



International Coffee Council
102nd Session
18 – 20 March 2009
London, England

**Decisions and Resolutions adopted
at the 102nd Session of the
International Coffee Council**

18 – 20 March 2009

1. The International Coffee Council, chaired by Mr David Brooks of the USA, met from 18 to 20 March 2009.

Item 1: Adoption of the Agenda and schedule of meetings

2. The Council adopted the draft Agenda contained in document ICC-102-0 Rev. 2 and took note of the schedule of meetings.

Item 2: Admission of observers

3. The Council noted that no requests for observer status had been received.

Item 3: Votes and credentials

Item 3.1: Votes in the Council for coffee year 2008/09

4. The Council took note of the situation of outstanding payments affecting voting rights as at 13 March 2009 and approved the redistribution of votes in the Council and Executive Board for coffee year 2008/09 contained in document EB-3952/08 Rev. 1. The Council further noted that Norway had assigned its votes to Switzerland for coffee year 2008/09.

Item 3.2: Credentials

5. The Council noted that the Secretariat had examined the credentials received from Members and had advised the Chairman of the Council that they had been found to be in good and due form. The Council decided to approve the report on credentials which was subsequently circulated, together with the List of Delegations, as document ICC-102-6.

Item 4: Membership

Item 4.1: Membership of the International Coffee Agreement (ICA) 2001

6. The Council noted that, as at 18 March 2009, there were 77 Members of the Organization, comprising 45 exporting and 32 importing countries. Resolution 438 had extended the 2001 Agreement until 30 September 2009 to enable Governments to complete membership formalities for the 2007 Agreement.

Item 4.2: Membership of the ICA 2007

7. The Secretary introduced document ICC-102-4 containing a report on the status of the 2007 Agreement. He reminded Members that the deadline for signature of the 2007 Agreement and the deposit of instruments of ratification, approval or acceptance was 25 September 2009. As at 20 March 2009 31 exporting Members and four importing Members had signed the Agreement, most recently Nicaragua on 19 March. Twelve exporting and two importing Members had ratified, accepted or approved the Agreement, or deposited notifications of provisional application, most recently Panama which had deposited an instrument of ratification on 12 March. The 12 exporting Members and two importing Members which had completed all the procedures respectively held 40.2% and 89.8% of the votes of their category of Members. Importing Members had met the requirements for entry into force of the ICA 2007 but this was not yet the case for exporting Members. He informed Members that the ICO had issued Depositary Notifications for all these actions and information was available on the ICO website (www.ico.org/depositary_e.asp). The procedures were set out in ED-2033/08 Rev. 1, including a model for Full Powers and model instruments, and should be closely followed to avoid any difficulties.

8. In the case of Timor-Leste, the Secretary reported it had deposited an instrument of ratification in January 2009, and a delegation from this country was attending this Session. The Philippines had deposited an instrument of accession which the ICO would retain until the Council established procedures for accession. A number of other countries had advised the Executive Director that they were making progress and expected to sign the 2007 Agreement and/or deposit instruments by the deadline of 25 September 2009.

9. The Council took note of this information and of the need for all Members to complete the procedures for membership of the ICA 2007 so that it could enter into force as soon as possible. The Council invited Members to consider the option of provisional application to expedite membership, pending the deposit of an instrument of ratification, acceptance or approval.

10. The Executive Director introduced document ED-2060/09 containing a communication from Japan notifying the ICO that it would not accede to the ICA 2007 due to financial and budgetary constraints, and his reply. Japan was a very important consuming Member, which had participated actively in each Agreement since 1962. ICO activities had made an important contribution to expanding consumption in this country. The ICO Promotion Fund had invested over US\$12 million in generic promotion campaigns and market research in Japan between 1962 and 1989. He had visited Japan in 2008 and discussed the ICA 2007 with high-level government officials. A number of Members had also made démarches to encourage Japan to accede to the ICA 2007. The ICO greatly regretted Japan's decision and he would work with Members to ask the Government to reconsider its decision. Japan would cease to be a Member as from October 2009, and at its next Session the Council would need to consider the request for the All Japan Coffee Association (AJCA) to continue to be represented on the Private Sector Consultative Board (PSCB).

11. The Council took note of this information and of a statement by the representative of Japan on this matter.

12. In discussions on this item, Members noted that Japan was a valued and important Member of the ICO and its departure would be a great loss for both producing and consuming countries. All countries, particularly producing countries, were experiencing financial difficulties, and a united effort was needed to withstand the economic crisis. It was suggested that the Executive Director, together with Members, should urge the Japanese authorities to reconsider their decision, and continue to be a Member or rejoin when the economic crisis had been overcome. Members welcomed the interest of the Japanese private coffee sector in continuing to participate in the PSCB.

13. The Council decided that the Executive Director should formally convey to the Japanese Government the views of Members on the importance of Japan remaining in the Organization and their wish that it should reconsider its decision. The Executive Director would also write to the representatives of Members in Japan with a view to coordinating a démarche to transmit these concerns. The Council also noted the importance of increasing the importance and benefits of membership.

Item 4.3: InterAfrican Coffee Organisation

14. The Executive Director said that the InterAfrican Coffee Organization (IACO) had formally indicated its interest in becoming a Member of the ICO under Article 5 (Group membership) of the ICA 2007 (see document WP-Council 185/08). The Council had considered this matter in September 2008, and had noted that issues such as powers, payment of contributions, votes, etc. would need to be clarified both in the case of IACO and for other

intergovernmental organizations interested in this option. Further discussions had taken place with IACO on the option of group membership without votes, which would allow its member States to continue to function autonomously within the Organization.

15. The Council took note of this information and further noted that this issue had been discussed during the General Assembly of IACO in November 2008 which had decided to pursue group membership under the provisions of Article 5. The Executive Director would continue to explore with IACO the practical arrangements for group membership under the ICA 2007, which would then be considered by the Council.

