



**Report of the Promotion and Market
Development Committee on the meeting
held on 30 March 2011**

1. The Promotion and Market Development Committee, chaired by Mr Henry Ngabirano of Uganda, met in London on 30 March 2011 for the first time under the 2007 Agreement.

Item 1: Adoption of the Agenda

2. The Committee adopted the draft Agenda contained in document PM-1/11 Rev. 1.

Item 2: Chairman and Vice-Chairman

3. The Committee decided to appoint Mr Henry Ngabirano of Uganda as Chairman and a representative of the European Union¹ as Vice-Chairman for 2010/11.

Item 3: Promotion activities

Item 3.1: ICO CoffeeClub Network

4. The Executive Director a.i. said that, as reported in September 2010, the ICO had established a Memorandum of Understanding (MOU) to hand over management of the ICO CoffeeClub Network to the consultants (P&A International Marketing) with a view to recovering some of the original investment of US\$114,500 for the Organization. A copy of the MOU was available for inspection by interested Members.

5. The consultant made a presentation on the CoffeeClub Network which had been redeveloped at no additional cost to the ICO (a copy of this presentation is available on the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation1011.htm>)). He reported that the website had been updated using the concept

¹ *Name to be confirmed.*

of 'connecting the coffee world' and would become operational in the next two to three weeks under the new name of 'Coffeeclub'. It was expected to serve as the coffee space, providing a modern user-friendly platform which would enable users to post profiles, opinions and links and find information on coffee and business opportunities. The new layout included the possibility of customization for each user. There were three types of communities (basic, upgraded and premium) and a forum with videos and photos. The goals of the revamped website were to increase numbers of visits and members, establish partnerships with companies and institutions, launch new services and applications and develop economical sustainability. In conclusion, CoffeeClub was a free and easy-to-use social network with over 1,300 members, attracting 50,000 visits and 130,000 page views per year from 170 different countries. It offered a fully customizable platform, and was one of the most advanced social networks specialized in connecting the coffee world. He encouraged Members to use the new website and promote it in their countries.

6. The Committee took note of this report and expressed its appreciation for this update, noting that a link to the CoffeeClub could be found on the ICO homepage.

Item 3.2: Programmes to promote coffee consumption

7. The consultant said that the entry into force of the 2007 Agreement provided an opportune moment to take stock of ICO programmes and activities to promote coffee consumption. Consumption was currently growing at around 2 – 2.5% per year, with the highest growth rates seen in producing countries and emerging markets. This trend might not be sustainable given that green coffee prices were high, stocks were low and roasters' margins were being squeezed. The ICO had always played an important role as a catalyst in promoting consumption with activities such as coffee festivals, coffee and health programmes and the Step-by-Step Guide to Promote Coffee Consumption, and should take a long-term view to ensure that the outlook for future consumption remained bright. He suggested that the Organization should analyse what had been achieved in the past, including looking at lessons learned, the impact of promotion activities, reviewing initiatives and strategies of producing countries and coffee companies to increase consumption, and identifying barriers to consumption. It could then design a strategic plan on how best to tackle promotion in the future and create projects to seek funding, bearing in mind potential sources of financing while doing so. The Committee took note of this information.

Item 3.3: Coffee and health

8. The Executive Director a.i. said that the Private Sector Consultative Board (PSCB) had received reports on the Positively Coffee Programme and the Health Care Professions –

Coffee Education Programme (HCP-CEP) at its meeting on 28 March 2011. In the case of the HCP-CEP programme which was co-funded by the Institute for Scientific Information on Coffee (ISIC) and national coffee sectors, nine countries were participating in this initiative which had resulted in tangible benefits. In the case of the Positively Coffee Programme, this activity was now completely funded by ISIC. The environment for it was changing in the light of EU Health Claims legislation which had very strict requirements for the scientific substantiation of claims. The Programme was being improved, with a new brand identity, and a new website was being created which would be merged with that of the Coffee Science Information Centre (CoSIC). Collaboration between ISIC and the ICO was being reviewed and would continue. He noted that if the Organization did not contribute to the Programme in some way, it would be difficult to maintain it under the umbrella of the ICO. Although the resources of the Promotion Fund were almost depleted, it was important for the ICO to maintain its links with this initiative as far as possible. The Committee took note of this information.

Item 3.4: Research

9. The Executive Director a.i. said that in 2009/10, exporting Members had agreed to make a financial contribution of US\$2,000 to the 23rd International Conference on Coffee Science which took place in Bali, Indonesia from 3 to 7 October 2010. The Association for Science and Information on Coffee (ASIC) had expressed its appreciation for this contribution and the Chief Economist had represented the Organization at the event. ASIC was finalizing the Conference proceedings which would be available for consultation in the ICO Library in due course. At the Committee meeting, the local representative of ASIC in Indonesia had expressed his appreciation for the ICO's contribution to the Conference which was attended by over 300 delegates from 34 countries.

10. The Committee took note of this report and further noted that the next Conference would take place in Costa Rica in 2012, and all Members were encouraged to participate.

**Item 4: Implementation of the
Coffee Quality-Improvement Programme (CQP)**

11. The Executive Director a.i. introduced document PM-4/11 containing a report on the CQP for calendar years 2005 to 2010. He said that 28 countries (accounting for 65% of world exports in that period) were implementing Resolution 420. For this period, the volume of green coffee exported by Members who regularly provided information averaged 56.6 million bags out of total world exports of green coffee of 87.5 million bags.

