



INTERNATIONAL COFFEE ORGANIZATION
INTERNACIONAL DEL CAFÉ
INTERNACIONAL DO CAFÉ
INTERNATIONALE DU CAFÉ

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**Report of the Promotion and Market
Development Committee on the meeting
held on 8 March 2012**

1. The Promotion and Market Development Committee met in London on 8 March 2012 for the third time under the 2007 Agreement.

Item 1: Adoption of the Agenda

2. The Committee adopted the draft Agenda contained in document PM-11/11 Rev. 2.

Item 2: Election of the Chairman and Vice-Chairman for 2011/12

3. The Committee decided to appoint Mr Andrea Illy of EU-Italy as Chairman and Mr Rodolfo Trampe of Mexico as Vice-Chairman for 2011/12.

**Item 3: Promotion and market development under
the International Coffee Agreement (ICA) 2007**

4. Mr Andrea Illy made a presentation on a 2012-2015 programme proposal to the Committee. A copy of his presentation is available on the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation1112.htm>). He outlined the historical background to ICO promotion programmes and their positive contribution to the development of the coffee sector in the ten years since the crisis of low prices in 2001. Since then, the situation had changed, with a deficit in production, consistently high prices, de-commoditization, increased differentiation and value added, uncertainty about how future demand would be met, and dynamic growth in consumption in developing countries. To prevent a new crisis, improve livelihoods in developing countries, consolidate results already achieved and attract resources for promotion, he recommended that the Committee's efforts should continue, with renewed objectives and a holistic

multi-stakeholder approach. The objective should change from promoting coffee consumption to promoting value and differentiation through a multi-stakeholder network of partners, with two strategic goals. The first goal would be to promote value through quality, health, sustainability and differentiation, by building a multi-stakeholder network of partners. Possible actions could include measuring the impact of the main value components on coffee consumption; continuing existing knowledge dissemination programmes, such as the Healthcare Professions – Coffee Education Programme (HCP-CEP), and stimulating new ones; and including holistic claims about coffee in communications. The second goal would be to support producing countries in de-commoditizing coffee through programmes to increase returns, with a particular focus on small growers and emerging countries, with the ICO acting as a facilitator and knowledge provider. Possible actions could include developing a common framework manual on best practices and working in partnership with other institutions and non-governmental organizations involved in agriculture. The next steps would be to prepare a feasibility study including consulting stakeholders, recruiting partners, allocating resources and developing a plan for approval by the Council in September 2012.

5. In discussions on this item Members expressed their appreciation to Mr Illy for this presentation and noted the importance of activities in promotion and market development. The point was made that coffee made an important contribution to economic development. It would be helpful to have more information about the key factors relating to consumption and the impact of different drivers, and this was an area that the ICO could assist with. Although prices had increased, the returns in real terms to growers were lower than in the 1970s. Although some roasters had made losses in the last year because of the economic climate which had made it difficult to pass on price increases in the raw material, coffee only accounted for a relatively small share of the retail price, with other factors such as packaging and marketing accounting for a larger proportion. The economic crisis had had an impact on the largest consuming markets. It was too early to say how this would affect the sector and price increases or cost-cutting in segments of the value chain, but it was likely that the market would reorganize itself rather like an hour glass with a larger differentiated market and also increased low cost production. Exporting Members had clear strategies for their competitive advantages and structural factors and would adapt to this. In the case of certified coffee, while this had been helpful in alleviating the impact of low prices on producers, consumers paid more but got the same quality product and so tended to consume this type of coffee irregularly and to revert to their preferred blends; improving the value and quality of what was offered would be helpful. While it was not possible to control the market, strategies could be developed to have more information about it and to facilitate consumption and improve levels of development.

6. The Committee took note of this information and agreed that it should consider a plan in September 2012 and put this to the Council.

7. Mr Ric Rhinehart of the Specialty Coffee Association of America (SCAA) made a presentation on the importance of early engagement with coffee drinkers, noting that of 157 million people in the US who drank coffee, some 84% began consuming it before they were 25 and most of these people would continue to drink it for the remainder of their lives, while only 4% became coffee drinkers after age 35. A study amongst 18-24 year olds had shown that the quality of coffee was a strong element of brand loyalty, and around 47% of this age group consumed gourmet coffee compared to 34% in those aged over 40. Key factors included starting young, starting with quality and remaining authentic. A copy of his presentation is available on the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation1112.htm>). The Committee took note of this information.