Item 5: Coffee market situation

16. The Executive Director introduced his report on the market situation (contained in the Letter from the Executive Director – February 2009) and document ED-2059/09 containing an evaluation of the impact of the world economic crisis on the coffee sector. A copy of a presentation on the world coffee market was also distributed to Members and made available on the ICO website. He said that the impact of the economic crisis on coffee had been less significant compared to other commodities. In developed markets, consumption of coffee was holding up well, as it was a staple good that represented only a small percentage of consumer spending. In producing countries, the situation was more diverse. In some cases, prices had fallen in the local currency, which could stimulate consumption. In emerging markets, mainly in Eastern Europe and Asia, the position was less clear. Purchasing power was more limited than in developed countries and coffee consumption was not as strongly entrenched. Cutbacks in purchases might occur in cases of widespread unemployment and economic instability. Other problems related to access to finance and credit by producers. He noted that prices had fallen by around 15% since September 2008 and current price levels could discourage farmers from investing in production. Production for crop year 2008/09 was estimated at 127.8 million bags. While it was too early to provide an estimate for 2009/10, a significant decrease was expected as this was the off year in the biennial production cycle of Brazil, and production would be insufficient to meet current levels of demand. The preliminary estimate for consumption in 2008 was 128 million bags, an increase of almost 3 million bags on the previous year, indicating steady growth in consumption of around 2.5% per annum. The volume of opening stocks in exporting countries for crop year 2008/09 was around 17.2 million bags compared to 25.3 million bags for the previous crop year, and stocks in producing countries were at very low levels. In conclusion he said that despite price falls recorded in recent weeks on the futures markets, the supply/demand balance continued to favour the maintenance of firm coffee prices in the medium term. Demand was not expected to suffer greatly as a result of the world economic crisis, while supply was expected to tighten towards the end of 2009. He would continue to monitor the situation and keep Members informed.

17. In discussions on this item the problem of divergent behaviour of futures markets and differentials for cash coffee was noted. The futures exchanges were no longer effectively reflecting prices of physical coffee, which affected the capacity of both importers and producers to cover their risks in the market. This could be because of a lack of liquidity or other factors and was an issue which needed careful review. In analysing volatility, the ICO should look at the relationship between indicator prices and futures exchanges to help Members with addressing the problem of covering risks. Concern was expressed about the impact of the financial crisis on the income of growers. Market intelligence was a core function of the ICO and it was important to provide analysis of statistical data to Members, which helped them to develop strategies to manage risks. Further work was needed on the impact of the financial crisis. It would be useful to know about the possible effects on demand for higher quality coffee and coffee with special characteristics, such as organic or certified coffee, consumption in existing and emerging markets, implications for existing financial arrangements for producers and traders and the emergence of new mechanisms needed by producers. The current financial conditions illustrated the importance of the new Consultative Forum on Coffee Sector Finance. The previous report on the coffee market had referred to the increasing importance of speciality coffees in developing consumption in traditional markets. Producers focussed on speciality coffees to increase incomes, but were affected by consumers switching to less expensive products in the downturn. It would be useful to know if this was still a good strategy, and if speciality sectors were likely to resume their upward trend when the world economy recovered. It was also suggested that it would be useful to investigate how coffee contributed to mitigating the crisis in rural areas such as by providing employment to people made redundant from other sectors. The importance of maintaining quality was highlighted – while consumers were looking to reduce costs, this should not be at the expense of quality. The ICO would have a role to play in preventing the crisis from changing the strategy adopted in recent years.

18. The need to address the impact of climate change on producing countries was flagged. The effects of climate change had also been raised in the Seminar on the Coffee Berry Borer on 17 March. One delegate noted that the weather patterns had not been the same for any two consecutive years for the last five years in his country. This uncertainty made it difficult for farmers to plan ahead and invest in production. It would be timely to conduct a study on weather patterns in the coffee-growing seasons in producing countries and the impact of this on coffee, so that Members could look at the possibility of addressing this issue. It was suggested that all Members should sensitize their authorities to the impact of climate change on coffee in preparation for the United Nations Climate Change Conference in Copenhagen from 7 to 18 December 2009, so that the matter could be addressed by Heads of State at that time.

19. The Executive Director said that the analysis of the impact of the economic crisis was preliminary, however speciality coffees could be more affected as they attracted higher prices, reflecting higher quality and also the costs of distributors. The ICO would continue to

research this area and analyse demand by market segment. The Specialty Coffee Association of America (SCAA) conference in April 2009 would also provide an opportunity to review this topic. Regarding the contribution of coffee to the rural sector, this would depend on information received from Members. Concerning volatility, he would look at this issue in his report on the coffee market for September 2009 and compare the current coffee year with the preceding one. The meeting of the Common Fund for Commodity (CFC) and International Commodity Bodies (ICBs) later in March 2009 would analyse the impact of certifying agencies on commodities and he would report to the Council on the outcome. Concerning climate change, this matter was dealt with by specialized organizations. He would consult these organizations and obtain preparatory documents for the Copenhagen Conference, and invite producing countries with research institutions to report on their experiences. He would compare their input with information from the Food and Agriculture Organization of the United Nations (FAO) and other agencies with a view to making a preliminary report to Members in September 2009, which would help to inform discussions at the Copenhagen Conference. Climate change would also be discussed at the 2010 World Coffee Conference.

20. The Council took note of this information. It further noted that producing Members were invited to send the Executive Director reports on changes in weather patterns in the last five to ten years and the implications of this for coffee production in their countries. Finally, the Council expressed its appreciation for the Executive Director's report and for the preliminary analysis of the impact of the financial crisis on the coffee market contained in document ED-2059/09, and took note of the final official estimate for 2008/09 and the first official estimate for the Brazilian coffee crop for 2009/10 contained in document WP-Council 190/09.

Item 6: Annual Review 2007/08

21. The Executive Director introduced the Annual Review for 2007/08 which contained a report on the activities of the Organization during the last coffee year, including a report on the world coffee market, the adoption of the 2007 Agreement and regular activities such as projects, studies, statistics and promotion. He invited Members to distribute the Review widely within their countries, and said that it was also available for downloading from the ICO website. The Council took note of the Review.

Item 7: World Coffee Conference

22. The Executive Director said that, as decided by the Council in May 2008, Guatemala would host the next World Coffee Conference which would take place in Guatemala City from 26 to 28 February 2010. In accordance with Article 21 of the ICA 2001, the Council should decide on the form, title, subject matter and timing of the Conference, in consultation

with the PSCB. Document WP-Council 193/09 contained a report on proposals and preparations for the Conference. He had visited Guatemala in October 2008 to discuss the arrangements for the event which were well advanced.

