



International Coffee Council  
123<sup>rd</sup> Session (Special)  
14 November 2018  
London, United Kingdom

**Report on the implementation of  
Resolution 465 on Coffee Price Levels –  
Implications on the work of the Secretariat  
and actions taken**

## **BACKGROUND**

1. The adoption of Resolution 465 on Coffee Prices Levels during the 122<sup>nd</sup> Session of the International Coffee Council gave a strong and challenging mandate to the ICO and its Executive Director, with substantial implications on the work of the Organization taking into account its current level of human and financial resources.
2. In order to implement the decisions contained in Resolution 465, the Secretariat has reviewed, in terms of activities and funds allocated, the following:
  - The Programme of Activities for coffee year 2018/19 contained in document ICC-122-18.
  - Actions taken by the ICO during previous coffee price crises.
3. Based on this review, the Secretariat has prepared a detailed work plan and budget (Annex I) and already started to carry out some of the priority activities identified.

## **GENERAL CONSIDERATIONS**

- a) The implementation of Resolution 465 requires adequate resources for the ICO to carry out all the actions therein identified.
- b) The Programme of Activities 2018-19, as approved by the 122<sup>nd</sup> International coffee Council, can be partially adjusted to implement some of the decisions contained in the Resolution. However, the available budget for 2018-19 would not be sufficient to carry out all the new activities, therefore, extra-budgetary resources should be secured.
- c) The actions taken by the ICO to address the previous coffee price crises (Annex II) had a significant budget allocation and the ICO Secretariat had a much larger number of staff.

- d) To implement Resolution 465, and to apply similar solutions to those implemented by the ICO to tackle previous coffee price crises, would require leveraging both ICO communications function and economics and statistics analytical capacity. Current resources do not allow a significant expansion of advocacy and outreach, nor of the research and analytical function.
  - e) To facilitate dialogue among all coffee stakeholders, ad hoc mechanisms, such as a task force or an informal working group, could be set up to assess and monitor the market situation and to advise on possible market-based strategies to address coffee price level and volatility and sustainability at large.
  - f) In order to address the impact of coffee price levels on smallholder farmers, the ICO Secretariat is intensifying the mobilization of national, regional and international public and private organizations and enterprises to finance development projects.
  - g) The ICO is also appealing to Members, international community and the private sector to provide voluntary funding to contribute to implement Resolution 465 and to the Coffee Sustainability Projects Trust Fund (CSPTF). The Trust Fund was established by the International Coffee Council, as per decision 12/121, to finance the development of technical cooperation, capacity building and research projects addressing the challenges faced by coffee producers, especially smallholder farmers.
4. A detailed Action Plan for the implementation of the decisions contained in Resolution 465 and actions already under implementation are presented in Annex I. Actions undertaken by the ICO during the previous coffee price crisis (1999-2004) are presented in Annex II.

#### **Action**

The Council is requested to take note of this document.

## ACTION PLAN FOR THE IMPLEMENTATION OF RESOLUTION 465

### A) Advocacy and communication

**Res-465/Decision 1:** *“To launch a global communication plan targeted at consumers, together with producers, the coffee industry, opinion makers, and other stakeholders, using social media and other means of communications in order to show the economic reality of the coffee sector – from the producer to the final consumer – as of the International Coffee Day, October 1<sup>st</sup> 2018”.*

To launch a ‘global’ communication campaign would require major efforts and funding<sup>1</sup> to be able to reach consumers in both exporting and importing countries. The ICO has a limited communication capacity and the very small budget available for 2018/19 mainly covers the organization of International Coffee Day (ICD), which is possible thanks to the generous voluntary contribution of the All Japan Coffee Association (AJCA).

#### Proposed activities

A.1: Preparation for launch of a global consumers campaign	A.1 Costs
a) Develop a project proposal on promoting coffee sustainability by sensitizing consumers on the economic realities of coffee and promote consumption.	Existing resources
b) Establish linkages with consumer associations and coffee sector associations and identify the most appropriate platforms for a global advocacy campaign.	Existing resources
c) Contract a communications company to define the key messages of the promotion campaign and to design and implement an advocacy plan to mobilise all coffee stakeholders on the sustainability of the coffee sector and on price volatility in particular.	Contract PR/communication agency/consultant with experience in non-profit social campaigns
d) Implementation of a pilot campaign, mainly using social media, and preparation of a proposal for implementation at global level for seeking additional funding.	Pilot/test implementation and fundraising for global campaign