Item 4: Promotion activities

Item 4.1: CoffeeClub

8. The Executive Director said that the upgrading of CoffeeClub to become compatible with other social networks such as Facebook, Twitter and LinkedIn would be completed in March 2012. Mediation would need to be intensified and diversified in order to expand membership once the upgraded CoffeeClub was available and he encouraged Members and the private sector to participate more actively in it. The Committee took note of this information.

Item 4.2: Coffee and health

9. The Committee noted that the HCP-CEP, which had been co-funded by the Institute for Scientific Information on Coffee (ISIC) and national coffee sectors, had proved successful with tangible benefits, such as in Spain, where the level of daily coffee consumption recommended by General Practitioners (GPs) had increased to 4 to 5 cups from 1 to 2 cups at the start of the programme. ISIC considered that it was timely for national coffee sectors to continue to do this work on their own, although it would continue to provide support through research and analysis and the Coffee and Health website. The Committee also noted that the European Food Standards Authority (EFSA) had evaluated three positive health claims for coffee relating to hydration, alertness and physical performance. In the case of hydration, all non-water beverages had been eliminated, while alertness and positive performance were currently on hold, despite scientific backing for them, and further contacts would be made with the EFSA with respect to both issues.

Item 4.3: Research

10. The Executive Director reported that the 24th ASIC International Conference on Coffee Science would take place in Costa Rica in November 2012. Information was available on the website (asic2012costarica.org) and he encouraged Members to inform representatives of the coffee sector in their countries about this event. In previous years, exporting Members had agreed to make contributions to ASIC Conferences from the Promotion Fund, ranging from US\$2,000 for the Conference held in Indonesia in 2010 to US\$10,000 for the Conference held in Brazil in 2008. Only US\$9,150 now remained in the Promotion Fund and he proposed that this could be allocated to providing support for the 2012 Conference. The Committee noted the support expressed by exporting Members for this proposal and that ASIC would be informed about this¹.

**Item 5: Implementation of the
Coffee Quality-Improvement Programme (CQP)**

11. The Head of Operations introduced document PM-13/12 containing a report on the CQP for calendar years 2005 to 2011. He said that 22 of the 33 Members of the ICA 2007 were implementing Resolution 420 fully, accounting for around 65% of world exports in the period 2005 to 2011. During this period, the volume of green coffee exported by Members who regularly provided information averaged 57.3 million bags out of total world exports of green coffee of 88.2 million bags, and 61.2 million bags (65.3%) in 2011.

12. The Head of Operations also introduced document PM-12/12 containing a report on gradings for Arabica and Robusta coffees for calendar years 2005 to 2011. In the case of Arabica coffee graded by ICE during the period covered by the report, the pass levels on grade fell for the first time, from 92.2% in 2010 to below 80% in 2011, and the cup analysis results fell from 85.7% to 78.9% in the same period. Pass levels of colour analysis however increased from 86.3% in 2010 to 89.8% in 2011. The volume of Robusta coffee graded by NYSE Euronext from 2005 to 2011 deemed to be below the standards of Resolution 420 amounted to 9.97 million bags (53.9%) out of a total of 18.48 million bags graded in that period. 442,667 bags had received the 'P' premium grade since it was introduced in 2009, with around 75% originating from Vietnam and India. Vietnam was the origin of the highest volume of coffee rejected with 69.3% rejected during 2011 and 71% of all coffee below standards since 2005.

¹ The amount of US\$9,150 was subsequently revised (see paragraph 29 of document ICC-108-10).

13. With respect to the Executive Director's request for information on national coffee quality standards (see document ED-2124/11), Brazil and the Czech Republic had recently sent replies in addition to responses previously received from Brazil, Colombia, Costa Rica, Ecuador, Haiti and Mexico. All Members were reminded of the need to send information with a view to considering re-examining quality standards at a future Council session.

14. The Committee took note of this information.

Item 6: Phytosanitary matters

15. The Committee noted that the Private Sector Consultative Board (PSCB) had received updates and presentations on phytosanitary matters including Ochratoxin A (OTA), acrylamide, legislation on Maximum Residue Levels (MRLs) as well as on the development of consumer information on labels concerning nutrition and origin. Copies of these presentations were available on the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation1112.htm>).

Item 7: Other business

16. There was no other business to discuss.

Item 8: Date of next meeting

17. The Committee noted that the next meeting would take place in London at the time of the 109th Council Session from 24 to 28 September 2012. The Committee further noted that it would be helpful if its meetings could be scheduled closer to PSCB meetings to allow interested private sector associations to participate in both meetings.