



**INTERNATIONAL
COFFEE
ORGANIZATION**

ICC 124-12

26 March 2019
Original: English

E

International Coffee Council
124th Session
25 – 29 March 2019
Nairobi, Kenya

**Statement by the Executive Director of
the International Coffee Organization,
made at the opening ceremony of the
124th Session of the Council**

His Excellency Mr Uhuru Kenyatta, President of the Republic of Kenya

His Excellency Dr William Ruto, Deputy President of the Republic of Kenya

His Excellency Mr Gideon Mbuvi, Governor of Nairobi

Honourable Mwangi Kiunjuri, Cabinet Secretary for Agriculture, Livestock, Fisheries & Irrigation

Honourable Peter Munya, Cabinet Secretary for Industry, Trade & Cooperatives

Ms Stefanie Kung, Chair of the International Coffee Council

Distinguished delegates, ladies and gentlemen,

Karibu sana, Welcome to Kenya,

Personally, and on behalf of all the Members of the International Coffee Organization, I would like, first of all, to express gratitude to our hosts for inviting the ICO to hold the 124th Session of the International Coffee Council and related meetings here in Nairobi, the capital of Kenya.

I was extremely pleased when Kenya invited the ICO Council to meet here, because I am a firm believer in the benefits of holding meetings outside our headquarters in London. Delegates from the ICO Members benefit from the opportunity to learn at first hand from the experience of their fellow Members, while the coffee sector of the host country receives heightened visibility internally and projects itself abroad.

Kenya is a founding Member of our Organization and we share an important birthday, since the ICO was founded in the same year as this country became independent. Although a meeting of the Executive Board was held here in 1977, this is the first time the international

Coffee Council will meet in this warm and friendly country. This session is, therefore, a demonstration of the country's ongoing commitment to the International Coffee Agreement and to the ICO. Kenya's engagement with the ICO is also shown by its occupation of important offices in the Organization over the years. Two Kenyans have served as Chairmen of the International Coffee Council, the most important post a delegate can hold in the ICO. The Honourable W.O. Omamo occupied this position in coffee year 1985/86 and Simeon Onchere held the same post in 1993/94. Through office-holders such as these and through its active participation in our work, Kenya has helped turn the ICO into what it is today. We look forward to many more years of close and fruitful collaboration.

Ladies and gentlemen,

When the International Coffee Council last met in a regular session, in September 2018, all eyes were focused on low prices. In fact, the ICO composite indicator price on the last day of the meeting stood at just over 98 US cents/lb. Despite a brief rally in October of last year, today, six months later, the ICO composite price is even lower, around 97 cents. So, the crisis continues and few grounds for a swift reversal of the situation can be seen on the horizon.

For most growers, current prices are insufficient to cover production costs. The consequences of this situation are stark: reduced use of inputs, leading to decreased output and lower quality; food insecurity and famine; rural impoverishment; increased migration to urban areas and developed countries; and a host of other social issues. In the longer term, low prices are expected to intensify the ongoing trend of geographical concentration of production, leaving the sector much more vulnerable to climatic and political shocks in major producing countries.

As you will recall, in September of last year Members expressed their alarm about low prices by the passage of Resolution 465, which entrusted the ICO with a number of tasks. In essence, the decisions contained in Resolution 465 can be divided into four broad categories:

1. To promote a dialogue that includes all stakeholders in the coffee value chain, especially the roasting industry, to assure the sector's economic viability, especially with regard to those who grow coffee;
2. To increase transparency and produce high-level and relevant independent research and data on topics relevant to the crisis;
3. To promote the consumption of coffee, especially in coffee-producing countries; and
4. To implement advocacy measures, including a communications plan focused on consumers, to call attention to the plight of coffee growers all over the world.

You will receive reports this week on the steps taken to implement Resolution 465, especially the promotion of a dialogue with key stakeholders in the coffee value chain. Between now

and September, when we will next meet, a series of consultative events will be held to call attention and discuss solutions to the grave situation faced by coffee growers. The culmination of this process will occur during the next Council meeting, in London in September. At that time, we intend to host a Forum of leading executives of the roasting industry, in which we will try to bring concrete proposals, including those formulated at the World Coffee Producers Forum, to the table for discussion.