#### A.1 Estimated extra-budgetary resources (contract and pilot campaign): £50,000

##### A.1 Actions taken till 31 October 2018

- Identification of PR agencies/consultants with experience in non-profit social campaigns (in progress)
- Established contacts with consumer associations (in progress)

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<sup>1</sup> As merely indicative example please refer to: [www.Forbes.com](http://www.Forbes.com) - The Top Five Challenges Of Creating A Global Marketing Campaign – reported that “A good thing to do here is to present the historical costs from the campaigns of each region when working with local agencies against the cost of a single implementation estimate. It's actually an easy sell: If the cost of a local campaign is around \$400,000, multiplied by 50 countries, then an expected cost is \$20,000,000. The cost of using enterprise content management and translation tools can often pay for itself in a single campaign”.

<b>A.2 Advocate for the coffee sector at international forums and events</b>	<b>A.2 Costs</b>
Establish contact with and mobilize G-20 leaders to bring to their attention the impact of current coffee price levels on smallholder farmers and to request: (i) assistance and funding to reduce impact on poverty, migration and future sustainability of the coffee sector; (ii) inclusion of coffee as one of the commodities of the Agriculture Market Information System (AMIS), an inter-agency platform to enhance food market transparency and encourage international policy coordination in times of crisis. It was established at the request of the G20 in 2011.	Existing resources and ad hoc advocacy travel budget (to G-20 members, FAO, and the G-20 Summit, 28–29 June 2019 in Osaka, Japan)
Executive Director participation in the XXVI Ibero-American Summit in Antigua, Guatemala 2018.	Existing resources and ad hoc advocacy travel budget
Sustainability Seminar during the March 2019 ICO meetings.	Existing resources

#### **A.2 Estimated extra-budgetary resources (additional advocacy funding): £ 10,000**

##### **A.2 Actions taken till 31 October 2018**

- High-level discussions held with G20 members
- Discussions held with the UN Department on Economic and Social Affairs (UNDESA)
- Contacts with private sector companies (ongoing)
- Lobbying and preparation for the participation of the Executive Director in the Ibero-American Summit (ongoing)
- Preparation of a 1-day Sustainability Seminar with Global Coffee Platform during the March 2019 ICO meetings
- ICO participation in coffee events (ongoing)

##### **B) Mobilization of coffee stakeholders**

**Res-465/Decision 2:** *To instruct the ICO to promote dialogue among all stakeholders in the coffee value chain to ensure the economic sustainability of the coffee producers.*

**Res-465/Decision 3:** *To instruct the ICO to ensure that there is an effective exchange between Member countries of national public policy initiatives promoting economic sustainability*

**Res-465/Decision 7:** *To urge the Executive Director to further strengthen ties with the international roasting industry as a matter of urgency, in order to gain support for the implementation of this resolution.*

<b>B.1 Advocate for and find common solutions to increase coffee sector sustainability</b>	<b>B.1 Costs</b>
a) To facilitate dialogue among all coffee stakeholders, ad hoc mechanisms, such as a task force or an informal working group, could be set up to assess and monitor the market situation and to advise on possible market-based strategies to address coffee price levels and volatility and the sector's sustainability as a whole.	Existing resources
b) Participate in the Ibero-American Summit, Guatemala, November 2018.	Existing resources

c) Mobilize leading roasters and other industry stakeholders through direct contact, holding of two consultations events with key academics and development experts to identify solutions to address price level and volatility (USA and Europe), leading to a CEO Forum during the ICO Council in September 2019 in London.	Organization of two consultative events (tentatively UN New York and Brussels)
d) Establish contact with and mobilize the United Nations, UN Specialized Agencies, Development Finance Institutions (DFIs) and their members to provide assistance and financing to reduce the social and economic impact of low coffee price levels and implications on the implementation of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).	Existing resources ad hoc advocacy travel budget
e) Establish contact and mobilize all the coffee sector private sector companies and associations.	Existing resources
f) Prepare assessment of policy and best practices with regards to alleviate impact of low coffee prices on smallholder farmers and preparation of a policy brief: 'National coffee policies for coffee growers' (Emergency relief as a response to low coffee prices and coffee sector development and sustainability policies).	Existing resources

**B.1 Estimated extra-budgetary resources (2 events and additional advocacy funding): £60,000**

**B.1 Action taken till 31 October 2018**

- Discussions with Members, roasters and other coffee private sector stakeholders (ongoing)
- Preparation for the organization and funding of two consultative events with key international experts to identify solutions to be submitted to the planned CEO Forum (September 2019);
- Discussions held with the UN Department on Economic and Social Affairs (UNDESA) for a side event at the UN in New York (April 2019)
- Mobilization of UN Agencies, DFIs and bilaterals (ongoing)
- Assessment of policy and best practices with regards to alleviating impact of low coffee prices on smallholder farmers (ongoing)

**C) Research, knowledge building and transparency**

**Res-465/Decision 4:** *To change the priorities of the ICO Strategic Plan to address 'Profitability: Consumption and Productivity' in the coffee year 2018/19.*

The ICO Strategic Plan (i.e. the 5-year Action Plan 2017-2021, document ICC-120-11) already addresses economic sustainability and specifically issues related to profitability, consumption and productivity.

