INTERNATIONAL COFFEE ORGANIZATION

PSCB 137/13

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Report of the Private Sector Consultative Board on the meeting of 11 September 2013

1. The Private Sector Consultative Board (PSCB), chaired by Mr Ricardo Villanueva of Anacafé, met for the 37th time on 11 September 2013 in Belo Horizonte. The Chairman welcomed delegates to the second meeting of the PSCB in coffee year 2012/13, extending a particular welcome to the representatives from the International Women's Coffee Alliance (IWCA). It was suggested that the IWCA also be approved to attend future PSCB meetings as observers, which was agreed by the Board.

Item 1: Adoption of the Agenda

2. The PSCB adopted the draft Agenda contained in document PSCB-136/13 Rev. 1.

Item 2: Report on the meeting of 6 March 2013

3. The PSCB approved the report of the meeting of 6 March 2013 contained in document PSCB-135/13.

Item 3: Coffee market situation

4. The Head of Operations introduced an analysis of the coffee market situation contained in the Coffee Market Report of August 2013. He noted that coffee prices had fallen back to their levels of 2009, with strong convergence exhibited in the prices of the four coffee group indicators. The arbitrage between Arabica and Robusta had also narrowed sharply, mostly due to the decrease in Arabica prices, as well as the relative resilience of Robustas. He emphasized the importance of exchange rates when analysing coffee prices, with the recent depreciation in the value of currencies in several exporting countries

providing an incentive for increased exports. Furthermore, the most notable trend was that despite the strong export performance of Robustas, certified stocks had decreased, indicating the vigorous demand for Robusta coffee.

5. In terms of production, the total for 2012/13 was estimated at 144.4 million bags, with around 2.7 million bags lost to coffee leaf rust in Central America. The Head of Operations stated that an updated analysis of the effect of coffee leaf rust would be presented in March 2014. Production in Colombia had been recovering, well above its levels of the last three years, and production in Africa had also increased strongly in 2012/13. Finally, in terms of consumption, it could be observed that the most dynamic growth was found in exporting countries and emerging markets, with these new coffee markets offering the most significant potential for future growth. The Board took note of this information, along with document ED-2165/13, containing a final production estimate of the Brazilian coffee crop for 2012/13 and a third estimate for 2013/14.

Item 4: Coffee leaf rust

6. The Head of Operations reported on the visit of the Executive Director to Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica to review the situation of coffee leaf rust in the Central American region. Document ED-2157/13 contained a report on his visit. He also reported on a recent ICO mission to Nicaragua in collaboration with the FAO, CATIE, Embrapa and IFAD, the report of which was subsequently circulated as document ED-2166/13 and was also available on the ICO website. Furthermore, the Chairman reported on the current situation in Guatemala, where coffee leaf rust continued to be a problem. He remarked that the full extent of the damage would be evident in the 2013/14 crop.

Item 5: Coffee Quality-Improvement Programme (CQP)

7. The Head of Operations introduced document PM-27/13, containing a report on gradings for Arabica and Robusta coffees for calendar years 2005 to 2012, and January to June 2013. He also introduced document PM-28/13 containing a progress report on the implementation of the Coffee Quality-Improvement Programme (CQP) for calendar years 2005 to 2012 and January to June 2013. It was noted that the CQP programme had been enforced for a number of years, but there had been no real consistent increase in quality. As a result, it might be necessary to look at the programme more deeply and analyse why it had not been so successful. The Head of Operations agreed that a more analytical document would be produced next year. The representative of the SCAE offered his help in investigating this issue further and working together with the ICO Secretariat to achieve better results.

Item 6: Coffee and health

8. The representative of the ECF gave a presentation on caffeine and health claims in the EU. He reported that in April 2011, the European Food Safety Authority (EFSA) had completed a positive evaluation of two mental performance claims and three physical performance claims related to caffeine. However, the European Parliament and Commission had still to approve these claims, which had been made more difficult given the recent media headlines citing high-caffeine energy drinks as a cause of death in certain cases. The US FDA had also been looking at similar claims, particularly regarding products such as caffeine gum. EFSA had therefore been tasked with re-examining health claims related to caffeine, with its opinion to be delivered by the end of December 2013. The representative emphasized that coffee was not the main focus of these claims, but that the situation needed to be monitored closely. A copy of the presentation is available on the ICO website at http://www.ico.org/documents/cy2012-13/presentations/pscb-ecf.pdf. The Board took note of this information.