23. The representative of Guatemala made a presentation on the Conference. The Government of Guatemala had established an Organizing Committee to assist with the preparations, led by Mr Rasch Topke as Coordinator, H.E. Mr José Ángel López Camposeco and a representative of the Ministry of Agriculture. Invitations would be issued to the Heads of State of producing and consuming countries to attend this important world coffee summit. The Conference would take place over two and a half days, followed by ICO meetings from 1 to 4 March 2010. A logo for the Conference had been agreed. Every assistance would be given to Members in obtaining their visas and welcoming them on arrival. Good rates had been negotiated with hotels, which were cheaper than hotels in London. Information about the Conference would be available on the Internet. He invited Members to reserve the dates for the Conference and inform representatives of the coffee sector in their countries about this event. A copy of this presentation is available on the technical presentations section of the ICO website.

24. The Executive Director proposed that a small task force should be established to assist the Chairman with the preparations, as had been the case with the previous Conference. It would include the Chairmen of the Council, Executive Board and PSCB, together with representatives of previous host countries (Brazil and Colombia), Côte d'Ivoire, the EC, Guatemala and Papua New Guinea. The taskforce would be open to all interested participants and would hold its first meeting on the morning of 19 March 2009.

25. The Council took note of this information and of the composition of the task force. It expressed its appreciation to the Government of Guatemala for the preparatory work for the Conference and decided to appoint the President of Guatemala, H.E. Mr Álvaro Colom Caballeros, as the Chairman of the World Coffee Conference.

26. In discussions on this item, Members welcomed the inclusion of climate change on the Conference programme, as well as the effects of the economic crisis, risk management and credit. A reciprocal approach to sustainability in environmental issues was suggested as an additional topic. It would be beneficial to look at the impact of coffee on land use conversion, and the effect of pollinators and other species, not just in the context of biodiversity and coffee, but the preservation of biodiversity of the ecosystem as a whole. The issue of youth was critical for the future sustainability of the coffee sector and should also be included. It would be useful to agree a slogan for the Conference, and to prepare a paper analysing follow-up of ideas and recommendations from the 2nd World Coffee Conference, to enable Members to take stock of what had been achieved, and assist them in determining issues for discussion at the next Conference.

27. Following the meeting of the taskforce on 19 March 2009, the Executive Director reported that Members had discussed the message of the Conference and would continue to work on the titles of contributions and develop a programme with a moderator for each Session. Concerns about the future of the world coffee economy including quality and availability of coffee supplies would be addressed. The conclusions and recommendations of the 2nd World Coffee Conference would be taken into account. Members had noted that the Conference would provide an opportunity for an exchange of views with the public. Regarding the format of the Conference, it was proposed that the inaugural Session should be held on Friday 26 February, followed by four Sessions on 27 and 28 February. It was also recommended that each Member should be entitled to three free places. He invited Members to continue to make suggestions for speakers and topics and said that a detailed programme would be presented to the Council in September. The Council took note of this information.

Item 8: Preparations for the ICA 2007

28. The Council noted that documents WP-Council 166/08, WP-Council 177/08, WP-Council 181/08 and WP-Council 188/08, respectively, contained communications received from Indonesia, the USA, the African Group and Jamaica.

Item 8.1: Revisions to the Rules of the Organization

Rules of the Organization

29. The Head of Operations introduced document WP-Council 165/08 Rev. 2 containing revisions to the Rules of the Organization. This had been revised to reflect suggestions at the last Session, and Members had been invited to submit comments in writing by 30 January 2009 to enable contributions to be circulated in advance of the Session. No comments had been received by that date.

30. The Council proceeded to review the proposals for revisions to the Rules of the Organization contained in document WP-Council 165/08 Rev 2. Documents relating to Rules 6 (Observers), 14 (Agenda) and 35 (Committees, subsidiary bodies and advisory bodies of the Council) were circulated during the meeting (documents WD-Council 17/09, 19/09, 21/09 and 22/09; WD-Council 11/09; and WD-Council 18/09 and 20/09, respectively). The Council decided to approve the proposal for Rule 14 contained in document WD-Council 11/09 and to amend Rule 66 (The staff). It also decided to delete Rule 69 (Communications on financial and administrative issues between the Council, the Finance and Administration Committee and the staff), Rule 70 (Application and recommendation), Rule 71 (Approval) and a proposed new Rule on the Selection of the Executive Director. In the case of Rule 13, it decided to delete the text in brackets in paragraph (1), and agreed

proposals for revisions to Rules 6 and 35 contained in documents WD-Council 22/09 and WD-Council 20/09, respectively. The final version of this document was circulated after the Council Session as document ICC-102-7.

Financial Regulations and Financial Rules of the Organization

31. The Chairman of the Finance Committee said that the Committee had reviewed document WP-Council 172/08 Rev. 2 containing revisions to the Financial Regulations and Financial Rules of the Organization at its meeting on 16 March 2009. He drew attention to Rules 3 (Role of the Finance and Administration Committee) and 6.2 (Administration of the Budget) which required further consideration. The Council took note of this information. It agreed that the text of Rule 3 could be adopted and considered proposals for revisions to the text of Rule 6.2 contained in documents WD-Council 9/09, WD-Council 9/09 Rev. 2 and WD-Council 10/09. Following further consideration, it decided to delete paragraph (2) of the version of this Rule contained in document WD-Council 9/09 Rev. 2, noting that if necessary, this matter could be raised at regular ICO meetings in March and September. The final version of this document was circulated after the Council Session as document ICC-102-8.

Item 8.2: Rules on Statistics

32. The Head of Operations introduced document WP-Council 179/08 Rev. 2 containing the Rules on Statistics – Certificates of Origin. The Chairman of the Statistics Committee said that at its meeting on 16 March 2009, the Committee had recommended that the Council should approve this document, subject to amending Annex II to include the following additional wording in Box 16: ‘This certificate is intended solely for the statistical purposes of the ICO and does not confer origin on coffee.’ In addition, the top right-hand box on the Certificate should read ‘Certificate of Origin’ replacing ‘Certificate approved by’. He informed Members that the Statistics Committee would review proposals for revisions to the Rules on Indicator Prices contained in document WP-Statistics 122/08 at its meeting in September 2009.

