coffee imports. With regard to individual countries, Belgium re-exported 53.2% of total imports of coffee, the highest level among all importing countries. Importing countries with significant shares of re-exports in their total imports included Switzerland (34.6%), Germany (28.8%), the Netherlands (28.1%) and Austria (25.2%).

In terms of structure, re-exports by some importing countries were dominated by a particular form of coffee: green coffee in the case of Belgium and Germany, roasted coffee in the case of Italy, Sweden, Poland and the United States and soluble coffee with respect to Japan, Spain and the United Kingdom. Germany was the largest re-exporter of each of the three forms of coffee (green, roasted and soluble). In terms of value, importing countries earned an average of US\$2.6 billion from re-exports of 13.5 million bags of all forms of coffee from 1965 to 2010, while the average value of exports of all forms of coffee by exporting countries was US\$8.3 billion for 71.3 million bags. The average unit value of re-exports of all types of processed coffee by all importing countries was higher than the unit value of exports of the same types of coffee by exporting countries. With the exception of green coffee, the differential between the unit value of re-exports and the unit value of exports decreased during the free market period compared to the regulated market period.

## ECONOMIC STUDIES

### Share of re-exports of all forms of coffee

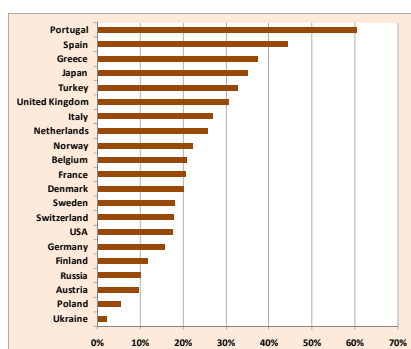


### Differential between unit values (Re-exports – Exports)

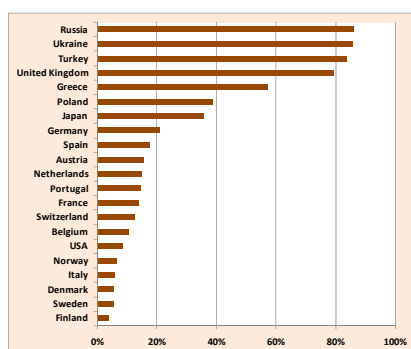
	Average 1965 - 2010	Average 1965 - 1989	Average 1990 - 2010	Average 2000 - 2010
Green	20.1	14.4	24.6	27.5
Roasted	72.5	55.7	46.5	52.6
Soluble	40.0	43.8	37.6	31.6
Differential as a %				
Green	23.2%	15.5%	29.6%	34.3%
Roasted	57.3%	51.3%	30.1%	31.7%
Soluble	40.4%	50.4%	35.9%	30.3%



## Average of out-of-home consumption



## Average consumption of soluble coffee



## Trends in coffee consumption in selected importing countries

This study (document ICC-109-8) found that average annual consumption in 21 selected importing countries from 1997 to 2011 was 69.1 million bags, representing 58.1% of total world consumption and 79.5% of consumption by all importing countries. Roasted coffee continued to be the dominant form of coffee consumed, representing 77.4% of total consumption compared to 22.6% for soluble coffee. The share of soluble consumption rose from 20.9% in 1997 to 23.3% in 2002 and has remained relatively stable since then. Importing countries with significant shares of soluble coffee consumption include Russia (86.1% of total consumption), Ukraine (85.6%), Turkey (83.9%), the United Kingdom (79.4%) and Greece (57.4%). Coffee pods have achieved a growing market share in a number of countries. In terms of location of consumption, coffee is mostly consumed at home in all countries except Portugal, although Japan, Greece and Spain also have relatively high levels of out-of-home consumption. Stores remain the most important point of purchase for all countries, although the share of non-grocery outlets is growing. For out-of-home consumption, non-chain outlets have a much larger share of the market than chains; however, chains are gaining market share at the expense of other locations, particularly in Japan, the United Kingdom and the USA.