Item 7: Coffee consumption

9. The Board received a presentation by a representative from the Coffee Branch of the China Fruit Marketing Association on the Chinese Coffee Industry. The largest coffee-growing region in China was Yunnan Province, which accounted for 98.5% of total production at 83,000 tonnes. There were four coffee processing factories in the country, including two foreign and two local companies. Consumption in China was still very low, estimated at around 4 cups per person per year in urban areas, amounting to around 80,000 tonnes in 2011. However, growth rates for coffee consumption were reaching 20 to 30% per annum. A comparison was made with the coffee market in Taiwan, which was also traditionally a tea-drinking country, but which now consumed over 100 cups of coffee per person per year. The potential coffee market in China is therefore very large, with 200 to 250 million potential consumers. The Government was currently undertaking a number of coffee promotion activities, with policies implemented by the Ministry of Agriculture, which had already achieved their goals in 2012. A copy of the presentation is available on the ICO website at http://www.ico.org/documents/cy2012-13/presentations/pscb-china.pdf.

10. There was also a presentation from the President of the Coffee Association of Canada (CAC) on the Canadian Coffee Market. He reported that Canada was the 9th largest coffee consumer in terms of traditional markets, and that domestic roasting was increasing. In terms of per capita consumption, Canada was 11th in the world with 3.2 cups per day, slightly above the USA. The Canadian coffee market was characterized by mainstream quality coffee, with a very active foodservice market. In terms of the ‘menu importance’ of

coffee, Canada was second only to Italy. In general, traditional coffee was more popular with older drinkers, whereas iced coffee was very popular with younger drinkers. The market had been transformed by the emergence of single-cup coffee, which had grown from a 0% market share five years ago to over 40% of retail value sales in 2012. The CAC was also undertaking a communication campaign to promote coffee and health.

11. The Board took note of these two presentations.

Item 8: Food safety aspects

12. The PSCB received an update on the implications of Regulation (EU) No. 1169/2011, contained in document ICC-111-7, which covered the issue of food labelling. It was noted that the European Union is currently going through the process of drafting Implementing Rules on this regulation, and that the Secretariat will continue to engage with DG Sanco on this issue.

13. The Board noted that the mandatory inspection order on shipments of green coffee from Indonesia to Japan, which had been introduced four years ago, had now been lifted as a result of cooperation between the two countries. It also noted that Maximum Residue Levels can pose significant problems for exporters, who need to pay particular attention.

Item 9: Consultative Forum on Coffee Sector Finance

14. The Board expressed its appreciation to Mr Robert Nelson for facilitating the 3rd Consultative Forum on Coffee Sector Finance, which took place on 10th September 2013. Gratitude was also extended to both the AJCA and the World Bank, both of which had sponsored the event. The Board noted that a World Bank report on risk and finance in the coffee sector would be available next year, with a progress report available in document CG-12/13.

Item 10: Certification and sustainability

15. There were no comments under this item.

Item 11: Association Management Issues

16. There were no comments under this item.

Item 12: Interaction between the PSCB and the Council

17. The Board considered ways of strengthening the relationship between the PSCB and the Council. It was noted that there was a need for the PSCB to have greater flexibility and credibility with the Council, and that it might be necessary to re-consider the Terms of Reference for the PSCB.

Item 13: PSCB representatives and office-holders

18. The Board noted that details of nominations received for PSCB office-holders were contained in document WP-Council 238/13. As is standard practice, the current Chairperson and Vice-Chairperson were re-elected for a second year for 2013/14.

Item 14: Other business

19. The PSCB considered a proposal to nominate an International Coffee Day which would be officially endorsed by the ICO. It was noted that this idea would require significant preparation, with a minimum of a year's notice. It was agreed that this proposal should be referred to the Council for approval.

20. The Board noted with regret that Dr Euan Paul, a former Chairperson of the PSCB in 2004/05 and 2005/06, and a Vice-Chairperson in 2003/04, had passed away in August 2013.

Item 15: Future meetings

21. The PSCB noted that the next meeting would take place in London during the 112th Council Session in March 2014.

LIST OF ACRONYMS USED IN THIS REPORT

AJCA	All Japan Coffee Association
CAC	Coffee Association of Canada
CATIE	Tropical Agriculture Research and Higher Education Center
CQP	Coffee Quality-Improvement Programme
DG Sanco	Directorate General for Health and Consumers
ECF	European Coffee Federation
EFSA	European Food Safety Authority
EMBRAPA	Brazilian Agricultural Research Agency
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
ICO	International Coffee Organization
IFAD	International Fund for Agricultural Development
IWCA	International Women's Coffee Alliance
PSCB	Private Sector Consultative Board
SCAE	Speciality Coffee Association of Europe
US FDA	United States Food and Drug Administration