INTERNATIONAL COFFEE ORGANIZATION

SC   **68/16**

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Report of the Statistics Committee on the meeting held on 20 September 2016

1.   The Statistics Committee held its 11th meeting on 20 September 2016 in London, chaired by Mr Piotr Krawczyk from Poland.

Item 1:   Adoption of the Agenda

2.   The Committee adopted the draft Agenda contained in document SC-66/16 Rev. 2. It was noted that this agenda contained several new items, which it was hoped would be of interest to Members.

Item 2:   Report on the meeting of 9 March 2016

3.   The Committee approved the report of the tenth meeting held in March 2016, contained in document SC-65/16.

Item 3:   Coffee market report

4.   The Head of Operations gave a presentation on the current coffee market outlook. After declining for 18 months, prices had increased slightly in the last 6 months, but the impact of changes in prices varied from country to country depending on their exchange rate against the US dollar. In terms of supply and demand, the ICO was estimating a deficit in the market for the second consecutive year, but this gap was being filled by stocks accumulated over the two previous years. Availability over the next two years would depend on production levels, with a particular concern over Robusta supply. Finally, the Head of Operations gave a comparison between the coffee and vanilla markets; production in the vanilla market was concentrated in just two countries, Madagascar and Indonesia, which in turn had increased volatility and risk in the market.

Item 4:   Assessing the economic sustainability of coffee growing

5.   The Head of Operations introduced document ICC-117-6, a new economic study entitled 'Assessing the economic sustainability of coffee growing'. This study had been motivated by the low prices observed in the coffee market, with the ICO composite indicator below its 10-year average since March 2015, leading to concerns over the livelihoods of smallholder farmers and the future supply of quality coffee. The study looked at the profitability of coffee production in four countries (Brazil, Colombia, Costa Rica and El Salvador) over a ten year period.

6.   In terms of results, Colombia had seen positive operating profits in most years, although this picture changed significantly taking into account depreciation. Costa Rica had

slightly worse results, with negative operating profits over the last four years. El Salvador had seen even worse results over the last four years due to the impact of coffee leaf rust, from which it was struggling to recover. In Brazil, costs were seen increasing consistently over the time period, although high productivity rates allowed most municipalities to remain profitable. As a result, it was recommended that farmers should be provided with tools to mitigate price risks, and strengthen resilience against price shocks. Finally, in terms of next steps, it was emphasised that more and better data were needed, and it was hoped that this could be achieved by collaborating with other agencies, for example the International Food Policy Research Institute (IFPRI).

7. In discussions on this item, delegates emphasised the importance of issues such as climate change, exchange rates and increased speculation in the futures market which also considerably affect producer profitability. It was noted that many of these subjects would be covered the next day during the 6th Consultative Forum on Coffee Sector Finance.

Item 5: **Country Coffee Profiles**

8. The Chief Economist introduced document ICC-117-8 containing a Country Coffee Profile for El Salvador. This was the first in a series according to the Guidelines for the preparation of Country Coffee Profiles which had been presented to the Council in the March meetings. Some of the key aspects of the study were briefly presented, including the geography, productivity and gender gap of El Salvador. The Chief Economist mentioned that a more detailed presentation would be given in the Council Session.

Item 6: **Summary of recently published academic studies on coffee**

9. In another addition to the Statistics Committee Agenda, the Senior Economist presented a summary of three recently published academic studies on coffee. These three studies were chosen to complement the work produced in-house by the Secretariat and also to build a bridge to the Consultative Forum on Coffee Sector Finance. The first study was on the viability of hedging in the context of the Ugandan coffee market, which found that, given Uganda has one of the most liberalised markets in Africa, it was feasible to hedge prices to mitigate price risk, and that this could potentially be examined in other countries. The second study examined price transmission in the Tanzanian coffee chain, and found that there exists a disconnection between the futures market and changes in supply and demand fundamentals, but that the auction system in Tanzania helped to cushion the transmission of daily price movements to domestic players. Finally, the third paper looked at the impact of certification schemes on coffee farmers' income in central Kenya. It was found that farmers do not become wealthier by producing certified coffee; they receive better prices,

but only a portion of their overall crop can be sold to the certified market. These farmers also tended to specialise more in coffee, reducing their diversification and therefore reducing their income when prices were lower.

Item 7:   Compliance with Statistical Rules

10.   The Head of Operations introduced document SC-67/16, containing a report on compliance with the Rules on Statistics. As usual, this document contained an additional table (Annex 10A) which included data received in compliance with Statistical Rules outside the dates stipulated in the Rules. In terms of strict compliance, out of 42 exporting Members, only 2 generally complied fully, while 7 had good compliance and 7 had partial compliance. 16 exporting Members representing 23.3% of the average exports in the last 4 coffee years failed entirely to comply with their statistical obligations. When data received outside the required dates were taken into account, 9 exporting Members generally complied fully, while another 14 exporting Members had good compliance and 3 had partial or poor compliance. However, 16 exporting Members still failed entirely to comply with their statistical obligations. The document also showed full compliance with the ICO Rules on Statistics by all 35 importing Members.

11.   Since the last Statistics Committee, the Secretariat was pleased to report that, although late, usable data had been received from Cameroon, Guatemala, Indonesia, Kenya, Nicaragua, Papua New Guinea, Philippines and Uganda, although none of these could be classed as fully compliant.

12.   The representative of Nicaragua reported that the Secretariat had been instrumental in helping them to comply, although it still took a lot of time. It was suggested that the Secretariat could explore ways of enhancing compliance in order to ensure that the ICO remains the reference point for statistics.

13.   Following a request from Sierra Leone regarding technical assistance in the preparation of statistical data and its invitation to host an ICO statistical expert, the Chairman suggested that the Secretariat could organise a seminar on statistical compliance, potentially in parallel to the Council sessions, to deliver training to statistical contacts. Furthermore, it was considered that these events could also be organised in Member countries, like Sierra Leone.

Item 8:   Strategic review

14.   The Committee briefly discussed the results of the Strategic Review, contained in document WP-Council 269/16 Rev. 1, specifically the recommendations relevant to statistics

in paragraphs 34, 36, 42 and 43. It was noted that some of the recommendations would require significant investment in computer software and hardware, which would clearly have a budgetary implication. It was suggested that the Secretariat consider liaising with other international organizations, for example the International Grains Council, to see how other organizations undertook their statistical work. It was also suggested that the Secretariat explore the possibility of outsourcing its statistical work altogether. These questions would be answered through the development of a five-year data strategy.

Item 9: **Other business**

15.   It was noted that the Council will approve the composition of the Committee for the coffee year 2016/17 during its 117th Session, and that at its first meeting in March 2017 the Committee will appoint a Chairman and Vice-Chairman for 2016/17.

Item 10: **Date of next meeting**

16.   The Committee noted that the next meeting of the Statistics Committee would take place during the 118th Session of the Council to be held in London in March 2017.