In order to comply and respond to the Decision 4, the ICO thematic focus for 2018-19, the first ICO flagship report and the ICD 2019 campaign will concentrate on economic sustainability, by providing an independent assessment of the 'economic reality of the coffee sector – from the producer to the

final consumer<sup>2</sup>. All the proposed research and studies would be used as basis for the Global Communication campaign as per Decision 1 and for mobilizing coffee stakeholders and development partners.

<b>C.1 Research and Studies to address <i>Profitability: Consumption and Productivity and the economic sustainability of coffee</i></b>	<b>C.1 Costs</b>
a) To increase its analytical capacity, the ICO Secretariat would pursue stronger partnerships with universities, research institutions, coffee sector public and private partners and other international organisations.	Existing resources
b) <b>Updated document</b> <a href="#">ICC-98-5-Rev. 1 'Impact of the coffee prices on poverty in producing countries'</a> , presented to the Council in 2003. The above document summarized the responses received from Members in response to a request for information set out in an ED communication ( <a href="#">Impact of international coffee prices in exporting countries</a> ).	Existing resources
c) <b>New ICC document on 'Coffee prices and economic development'</b> to provide empirical evidence on the socio-economic effects of coffee prices on producing ICO Member countries (GDP growth, poverty rates, employment, migration, Investment etc.).	Existing resources
d) <b>Assessment of price volatility</b> through comparison of trends between coffee and other commodities (cocoa, sugar etc.).	Existing resources
e) <b>ICO Flagship Report</b> : to be published on 1 October 2019, will analyse in detail the following topics related to coffee price volatility and coffee price levels: (i) Determinants of coffee prices (market fundamentals, as well as the impact of speculation and concentration in the roasting industry). (ii) Price risk management tools available at farm level and ways to foster risk-sharing across the value chain through the involvement of traders and roasters. (iii) Potential for increasing value addition in coffee producing countries resulting from rising domestic consumption.	Additional resources needed
f) <b>Global benchmarking of production costs<sup>3</sup></b> : to launch the collection of global data ('typical farm' approach) on: (i) production systems, and (ii) production costs, in order to compare performance of individual countries and help to understand the key drivers of profitability and economic viability.	Additional resources needed (main target: the private sector)

<sup>2</sup> Direct linkages with the study under preparation by Prof. Jeffrey Sachs, co-financed by the ICO, will be pursued.

<sup>3</sup> To this end, the ICO plans to work with world leading benchmarking institutions dealing with the agribusiness sector.

- C.1 (a) Estimated extra-budgetary resources (contract additional research partners): £ 15,000**  
**C.1 (b) Estimated cost for benchmarking in four producing countries/capacity building £ 200,000**

**C.1 Action taken till 31 October 2018**

- ICO internal document *Notes on current low coffee prices* produced (31 August 2018) to serve as starting point for advocacy and discussions.
- Partnership being built with key academic and research institutions such as the UC Davis Coffee Center and Georg-August-University of Goettingen.
- **Online survey** of exporting Members on the impact of international coffee prices, to show how low prices negatively affect the economic sustainability of coffee at origin, including impacts on incomes, employment and other variables, and consequently on poverty.

**D) Promotion of coffee consumption**

**Res-465/Decision 5:** *To include the promotion of consumption as a guideline in all action plans of the ICO aiming to implement the 2030 Agenda for Sustainable Development;*

**Res-465/Decision 6:** *(i) To encourage exporting Members to adopt programmes to further raise their internal consumption level and (ii) encourage the ICO to support initiatives to explore alternative uses for low-grade coffee, in line with Item 9, Resolution 420.*

<b>D.1 Promotion of Coffee Consumption</b>	<b>D.1 Costs</b>
a) Promotion of consumption is included in all actions and documents/studies prepared by the ICO and is part of the global campaign.	Existing resources
b) Review the existing Step-by-step Guide to Promote Coffee Consumption in Producing Countries.	Additional resources needed
c) Update the ICO study on alternative uses of low grade coffees.	Additional resources needed
d) Promote the development of initiatives and technical cooperation projects.	Existing resources

**D.1 Estimated extra-budgetary resources (contracts for review of coffee consumption guidelines and assessment of use of low-grade coffee): £30,000**

**D.1 Action taken till 31 October 2018**

- N/A

**E. Conclusions**

Many of the activities envisaged for the implementation of Resolution 465 can be covered by reassignment of existing resources, but others require resources not available in the current Administrative Budget. The total amount of extra-budgetary resources required is estimated at £365,000 (Table I).