## Consumption of coffee pods

	2004	2005	2006	2007	2008	2009	2010	2011	Average
France	202	246	361	482	512	672	782	947	525
Germany	72	107	215	311	434	462	563	655	352
Netherlands	256	306	358	439	272	190	290	225	292
USA		32	62	63	98	146	266	358	128
Belgium	57	67	121	115	79	123	125	140	103
Italy	38	42	51	65	71	91	128	155	80
Switzerland	15	29	32	46	64	61	76	90	52
Spain	13	18	24	35	47	56	71	83	43
Austria	4	5	10	25	35	38	46	69	29
Portugal	1	2	3	6	13	25	50	98	25
United Kingdom	3	5	10	14	18	24	27	29	16
Japan	0	2	2	2	6	13	17	21	8
Norway			2	3	5	5	6	8	5
Poland				1	2	4	6	8	4
Denmark	1	2	3	4	3	3	7	8	4
Sweden						1	3	6	2
Russia	1	1	1	2	2	1	2	2	1
Greece	1	1	1	1	1	1	2	2	1
<b>Selected countries subtotal</b>	<b>663</b>	<b>866</b>	<b>1 257</b>	<b>1 615</b>	<b>1 661</b>	<b>1 917</b>	<b>2 467</b>	<b>2 903</b>	<b>1 669</b>
<b>% of total consumption in selected countries</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.8%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>3.3%</b>	<b>3.9%</b>	<b>2.4%</b>

In thousand bags

## INFORMATION SERVICES

### Library/Information Section

The Information Section has continued to pursue its aim to be an essential provider of information services to the global coffee community. In the past year it has undergone a major refurbishment, which involved the temporary removal of the entire library collection and its subsequent re-housing in a new purpose-designed space (see photos below) in August 2012. The new Library has been well received and was used extensively by delegates during the September meetings.

During the relocation period, Information Section staff maintained 'business as usual', responding to more than 2,200 enquiries from across a global network of users in industry and academe, non-governmental organizations and the media, as well as providing support for the Organization's own activities. Research continues to be an important element in delivering this service and has focused on a range of topics that includes risk management, sustainability, certification, applications of ecology to coffee growing, obstacles to consumption, re-exports and the soluble coffee market.

The Organization's principal research tool is the *Coffeeline* database, a searchable online catalogue of material identified by the Library. Since its launch in 2010 the *Heritage* Library Management System [<http://ico.heritage4.com/>] has facilitated global access to this unique resource via the ICO website, with over 532,000 visitors during 2011/12, an increase of 18% on the previous year.

### The new ICO Library



*"We would like to thank you for all the help, co-operation and consideration you have shown us during this last year, which is consistent with your values over many years of excellent full service.... Whenever we have need of that extra piece of the puzzle you are always there to provide it for us. We look forward to working closely in the years to come."*

Senior Vice President,  
Mercon Group, USA



## FINANCE AND ADMINISTRATION

The ICO currently employs 26 people of 13 different nationalities. Robério Oliveira Silva, a Brazilian national, was appointed as Executive Director by the International Coffee Council and took up his post on 1 November 2011.



**Renovated open plan offices**

The Organization is financed by contributions from Member Governments who pay a contribution based upon their average coffee exports or imports. The total expenditure budget amounted to £3.2 million in 2011/12.

The ICO has occupied premises at 22 Berners Street, London W1T 3DD for more than 40 years. It undertook an extensive renovation programme in 2012: the first floor was refurbished as a modern, open plan style office which accommodates the entire staff, which had previously occupied two floors. At the same time, the second floor was modernized to create a light, open space with a view to subletting the floor to a commercial tenant and reducing the contributions of Members.