33. The Council took note of this information and approved the Rules on Statistics – Certificates of Origin contained in document WP-Council 179/08 Rev. 2, noting that they should be revised to reflect the changes proposed by the Statistics Committee, and to amend paragraph 1 of the introduction which should read ‘all Certifying Agencies approved by the Executive Director’ in place of ‘all Certifying Agencies of the Executive Director’. The final version of this document was circulated after the Council Session as document ICC-102-9.

Item 8.3: Terms of reference

34. The Secretary said that the Secretariat had circulated revised draft terms of reference incorporating proposals made by Members for new advisory bodies and committees under the ICA 2007.

Advisory bodies

Consultative Forum on Coffee Sector Finance

35. The Council noted that document WP-Council 167/08 Rev 2 contained draft terms of reference for the Consultative Forum on Coffee Sector Finance. This document reflected discussions by the Council in September 2008. Members had been invited to submit their comments in writing by 30 January, to enable contributions to be circulated before the Council Session. No additional comments or proposals had been received from Members before the meeting or were made at this Session. The final version of this document was circulated after the Council Session as document ICC-102-11.

Private Sector Consultative Board (PSCB)

36. The Council noted that document PSCB-107/08 Rev. 2 contained revised terms of reference for the PSCB, and it reflected discussions by the Council in September 2008. Members had been invited to submit their comments in writing by 30 January, to enable contributions to be circulated before the Council Session. No additional comments had been received by this date. The Council decided to delete paragraphs (8) and (9) and to amend paragraph (10) of this document (WD-Council 16/09). The final version of this document was circulated after the Council Session as document ICC-102-12

Committees

Promotion and Market Development Committee

37. The Council reviewed document WP-Council 168/08 Rev. 1 containing revised draft terms of reference for the Promotion and Market Development Committee. A revised version was subsequently circulated as document WD-Council 12/09. Following further discussion, the final version of this document was circulated after the Council Session as document ICC-102-13.

Projects Committee

38. The Council reviewed document WP-Council 169/08 Rev. 1 containing revised draft terms of reference for the Projects Committee. A revised version was subsequently circulated as document WD-Council 13/09. Following further discussion, the final version of this document was circulated after the Council Session as document ICC-102-14.

Finance and Administration Committee

39. The Council reviewed document WP-Council 170/08 Rev. 1 containing revised draft terms of reference for the Finance and Administration Committee. A revised version was subsequently circulated as document WD-Council 15/09. Following further discussion, the final version of this document was circulated after the Council Session as document ICC-102-15.

Statistics Committee

40. The Council reviewed document WP-Council 171/08 Rev. 1 containing revised draft terms of reference for the Statistics Committee. A revised version was subsequently circulated as document WD-Council 14/09. Following further discussion, the final version of this document was circulated after the Council Session as document ICC-102-16.

41. The Council noted the value of contributions of experts to Committees, and further noted that each Member could include the experts best suited to contribute to discussions in their delegations to ICO meetings.

Item 8.4: Strategic action plan

42. The Head of Operations introduced a report on implementing the outline plan of action for the ICA 2001 (ICC-101-1), and the draft strategic action plan contained in document WP-Council 173/08 Rev. 2. The plan had been revised to reflect comments and proposals by Members in May 2008, and proposals received from Jamaica (document WP-Council 188/08) and the Statistics Committee (document WP-Statistics 132/08) in September 2008. The number of activities had been reduced and activities had been grouped into four broad strategic goals, with reference to relevant Articles of the Agreement. The time-frame had been shortened and there was provision for it to be a rolling plan. No contributions had been received on the latest draft of the plan

43. In discussions on Section I (Context and issues faced by the world coffee sector) of the document, the point was made that the plan should articulate the strategic direction of the

Organization and provide a compelling description for external audiences of its contribution to the world coffee economy. The plan should be based on a targeted and balanced assessment of economic, environmental and social challenges facing the coffee sector, and reflect key issues to be addressed. The description of comparative advantages could be shortened, and they should be linked to activities. It would be helpful to have a summary version of the plan with the key points to present to capitals and potential donors. The importance of economic sustainability was stressed. Efforts should be made in connection with actions related to Objective (4) of Article 1. In paragraph (d) on page 5, it was suggested that reference should also be made to the positive aspects of certification, such as higher prices for farmers.

44. In discussions on Section II (Strategic goals and proposed activities), the general point was made that, although covering a comprehensive range of activities in the field of coffee, the plan included over 40 actions and these might not all be achievable. Further work was needed to streamline it. In case of Goal 1, it was not clear what international coffee policies were. These were a top priority for the Organization, and it should be clear what they involved and how they would be developed. In Activity 10 under Goal 2, there should be less emphasis on certification and verification and broader wording to include production costs, productivity, global stocks, world production and consumption. Statistical data from external sources should be used to complement gaps in ICO data. Obstacles to trade and consumption should be addressed. In Goal 3, the implementation of projects was a key function of the ICO which needed to be adequately reflected in the allocation of resources, while developing the role of the ICO as Project Executing Agency (PEA) was not a priority. With regard to Goal 4, a reference to the environment would be appropriate, as a sustainable coffee sector involved economic, social and environmental aspects, and further work on establishing indicators was needed. It was suggested that identification of measures providing fair remuneration to producers should be included on page 10. It was also suggested that the plan should include provision for promoting scientific research throughout the coffee chain, including alternative uses for low-quality coffee and by-products of coffee processing. In addition, the plan should emphasize the need for greater technology transfer and technical cooperation, particularly among producing countries, to enhance remuneration to producers.

45. With regard to Section III (Monitoring and evaluation), the evaluation model would be important to enable Members to assess the extent to which goals had been achieved. In addition to the Annual Review, further work was needed to make the process more transparent and effective in terms of presenting periodic progress reports on priority activities for the development of the global coffee economy.

