



INTERNATIONAL COFFEE ORGANIZATION  
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ  
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ  
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### **Communication from Brazil**

#### **Background**

The attached document is being circulated at the request of the Parliamentary Coffee Front, which is part of the Brazilian Delegation.

#### **Action**

The Council is requested to take note of this document.

## COMMUNICATION FROM BRAZIL

Mr Chairman,  
Ambassadors and High Commissioners,  
Distinguished Delegates of importing and exporting countries,  
and in particular the Vice-Minister of Agriculture of Brazil  
Ladies and Gentlemen,

I bring greetings from the Brazilian Congress and thousands of Brazil's coffee growers.

The process of ratification of the new International Coffee Agreement (ICA) signed in 2007 led the National Congress and the Brazilian people to undertake a wide-ranging process of assessing this Organization and its contribution to world coffee production.

The analysis currently in progress by the Brazilian Congress has been taking into account the results achieved in the framework of the ICO during the last two decades, as well as the capacity of the new Agreement to meet the expectations of national coffee producers.

The end of the economic clauses and quota system of the Agreement (ICA) led to the liberalization of the international market, increasing competition among exporters. In the case of Brazil, as will be recalled, a liberal policy was followed for external marketing.

However, the supposed liberalization of the market have not produced the results expected. If, on the one hand, regulatory stocks in producing countries were disposed of, new stocks were built up in importing countries, transferring power in relation to price-formation to these countries and accentuating the imbalance between a fragmented supply and an oligopolized demand.

Consequently, whereas in the 1980s the share of the raw material in the value of the final product was around 30%, it is now below 15% and, in some years it was as low as 7%. Far from bringing about a balanced market, liberalization led to greater concentration of economic power and impoverishment of producers.

The marketing of coffee at prices below production costs has not permitted remuneration of productive activity and the renewal of coffee trees, elements which are essential for the survival of the sector. The disparity between production costs and prices on the world coffee market entailed considerable indebtedness for a large number of coffee growers, particularly in the case of small producers.

The emergence of futures and derivatives coffee markets may have offered instruments for exchange rate hedge, but produced speculation, depressed prices and accentuated volatility. At the same time, there was a steep rise in the costs of inputs such as land, labour and fertilizers.

The devaluation of the United States dollar, which is the reference currency for coffee price quotations, contributed to the worsening of the coffee crisis in producing countries and a consequent deterioration in purchasing power.

Faced with the world coffee crisis, multilateral cooperation in the framework of the ICO has been unable to produce consistent results for the economic sustainability of world coffee production. There is increasing frustration on the part of exporting countries in regard to the tangible benefits generated by the Organization.

The ICO, with its long experience, has to assess the current situation of the coffee sector and make the changes needed to truly serve coffee growers in producing countries. The Organization should have the determination and political courage to face the real challenges of the world coffee economy, and this means that it should not evade discussion of the main topic of interest to producers, namely remunerative prices.

Ladies and Gentlemen,

Through the ICA 2007, the ICO should signal a change in direction in defending the real interests of world coffee production and a new paradigm in collaboration between producing and consuming countries.

In the legal context of the new Agreement there is room for strengthening the activities of the Organization in relation to economic sustainability.

Discussions of the development strategy for coffee, the strategic action plan for the period 2009-2014 and the programme of activities for the Organization for coffee year 2009/10, which will begin during this Session of the Council provide an ideal context to redefining the priorities of the Organization, with greater emphasis on economic issues.

The issues that should be emphasized include increased participation by producing countries in the coffee value chain, identification and elimination of tariff and non-tariff barriers and practices which are harmful to adding value, such as tariff escalation, as well as the creation of finance mechanisms that will enable producers to re-take control of the price-formation process.

I would urge the Governments represented here to revise their positions in relation to the provision of effective support for the economic sustainability of world coffee growing, since collaboration between producing and consuming countries is of vital importance for the establishment of a constructive agenda in the search for a favourable situation for all those whose main activity is coffee.

The Brazilian Government is ready to cooperate with all the other ICO Members towards this end. The economic prosperity of producers is the best way to ensure the sustainability of world coffee production, including its social and environmental pillars.

Thank you.