**Council Chamber**

The ground floor comprises a large, parliamentary style conference room which can accommodate up to 280 people with built-in facilities for interpretation. The ICO continues to hold its regular meetings, seminars and other conferences at these facilities and generates revenue through hiring them out to external bodies, including other international organizations and commercial entities, through a professional conference organizer. Please see their website: [www.cavendishconferencevenues.co.uk](http://www.cavendishconferencevenues.co.uk).

### Renovated open plan offices



## OFFICE HOLDERS

**International Coffee Council****Chairperson:** Henry Ngabirano (Uganda) ■**Vice-Chairperson:** David Braun (Switzerland)**Private Sector Consultative Board (2011/12 – 2012/13)****Chairperson:** Robert Nelson (NCA of USA) ■ **Vice-Chairperson:** RicardoVillanueva (Anacafé) ■ **Producer representatives:** Colombian **Milds:** FederaciónNacional de Cafeteros de Colombia (FEDECAFÉ), *Sociedad Exportadora de Café de**las Cooperativas de Caficultores (EXPOCAFÉ)*, African Fine Coffees Association(AFCA) ■ **Other Milds:** Asociación Mexicana de la Cadena Productiva del Café(AMECAFÉ), Asociación Nacional del Café (Anacafé) ■ **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:** Conseil du Café/Cacao (3C),Indonesian Coffee Exporters Association (GAEKI), *Uganda Coffee Trade**Federation (UCTF)* ■ **Consumer representatives:** All Japan Coffee Association

(AJCA), Coffee Association of Canada (CAC), European Coffee Federation (ECF),

Institute for Scientific Information on Coffee (ISIC), National Coffee Association of

USA (NCA), Rusteacoffee, Specialty Coffee Association of America (SCAA),

Speciality Coffee Association of Europe (SCAE)

Note: Alternates are shown in italics

**Consultative Forum on Coffee Sector Finance****Chairperson:** Amy Karpel (USA) ■ **Vice-Chairperson:** Rodolfo Trampe (Mexico)**Core Group for the Consultative Forum (2011/12 – 2012/13)****Exporting Members:** Brazil, Colombia, Côte d'Ivoire, Mexico ■ **Importing****Members:** European Union, Switzerland and the USA ■ **Ex-officio Member:**Executive Director ■ **Assisted by:** Chairperson of PSCB and four advisors: Marc

Sadler (World Bank), Noemí Pérez (FAST), Silas Brasileiro (National Coffee Council of

Brazil) and Nicolas A. Tamari (Sucafina S.A.)

**Promotion and Market Development Committee****Chairperson:** Andrea Illy (EU-Italy) ■ **Vice-Chairperson:** Rodolfo Trampe(Mexico) ■ **Exporting Members:** Brazil, Colombia, Honduras, India, Indonesia,Kenya, Mexico and Uganda ■ **Importing Members:** European Union,

Switzerland and the USA

**Projects Committee****Chairperson:** Amy Karpel (USA) ■ **Vice-Chairperson:** Aly Touré (Côte d'Ivoire) ■**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****Chairperson:** Jawaid Akhtar (India) ■ **Vice-Chairperson:** David Braun(Switzerland) ■ **Exporting Members:** Brazil, Colombia, El Salvador, Ghana, Indiaand Vietnam ■ **Importing Members:** European Union, Switzerland Turkey and