46. The Council took note of this information and further noted that a group of Members including Brazil, Colombia, Côte d'Ivoire, EC, Ethiopia, Guatemala, India, Papua New

Guinea, Switzerland and the USA would work on the draft plan, with a view to presenting a revised version to the Council for consideration in September 2009. The Group was open to participation by any Member which could join its work any time.

Item 8.5: Development strategy for coffee

47. The Head of Operations introduced document WP-Council 191/09 containing a revised development strategy for coffee for consideration by Members. The Manual for the CFC (see Annex VIII) required a clear development strategy for each ICB, subject to review every five years and updated if required by changing circumstances. The Executive Director had invited Members to send contributions for updating the current development strategy for coffee by 19 December 2008 (see document ED-2050/08), however no contributions had been received by that date. The revised document drew on elements of the current strategy (document EB-3768/01 Rev. 3), the conclusions of the CFC/ICO workshop on coffee development priorities (document CFC/ICO-8/06), the 2007 Agreement and other relevant documents.

48. In discussions on this item the point was made that this document was central to the ICO's work. Strategic areas were clearly laid out which would help to facilitate the work of the Virtual Screening Committee (VSC). The document should address constraints on access to finance by small farmers, particularly in view of scarcity of credit, and solutions for funding coffee production for small producers was stressed, as 85% of the world's coffee was produced on plots of land between two to five hectares. It was also suggested that the strategy should be the basis for the strategic action plan and the task-force established to look at the plan should look at both documents as the basis for a roadmap for the ICO. The CFC was now prioritizing loans rather than grants, and the ICO should consider the impact of this on its work. The point was also highlighted that for the coffee sector to be sustainable, it needed to be economically viable, and increased consumption was an important means of achieving this goal. A previous project on domestic consumption had been rejected by the CFC. If the CFC's position was unchanged, it would be even more important to explore other sources of financing.

49. The Council noted that Members would have an opportunity to contribute to revising this document further before it was discussed with the CFC. As with other strategic documents it could be updated at any stage in the future. Finally, the Council noted that the Executive Director proposed to stress the need for research and development at the meeting of CFCs and ICBs in April 2009, and invited Members to submit suggestions to be raised at this meeting.

Item 9: Coffee development projects

Item 9.1: Projects for approval by the Council

Qualitative and quantitative rehabilitation of coffee with the aims of improving living conditions of coffee farmers afflicted and displaced by war and their restoration to their areas of origin as well as the protection of their biophysical environment in the Democratic Republic of Congo

50. The Chairman of the Executive Board said that the Board had considered the report of the VSC on a revised proposal for the above project which was contained in document WP-Board 1055/08. The Board had decided to recommend this project for approval by the Council. The Council took note of this information and decided to approve this proposal for submission to the CFC for funding.

Improving coffee quality in Eastern and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda’ and ‘Sustainable coffee production by smallholder farmers in Ethiopia: An integrated approach for quality improvement, poverty reduction and biodiversity conservation

51. The Chairman of the Executive Board said that Members had considered the above two proposals respectively contained in documents WP-Board 1053/08 and WP-Board 1052/08 in September 2008. The Council had decided that the concepts of both projects should be merged into a single concept, and terms of reference prepared for submission to the CFC to fund a detailed project proposal for consideration by the Council. In January 2009, CABI had submitted a revised proposal for the project entitled ‘Improving coffee quality in East and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda’, which did not include elements of the second proposal as suggested by the Council, and which was submitted after the deadline of 19 December 2008. In February 2009, the Government of Ethiopia had advised the ICO that it was only supporting the CABI proposal as the other proposal did not meet its internal requirements for financial assistance from development partners. The Executive Board had decided that in line with procedures for appraising projects, the revised proposal should first be reviewed by the VSC which would submit its recommendation directly to the Council.

52. The Council took note of this information and further took note of a statement by the representative of Ethiopia requesting the Council to approve the project at this Session in view of the importance of the proposal and to avoid further delays. In discussions on this item, the point was made that the procedures for appraising projects should be followed and the revised proposal should first be reviewed by the VSC. The point was also made that the VSC had initially supported the second proposal ‘Sustainable coffee production by smallholder farmers in Ethiopia: An integrated approach for quality improvement, poverty

reduction and biodiversity conservation'. It had been split on whether to recommend the CABI proposal for revision or rejection, and the Council had subsequently decided that both proposals should be amalgamated. A number of Members expressed their support for the CABI proposal which would benefit the East and Central African region, and noted the need to avoid delays in submitting it to the CFC. There should be some flexibility with respect to procedures for reviewing projects.

53. The Executive Director suggested that in view of the support expressed for the proposal, the VSC should be requested immediately after the Session to consider this proposal on a Fast Track basis within 30 days so that it could then be submitted to the CFC in accordance with established deadlines. If the VSC considered that the proposal had been sufficiently revised, it could be submitted directly to the CFC. However, if the VSC considered that further revision was needed, the ICO would need guidance on how to proceed. The point was made that it should be clear that this was not setting a precedent for future proposals and Members should be informed of the outcome of the review by the VSC.

54. The Council decided to approve the proposal for submission to the CFC, subject to a review by the VSC within the next 30 days. It noted that the Secretariat would inform Members about the outcome of the VSC's review of the project. It further noted the suggestion that the VSC's comments could be sent to Ethiopia and clarified bilaterally to facilitate consideration by the CFC.

Item 9.2: Projects already approved by the CFC

55. The Head of Operations introduced document ICC-102-3 containing progress reports on the implementation of projects already approved by the CFC. He informed Members that the results of three CFC/ICO projects had been presented at the 5th African Scientific Coffee Conference which took place in Kigali, Rwanda in February 2009 on the theme of 'Linking research results to smallholder livelihoods in Africa': 'Improvement of coffee production in Africa by the control of coffee wilt disease (tracheomyces)'; 'Improving coffee quality in East and Central Africa through enhanced processing practices in Rwanda and Ethiopia'; and 'Integrated white stem borer management in smallholder coffee farms in India, Malawi and Zimbabwe'.