Meanwhile, this week's schedule reserves ample time to debate the current crisis. Fulfilling its role of enhancing transparency in the coffee market through the provision of statistics and analysis, the Secretariat has prepared three important studies relevant to our discussions: a survey on the impact of low coffee prices on exporting countries; a report on the profitability of coffee farming in selected Latin American countries; and an analysis of futures markets and the role of speculators. I am sure that all three will be useful tools to help ground our debates on fact.

While pursuing this dialogue with key stakeholders, exporting Members must not lose sight of the need to implement structural reforms in order to achieve efficiency and promote an enabling environment for their coffee sectors. A concrete example is our host country, Kenya. Last week, I paid a courtesy call to President Kenyatta to thank him for hosting this Council session. During our meeting, I was impressed by his determination to reform the institutional arrangements that shape Kenyan coffee. For this purpose, he has established a Coffee Sub-Sector Implementation Committee, under the capable leadership of Professor Joseph Kieyah, to identify bottlenecks and put in place practical measures to increase the share of export prices received by growers. Although important progress has been made, much still remains to be done. The development and expansion of coffee production and value addition is in line with Kenya's Vision 2030 and its third Medium-term Plan and can contribute to sustainable and inclusive growth that can be increasingly resilient, green, inclusive, equitable and capable of creating decent jobs and quality livelihoods for many of the country's inhabitants.

Meanwhile, Kenya does have one very important asset in the struggle to escape from the commodity trap: the high quality of its coffee. To illustrate this fact, I would like to take you back to the beginning of my career, almost forty years ago. My first job was in the Instituto Brasileiro do Café, the Brazilian government agency responsible for regulating the coffee sector at that time. Although I was still very junior, I was one of the few employees with a command of foreign languages, so I was often responsible for escorting foreign guests who came to Brazil. One such visitor was the head of the Colombian National Coffee-growers Federation, Arturo Gomez Jaramillo. For those who are too young to know, don Arturo is a true legend in the history of coffee. He ran the Federation from 1958 to 1982, during which time he was instrumental in the creation of the highly successful Juan Valdez campaign. When I picked him up at the airport, I was in awe of his distinguished status, but he turned out to

be very approachable and friendly. Among the subjects we discussed on the way to his hotel was coffee quality. I asked him which coffee he considered to be the best in the world, fully expecting that he would reply Colombian. To my surprise, he said that Kenya was the best.

I have never forgotten don Arturo's words and neither should all the Kenyans who are present here today. Kenya has the potential to be a leader in the specialty market, which has the enormous advantage of receiving higher prices and being, to a large extent, insulated from the mainstream market for commodity coffee. However, quality in itself is not sufficient to achieve success, it must be supported by a long-term marketing strategy to reach both buyers and consumers of specialty coffee. Establishing such a strategy is only one of the many challenges that must be addressed by the Coffee Sub-Sector Implementation Committee.

One significant challenge faced by Kenya is to develop its internal consumption of coffee, which is still incipient. A high level of domestic consumption brings many benefits for farmers and other coffee sector stakeholders. In the past, the ICO played a major role in encouraging coffee-producing countries to develop their internal markets. This week, we hope to approve a project, with funding from the ICO, to boost domestic consumption throughout the continent. Our Members will also discuss further steps to promote domestic consumption in coffee-producing countries. This is just one example of the advantages of ICO membership.

Ladies and gentlemen,

We should not deceive ourselves that any single measure in isolation can bring resolution to a crisis that is deep-rooted and multifaceted. Even as we engage in a dialogue with stakeholders in the world coffee sector, we must work simultaneously on many different fronts, including: increasing productivity; streamlining the value chain in order to reduce the number of middlemen; stimulating consumption in coffee-producing countries; improving infrastructure and logistics; finding ways to mitigate and adapt to climate change; incorporating young people into coffee production; and bridging the gender gap.

In all this arduous work, the ICO plays a unique role as a neutral platform, where producing and importing countries can meet at government level, while also collaborating closely with bilateral and multilateral development agencies, as well as the private sector, civil society and other partners to work for the betterment of the world coffee sector.

Finally, I would like to thank our hosts once again, especially President Kenyatta who has taken a personal interest in the revitalization of the Kenyan coffee sector and has been instrumental in supporting the holding of this meeting here in Nairobi. I am sure that our hosts will provide delegates with all the conditions necessary to hold a highly productive week of meetings.

Asante sana.