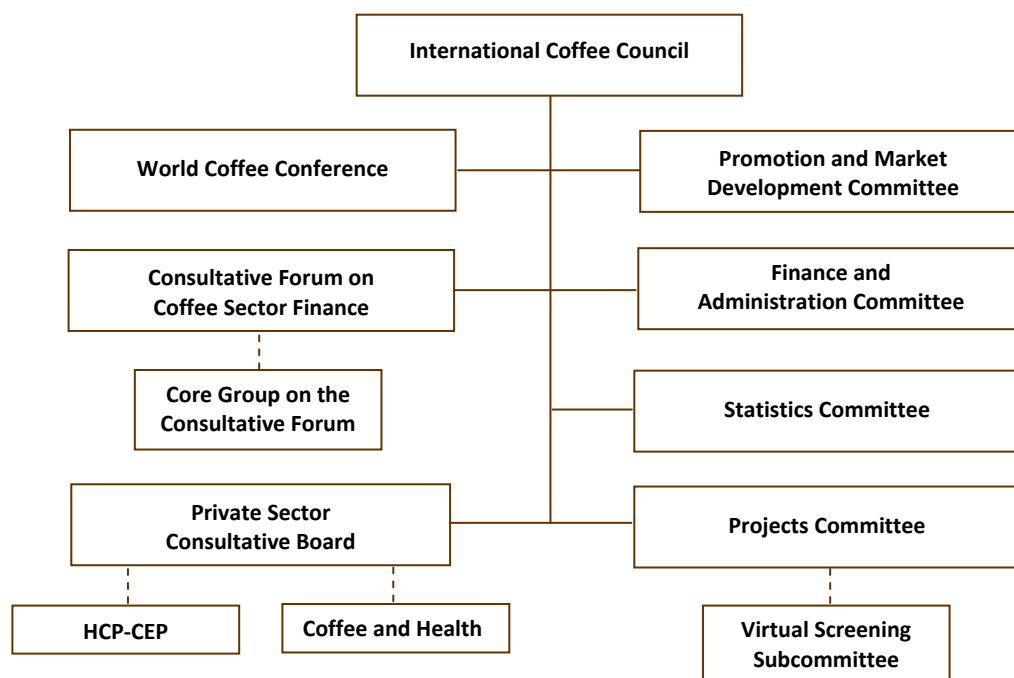
the USA

**Statistics Committee****Chairperson:** Patrice Moussy (EU) ■ **Vice-Chairperson:** José Cassule Mahinga(Angola) ■ **Exporting Members:** Angola, Brazil, Colombia, Costa Rica, Côted'Ivoire, India, Indonesia and Panama ■ **Importing Members:** European Union,