56. The representative of UNOPS made a presentation on the implementation of the project: 'Pilot short- and medium-term finance to small-scale coffee farmers in Kenya', and invited Members to attend a demonstration of the IT software after the Council Session. Copies of this presentation can be downloaded from the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation0809.htm>). She stressed the urgent need to deal with the price risk component, which had not been addressed by the project in its current form. This had been highlighted at the previous Session of the Council. The IT component needed to be scaled up, and she invited support for a full roll-out of the product to

regions outside the pilot area including other countries, so that more farmers could benefit from it. Finally she noted the need to replicate the model for use in other agricultural products.

57. In discussions on this item, Members expressed their appreciation for the informative presentation. The ‘Coffee price risk management in Eastern and Southern Africa’ project had been approved by the CFC in 2001, and as the World Bank was no longer prepared to act as the PEA, the CFC had been requested to transfer the budget for this project to support the risk management component. This would enable the momentum of the project to continue, and information to be shared with countries in the region and used for other commodities. The ICO should make every effort to expedite the possibility of supporting the risk management component. The point was also made that the issue of price risk management would be considered by the Consultative Forum on Coffee Sector Finance.

58. The Council took note of this information and of document ICC-102-3.

Item 10: Seminar on the Coffee Berry Borer (CBB)

59. The Head of Operations said that Dr Romano Kiome of Kenya had chaired the Seminar on the Coffee Berry Borer which took place on Tuesday 17 May 2009, with the aim of informing Members about the results of initiatives to combat the pest, the latest developments in control measures and regional issues associated with the coffee berry borer. A copy of the Chairman’s report was distributed to Members and subsequently circulated as document ICC-102-5.

60. In discussions on this item Members expressed their appreciation to Dr Kiome for chairing the Seminar, to the excellent speakers for the quality and breadth of their focussed and informative presentations, and to the Secretariat for organizing the event. The Seminar had highlighted best practices and lessons learned in an area of critical interest to the coffee sector, and had facilitated a useful exchange of views. It was future-oriented and raised a number of options for further research and issues such as water and climate change. The need to disseminate the results of the Seminar as widely as possible and to make presentations available on the website for consultation by producers was highlighted. There was a need to follow up the Seminar and to consider how further use could be made of the information provided by the speakers, and the next steps to be taken by the ICO in this area. Members were concerned about the spread of the pest which caused significant economic costs to farmers. A global project on the most effective methods of addressing the pest could be considered. The information provided by speakers went beyond previous projects and a toolbox with the different methods and information to reduce damage caused by the pest was needed. The issue was linked with genetics and the possible disappearance of some coffee species because of deforestation. The ICO could help to establish a gene collection of the *Rubiaceae* family in countries such as Ethiopia and coordinate a germplasm programme.

This would be an attractive project for many countries and was also linked to climate change. The point was also made that the Seminar indicated a need for further research and it would be important to develop the proposal submitted by the Regional Programme for the Development and Modernization of the Coffee Industry in Central America, Panama, the Dominican Republic and Jamaica (PROMECAFE) which was approved by the Council in May 2008. Other countries including Indonesia and Mexico were interested in participating in this project. Members also noted that it would be useful to exchange information with CABI which was currently implementing a project on the CBB in Papua New Guinea.

61. The Executive Director said that the proposal for the Seminar had arisen as a result of a survey on pests and diseases carried out by the ICO which indicated that the CBB was a major problem for producing countries (document EB-3948/08). Regarding the coffee genome, the International Coffee Genome Network (ICGN) had made a presentation on this topic to the Executive Board, which had expressed its full support for taking forward this initiative. The ICO would continue to work with Members on developing a formal proposal for donors.

62. The Council took note of this information and further noted that the presentations and other papers from the Seminar were available for downloading from the ICO website.

Item 11: Studies and reports

Item 11.1: Study on fertilizer prices

63. The Council noted that document ICC-102-2 contained a study on the impact of fertilizer prices on coffee and further noted that Members were invited to provide any comments on this document to the Secretariat.

Item 11.2: Study on consumption in non-member countries

64. The Council noted that document ICC-102-1 contained a study on coffee consumption in non-member countries and further noted that Members were invited to provide any comments on this document to the Secretariat.

Item 12: Report by the Chairperson of the Private Sector Consultative Board (PSCB)

65. The Chairperson of the PSCB, Ms Florence Rossillion of the European Coffee Federation, said that the Board had met on 16 March 2009. The Executive Director had reported on the world coffee market and in the case of statistics, the PSCB had stressed the need for increased transparency, and to strengthen data on internal consumption in producing and consuming countries. The PSCB had noted that differentials had reached record levels

and more data was needed, although there were difficulties in collecting it. Members had been invited to give suggestions on improving statistics. In the case of food safety, the PSCB had noted that an EU document on ochratoxin A (OTA) was still awaited and that the Republic of Korea had introduced limits on OTA on green coffee. The Codex Committee on Contaminants in Food (CCCF) would review a draft code of practice on OTA at its meeting in March 2009. There were no significant changes to report in the case of acrylamide. Concerning furan, discussions with the authorities in Europe were at an early stage. The PSCB had received a report on the Coffee-Quality Improvement Programme (CQP) and a presentation had been made on the new grading system at NYSE Liffe. The Executive Director had reported on the status of the ICA 2007 and informed the Board that Japan would not accede to the ICA 2007. The Board had expressed its regret at Japan's decision. It had noted that the AJCA still wished to remain on the PSCB and requested that it should continue to participate in the PSCB. The Chairperson noted that private sector associations had little influence on Governments and could not interfere with political decisions. The PSCB also requested the Council to allow it to invite experts to provide technical advice at its meetings.

66. The Chairperson also reported that the PSCB had received presentations on the Positively Coffee Programme and the Healthcare Professions – Coffee Education Programme from the new Coordinator, Ms Joanna Scott. The Positively Coffee Programme was being reviewed after six years of operation. In European markets, most associations did not derive significant benefit as they had their own targeted programmes and websites, and care was needed with respect to the scientific content and message of the Programme. Representatives of other markets strongly recognized the value of this initiative. Funding was available for 2009 and ISIC would shortly conclude a review of the Programme. The PSCB had also received a report on the World Coffee Conference and discussed themes and topics, including climate change and carbon and water footprints. Representatives of the ICGN had made a presentation on the sequencing of the coffee genome and had requested support for this initiative from the PSCB and ICO. Finally she reported that there was a vacancy for an importing association on the PSCB, and PSCB representatives had been asked to inform their Governments if they were willing to be re-appointed for the next two coffee years, to enable the Council to consider this matter at its 103rd Session in September 2009.