12. The Executive Director a.i. also introduced document PM-3/11 containing a report on gradings for Arabica and Robusta coffees for calendar years 2005 to 2010. In the case of Arabica coffee graded by ICE during the period covered by the report, the pass levels on grade analysis had achieved an average of 92% in the period. The cup analysis results had improved from pass levels of 72% in 2006 to over 85% in 2010, while pass levels of colour analysis fell from 98% in 2005 to 86% in 2010. The volume of Robusta coffee graded by NYSE Euronext from 2005 to 2010 deemed to be below the standards of Resolution 420 amounted to 9.07 million bags (63.2%) out of a total of 14.35 million bags graded in that period. In 2009, a new 'P' premium grade had been introduced, exceeding the usual classification standards, which had resulted in 196,667 bags receiving this grade. The volume of coffee graded by NYSE deemed to be below the standards therefore represented 65% of the total volume graded. Vietnam was the origin of the highest volume of coffee rejected with 6.46 million bags in total during the period. The launch of new quality standards in Vietnam and the increase in the size of lots graded by NYSE from 5 to 10 metric tonnes might have contributed to a drop of nearly 88% in the volume of coffee graded (deemed to have failed the CQP standards) from 1.63 million bags in 2009 to only 201,000 in 2010.

13. The Executive Director a.i. also reported that he had circulated ED-2100/10 requesting Members to send the ICO the latest information about their national coffee quality standards including grading and classification systems, together with copies of relevant documents, with a view to considering quality standards at a future meeting. Only Colombia and Ecuador had replied to date and he urged all Members to send this information to the ICO. Finally he noted that as reported at the PSCB meeting on 28 March 2011, the Global Coffee Quality Research Institute (GCQRI), an initiative which was aimed at increasing overall cup quality and available volumes of specialty coffee through research interventions in origin countries, had held its first meeting in October 2010 and was scheduled to meet again in April 2011 in Nicaragua.

14. The Committee took note of this information and of documents PM-3/11 and PM-4/11. It further noted that since 23 February 2011, Brazil had been implementing a programme of quality standards for industrialized coffee sold in the internal market, with a minimum quality standard taking into account humidity and purity. The programme included training coffee graders. Once the standards were fully implemented, there would be a second stage which could include sensory evaluation of the coffee. Finally the Committee noted the importance of improving the quality of coffee as a means of increasing coffee consumption.

Item 5: Phytosanitary matters

15. The Executive Director a.i. said that the PSCB had received an update on phytosanitary matters at its meeting on 28 March 2011. The ICO had circulated ED-2087/10 and ED-2100/10 requesting Members to send details of MRLs for pesticides used in the coffee production process and details of the methodology used for calculating MRLs, together with copies of relevant studies. Replies had been received from Brazil, Colombia, Costa Rica, Ecuador, the EU, Kenya and Rwanda. He reminded all Members to send updated information so that a report could be prepared for a future meeting. Finally he reported that the Codex Alimentarius Committee on Pesticide Residues would meet in Beijing from 4 to 9 April 2011.

16. The Committee took note of this information and of an update on acrylamide issues in the USA, in particular in the State of California involving Proposition 65 which related to environmental and water hazards. Lawsuits were being brought against companies in the coffee sector alleging that they were failing to warn that coffee contained acrylamide. The National Coffee Association of the USA had put together a joint defence on this issue. Another case in California related to an action by the Sierra Club, which if it prevailed, would mean that coffee would be included in the labour code and Proposition 65 lists as potentially carcinogenic. The outcome might be that packaging would have to include labels warning that coffee included carcinogenic materials. There was a concern that if such actions prevailed, this could have a ripple effect and generate negative publicity about coffee and health which could impact on consumption as well as having cost implications for packaging, etc.

Item 6: Promotion and market development under the ICA 2007 and

Item 7: Financing for promotion and market development

17. The Committee decided to consider Items 6 and 7 together. The Executive Director a.i. said that an action plan for promotion developed under the previous Agreement had been circulated for information (document PC-13/03 Rev. 2), and an analysis of expenditure by the Promotion Fund during the previous Agreement had also been prepared (document PC-56/09). The terms of reference for the Committee (Annex IV of document ICC-106-4) provided that it should advise and make recommendations to the Council on the promotion of consumption and market development matters including market development plans, promotion of consumption and activities including information campaigns, research, quality improvement, capacity-building and studies related to coffee production and consumption; coffee and health and analysis of new proposals. It should also advise and make recommendations to the Council on the arrangements for financing promotion and market development activities through voluntary contributions from Members, non-

members, other organizations and the private sector. Members had been invited to submit proposals for the recapitalization of the Promotion Fund at previous meetings, most recently in September 2010. No proposals had been received although the Promotion Committee had noted at this time that Brazil was considering ways of continuing activities on promotion under the 2007 Agreement and hoped to make a proposal in the future. Only US\$9,139 now remained in the Promotion Fund.

18. The Committee took note of this information and noted that Members would need to provide input for future activities and consider how to generate resources to implement promotion and market development plans. It urged Members to send the Executive Director a.i. ideas on how to develop activities and finance in this area and noted that this matter would be further discussed at the next meeting.

Item 8: Financial matters

Item 8.1: Promotion Fund

19. The Executive Director a.i. said that, as decided in September 2010, the Accounts of the Promotion Fund would not be audited until significant activity resumed and would be circulated for information. The Committee took note of this information and of the Accounts of the Promotion Fund for the financial year 2009/10 contained in document PM-2/11.

Item 8.2: Accounts of the Special Fund for the financial year 2009/10 and Report of the Auditors

20. The Committee noted that the Accounts of the Special Fund and Report of the Auditors for the financial year 2009/10 contained in document SF-43/11 should be approved by all exporting Members during the Council.

Item 9: Other business

21. There was no other business to discuss.

Item 10: Date of next meeting

22. The Committee noted that the next meeting of the Promotion and Market Development Committee would take place in London at the time of the 107th Council Session from 26 to 30 September 2011.