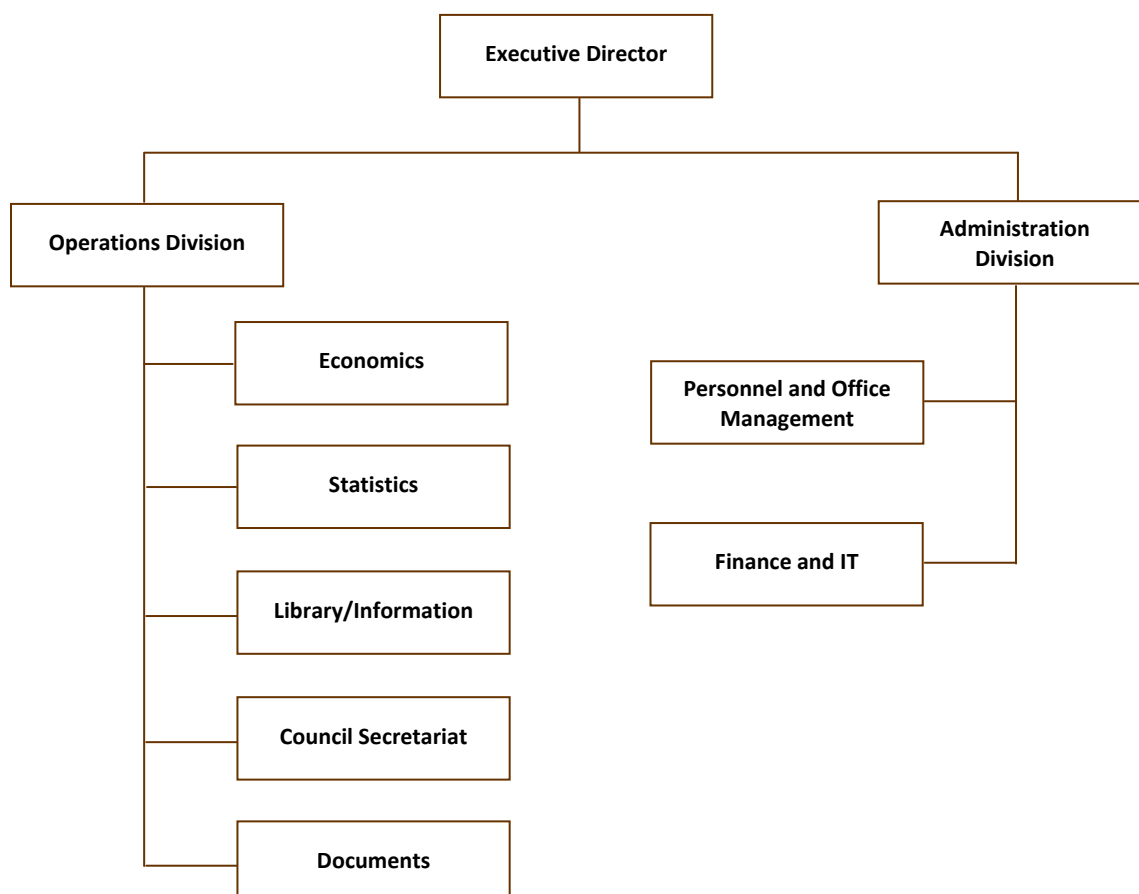
Switzerland and the USA

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

## ORGANIZATIONAL STRUCTURE



## SECRETARIAT STRUCTURE





**INTERNATIONAL COFFEE AGREEMENT 2007**  
Status as at 31 December 2012

EXPORTING MEMBERS (38)		DATE OF DEPOSIT	IMPORTING MEMBERS (6)		DATE OF DEPOSIT
	Angola	22 September 2009		European Union	17 June 2008
	Bolivia, Plurinational State of	10 April 2012		Norway	21 September 2010
	Brazil	2 February 2011		Switzerland	11 September 2009
	Burundi	21 September 2009		Tunisia	21 September 2010
	Cameroon	17 September 2012		Turkey	28 March 2011
	Central African Republic	24 August 2010		United States of America	28 August 2008
	Colombia	2 December 2008			
	Costa Rica	11 December 2009			
	Côte d'Ivoire	15 October 2008			
	Cuba	4 December 2008			
	Ecuador	30 September 2008			
	El Salvador	4 December 2008			
	Ethiopia	8 July 2010			
	Gabon	25 February 2009			
	Ghana	17 August 2009			
	Guatemala	23 March 2011			
	Honduras	7 June 2010			
	India	22 September 2008			
	Indonesia	5 February 2009			
	Kenya	22 May 2008			
	Liberia	6 October 2009			
	Malawi	18 July 2012			
	Mexico	8 April 2010			
	Nicaragua	12 August 2009			
	Panama	12 March 2009			
	Papua New Guinea	6 November 2009			
	Philippines	29 March 2011			
	Rwanda	17 May 2012			
	Sierra Leone	5 May 2011			
	Tanzania	21 September 2010			
	Thailand	4 August 2009			
	Timor-Leste	5 January 2009			
	Togo	21 September 2010			
	Uganda	1 March 2010			
	Vietnam	28 August 2008			
	Yemen	14 July 2010			
	Zambia	3 August 2011			
	Zimbabwe	24 May 2012			

SIGNATORY GOVERNMENTS		DATE OF SIGNATURE
	Benin	23 September 2009
	Congo, Democratic Rep. of	23 September 2009
	Guinea	2 July 2008
	Madagascar	25 September 2009
	Nigeria	21 July 2008
	Paraguay	27 September 2010



**INTERNATIONAL COFFEE ORGANIZATION**

22 Berners Street • London W1T 3DD • United Kingdom  
Telephone: +44 (0) 20 7612 0600 • Fax: +44 (0) 20 7612 0630  
Email: [info@ico.org](mailto:info@ico.org) • Website: [www.ico.org](http://www.ico.org)