67. In discussions on this item, the point was made that membership of the ICO involved costs and free participation in activities such as the PSCB could not continue indefinitely. The point was also made that there was provision for non-member countries to be represented on the PSCB, which currently included an association from a non-member country. There was a communication from a member of the PSCB, the National Coffee Council of Brazil, which was subsequently circulated as document PSCB-114/09. It was noted that this did not reflect the official position of Brazil.

68. The Council took note of this report.

Item 13: Report by the Chairman of the Statistics Committee

69. The Chairman of the Statistics Committee, Mr Jaime Junqueira Payne of Brazil, said that the Statistics Committee had met on 16 March 2009 (the report of this meeting was subsequently circulated as document WP-Statistics 137/09). He had chaired this meeting pending the election of a Chairman which had been deferred to September 2009. The Committee had considered a report on compliance with the Statistical Rules of the ICO. Performance was generally satisfactory, however provision of production and internal consumption estimates continued to be poor and exporting Members were urged to improve their performance. The Secretariat would continue its efforts to ensure that two importing Members, Bulgaria and Hungary, provided data on their coffee trade. With regard to the preparation of a manual of best practice by selected exporting Members, the Secretariat would request these Members for an update on progress. Brazil had reiterated its offer to provide assistance to African countries through the Brazilian Agricultural Research Agency (EMBRAPA) in Ghana, and interested Members should formally submit proposals to the Executive Director who would convey these to the Brazilian Government. At the request of Vietnam, the Executive Director would assist this country with a workshop on statistical and quality issues. This initiative was also of interest to Indonesia, which would submit a formal request for assistance to the Executive Director.

70. The Committee had recommended the approval of document WP-Council 179/08 Rev. 2 with some amendments (see paragraph 32 above), and would consider the Rules on Indicator Prices in September 2009. In the case of Article 2 of the ICA 2007, the PSCB had discussed this at its meeting on 16 March and had recommended that conversion factors should remain unchanged, except for the conversion of green coffee to green decaffeinated coffee, which should have a conversion factor of 1.05. The Executive Director would consult Members about this proposal.

71. The Committee had received reports on inventories and stocks, organic coffee and exports to exporting countries. In the case of the latter, it had stressed the need for all exporting Members to start providing reports on imports of coffee as early as possible. The Committee had noted that data on intra-EU re-exports would cease to be provided in the near future, and the EU would then be treated as a single market for statistical purposes. The Committee also requested exporting Members to update details on Certifying Agencies and ports from which coffee was exported as soon as possible (see document WP-Council 174/08), and to provide information on the costs of production as requested in document ED-2038/08.

72. The Council took note of this information and expressed its appreciation to the Chairman for his report. The Council noted that African Members interested in assistance from the EMBRAPA agency in Ghana should formally submit proposals to the Executive Director who would transmit these to the Brazilian Government. The Council further noted

that the EC had requested Hungary and Bulgaria to provide the necessary information to the ICO. Regarding statistical information from Japan, the Council noted that the ICO would take the necessary steps to ensure that it continued to receive statistical data either from the Government or the private sector in this country.

Item 14: Promotion Committee

73. The Chairman of the Promotion Committee reported that the Promotion Committee had met on 17 March 2009. The Committee had received a report on the implementation of the ICO network to promote coffee consumption, and had noted the need to find additional mediators. It had also received a report on programmes to promote coffee consumption. These were based on the Step-by-Step Guide to promote coffee consumption, funded by the Promotion Fund, which had attracted investments of over US\$30 million as a result of the original investment of US\$300.000. The Executive Director had reported on coffee and health programmes. In the case of the Positively Coffee Programme, exporting Members would need to discuss the future of the programme and their participation. Exporting Members had approved the Accounts of the Promotion Fund and Special Fund for the coffee year 2007/08. The issue of recapitalizing the Promotion Fund had been raised and Members had been invited to submit proposals for consideration at the next meeting. In the case of the Special Fund, exporting Members had decided that the funds should not be used at this time. The report of the Promotion Committee meeting was subsequently circulated as document PC-54/09.

Item 15: Phytosanitary matters

74. The Head of Operations informed Members that the CCCF would meet from 23 to 27 March 2009 and would discuss a draft code of practice for the prevention and reduction of OTA contamination in coffee, which had been developed by an electronic working group chaired by Brazil. A copy of this document was available to Members on request from the Secretariat (document CX/CF/09/3/8). The ICO had provided a number of comments on the draft code, including the point that in view of the reference to 12.5% maximum moisture content in Resolution 420, it would be preferable to align the draft code with Resolution 420 and amend the proposed limit of 12% to 12.5%. In addition, the ICO had noted that Resolution 420 specified that moisture content should be measured using the ISO 6673 method, which was relevant for the avoidance of possible divergences arising from differences in equipment and processes of analysis.

75. The Head of Operations also reported that, as noted in the PSCB meeting on 16 March, maximum limits on OTA had been applied in the Republic of Korea from 16 December 2008. These were identical to EU maximum limits in the case of roasted and soluble coffee. In the case of green coffee, a limit of 5 ppb had been introduced, and there were concerns about the advisability of this. Regarding acrylamide, a draft code of practice

was under consideration by Codex. Finally, he reported that the Codex Committee on General Principles would review a draft revised code of ethics for international trade in foods at its 25th Session from 30 March to 3 April 2009. The aim was to establish principles for the ethical conduct of international trade in food, thereby protecting the health of consumers and ensuring fair practices in the food trade. The Council took note of this information.