**Table I: Summary of estimated extra-budgetary resources required**

<b>Cost items</b>	<b>Cost (£)</b>
A.1 Contract PR/communication company and pilot campaign	50,000
A.2 Additional funds for advocacy travel (i.e. G20, bilaterals, international organizations events etc.)	10,000
B.1 Organization of two consultative events (UN NY and EU Brussels) including additional funds for advocacy travel	60,000
C.1 (a) Contract additional research partners	15,000
C.1 (b) Benchmarking production costs in four producing countries and capacity-building	200,000
D.1 Contracts for (i) reviewing the ICO Step-by-Step Guide to Promote Coffee Consumption in Producing Countries; (ii) updating the ICO study on use of low-grade coffee; and (iii) Project development facility	30,000
<b>Total estimated extra-budgetary funding</b>	<b>£365,000</b>



## KEY ACTIONS TAKEN DURING THE PREVIOUS LOW PRICE CYCLE (2000-2005)

### I. Study on improving the global coffee supply/demand balance through measures designed to eliminate low-grade coffees (document EB-3778/01)

The document was based on two studies:

- ❖ Economic study of the impact of removing low grade coffees on prices, through a contract with a research team led by Professor Christopher Gilbert of the Economic and Social Institute of the Free University of Amsterdam
- ❖ Study on alternative uses of low grade coffees, through a contract with the Natural Resources Institute, United Kingdom by a team led by Dr R.T. Paterson

The two studies are presented as annexes to document **EB-3778/01**.

### II. Resolutions

Following the approval of the above-mentioned studies by the Council, **Resolution No. 406**, requesting the establishment of a *Coffee Quality Committee* was adopted by the Council to analyse the proposals of the two studies. Members of the Quality Committee included Brazil, Colombia, Mexico, Indonesia and four representatives from the private sector.

The Quality Committee made its recommendations in January 2002 (**document EB-3806/02**). Following the recommendations of the Quality Committee the Council adopted **Resolution 407** requesting producing countries to take measures to reduce the availability of defective coffee beans from 1 October 2002 onwards (**document Resolution No. 407**).

Resolution 407 was reviewed in May 2004 and replaced by **Resolution No. 420**, which reduced the restrictions on exports of lower grade beans.

### III. Advocacy Events

Coffee crisis: Ideas and initiatives: ICO/World Bank High-level Roundtable held on 19 May 2003, in search of solutions to the coffee crisis (Document ICC-88-5)

### IV. Advocacy Actions: Submissions to International Bodies

- ICO submission to the World Summit on Sustainable development, Johannesburg, 2002
- Letter from Central American Governments to President G.W. Bush (**ED-1875/03**)
- ICO submission to the G-8 Summit, Evian, France, June 2003 (**ED-1876/03**)
- ICO submission to the 5<sup>th</sup> Ministerial Conference of the World Trade Organization, Cancun, Mexico September 2003 (**ED-1893/03**)
- ICO submission to XI UNCTAD Conference, 13-18 June 2004, Sao Paulo, Brazil (**ED-1922/04**)
- ICO submission to the G-8 Summit, Gleneagles, Scotland, July 2005 (**ED-1959/05**)
- ICO submission to UN General Assembly Summit to review the Millennium Development Goals, New York, 14-16 September 2005 (**ED-1966/05**)
- ICO submission to the G-20 Summit, Los Cabos, Mexico, 18-19 June 2012 (**ED-2133/12**)
- Presentation to the World Food and Farming Congress, London, 26 November 2002
- **Cartagena Declaration:** The 89<sup>th</sup> Session of the Council from 17 to 19 September 2003 issued a declaration on the coffee price situation. The Cartagena Declaration was adopted at the 90<sup>th</sup> Session of the Council in May 2004 (ICC-90-8)
- Press release following the Executive Director's address at the Coffee Conference in Bengaluru, India (**Document PR-260/03**).