Item 16: Cooperation with other agencies

76. The Head of Operations said that the Executive Director would attend the regular annual meeting of the CFC and ICBs which would take place in Beijing on 30 and 31 March 2009, and invited Members to put forward matters to be raised at this meeting. He also informed Members that the FAO Committee on Commodity Problems was scheduled to meet in Rome from 20 to 22 April 2009. ICO staff had visited the United Nations Environment Programme (UNEP) in February 2009 to discuss cooperation between both organizations, including the revision of the Memorandum of Understanding. UNEP would prepare a list of priorities for cooperation and had been invited to make a presentation to the Council in September 2009. The ICO had submitted a paper on the impact of the economic crisis on the coffee sector for a meeting organized by the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD) on 23 January 2009. The Executive Director would attend a multi-stakeholder consultation on trade and development issues relating to coffee at UNCTAD on 8 April 2009. This would provide an opportunity to address the most pressing issues facing the world coffee economy. Finally, he said that UNCTAD had invited the ICO to review a case-study on coffee for its 2009 World Investment Report which would deal with ‘Transnational Corporations, Agricultural Production and Development’.

77. The Council took note of this information and further noted the importance of collaboration with other agencies.

Item 17: National coffee policies

78. The representative of Colombia made a presentation on coffee plantation renewal programmes in Colombia. The strategy included a Competitiveness Programme designed to maintain crop productivity in targeted areas, and a Permanence, Sustainability and Future Programme to renew ageing plantations in conventional crop areas. A strategy to encourage the use of fertilizers had also been implemented. Renewal programmes would reach at least 100,000 hectares annually, attaining a production level of 17 million bags in 2014. Copies of the presentation can be downloaded from the ICO website.

79. The Council expressed its appreciation for this report and noted the benefits of learning from the experiences and strategies of other Members. The Council further noted

the point that the programme was intended to improve existing plantations to ensure the future sustainability of the sector and increase competitiveness, rather than extending the area cultivated with coffee.

Item 18: Financial and administrative matters

Item 18.1: Administrative Accounts of the Organization for the financial year 2007/08 and Report of the Auditors

80. On the recommendation of the Executive Board, the Council decided to approve the Administrative Accounts of the Organization for the financial year 2007/08 and Report of the Auditors contained in document EB-3957/09.

Item 18.2: Other financial and administrative matters

81. The Chairman of the Finance Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 16 and 19 March. A report of the meeting on 16 March had been given to the Executive Board. At the meeting on 19 March, the Committee had discussed a revised draft budget (document WP-Finance 67/09 Rev. 1), a copy of which was circulated at the Session, to enable Members to discuss this in their capitals before the next Session of the Council in September 2009. The Secretariat had also prepared a cost analysis of activities which had been considered by the Finance Committee. The Committee queried whether the sum of £31,000 allocated for the programme of activities (document WP-Council 192/09) would be sufficient for the work of the Organization under the ICA 2007, and whether additional resources should be allocated for this item. He invited Members to consider the programme and make proposals for activities in 2009/10. The Committee would meet again in September 2009 to finalize the Budget and its recommendation to the Council.

82. In discussions on the programme of activities, the point was made that this was based on the strategic action plan, which had not yet been agreed by the Council. The annual programme of activities, which sets out priorities and resources for the next coffee year, should be defined once the plan had been finalized, and was linked to the Budget. It should demonstrate the value of the Organization to Members. It was suggested that it would be useful to produce more studies, such as on volatility and other topics, which should be a regular item. Provision for the Consultative Forum on Coffee Sector Finance should also be reflected in the regular programme. There was a need to be more active on best practices in a range of areas such as financing of the coffee sector, sharing information on developments in both consuming and producing countries. The programme also needed to provide guidance for the Secretariat with respect to the work of new Committees. In the case of additional statistical information, and the need to address gaps and cooperate with other organizations, this had implications for staff time and resources. In the case of projects, this was an

important area of work for the ICO. Concerning criteria for selection of projects, it was not clear how priorities would be established in practice, whether by the Council or Projects Committee. In the case of sustainability, the programme did not expand much on what was in the Agreement. Indicators in the programme were output rather than outcome oriented and could be improved in this respect. In the case of certification and verification, as highlighted by one Member at previous meetings, these activities should be undertaken by the private sector and not the ICO.

83. Where ‘regular’ was specified under resources, it was suggested that this should be clarified in terms of staff time. The allocation of funding in some areas was very limited, such as the sum set aside for e-training. It was questionable whether this activity would benefit countries which did not have well developed computer networks.

84. The Executive Director noted that much of the work in the programme of activities was carried out by ICO staff as part of their day to day responsibilities, and further noted that the implementation of new activities under the ICA 2007 might require additional staff. The Council took note of this report and of the need for Members to provide input to the Secretariat on the programme of activities.

Item 19: Other business

Consultative Forum on Coffee Sector Finance

85. The Council took note of a request for the Consultative Forum for Coffee Sector Finance to be launched in September 2009. Members could work with the Executive Director on invitations to speakers and other arrangements. The point was made that the Forum would only take effect under the ICA 2007 which had not yet come into force. It was suggested that it would be useful to initiate preparations for the Forum, in view of the impact of the economic crisis on small and medium-term producers, and a preparatory or pre-meeting of the Forum could be held. The ICA 2007 could come into force at any time and it was important to advance the work of the Forum. The Council noted that the Chairman would work with the Secretariat to ensure the Consultative Forum was considered by Members in September 2009.

Item 20: Future meetings

Côte d’Ivoire

86. The Council noted that in September 2008, the Government of Côte d’Ivoire had invited the Council to hold its 103rd Session in Côte d’Ivoire. The representative of Côte d’Ivoire made a presentation on this matter, a copy of which is available from the Secretariat.

87. In discussions on this matter, the point was made that as the World Coffee Conference would take place in Guatemala in 2010, it would be preferable not to hold two consecutive Sessions of the Council outside the ICO headquarters. It was also noted that meetings should normally be held at the ICO headquarters for budgetary reasons. The Council noted that Côte d'Ivoire would be willing to host a Council Session in 2011 and decided to accept its invitation to hold a Session in Côte d'Ivoire in March 2011, noting that the provisional date for this meeting was 21 to 25 March 2011.

Dates of future meetings

88. The Council took note of document WP-Council 189/09 containing the dates of meetings in 2009/10 and 2010/11 and noted that its next Session would take place in London from 21 to 25 September 2009.