



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

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**Report of the
Private Sector Consultative Board
on the meeting of 28 March 2011**

1. The Private Sector Consultative Board¹, chaired by Mr Robert Nelson of the National Coffee Association of the United States, met for the 32nd time on 28 March in London.

2. The Chairman expressed the Board's concern and support to the people of Japan through the All Japan Coffee Association. The Executive Director congratulated the NCA on its 100th anniversary meeting which he had attended in New Orleans in March and which had been very well organized.

Item 1: Adoption of the Agenda

3. The PSCB adopted the draft Agenda contained in document PSCB-125/11 Rev. 2.

Item 2: Report on the meeting of 20 September 2010

4. The PSCB approved the report on the meeting of 20 September 2010 contained in document PSCB 124/10.

Item 3: Coffee market situation

5. The Executive Director introduced an analysis of the coffee market situation contained in the Monthly Coffee Market Report of February 2011. He reported that the market had recorded further increases to their levels in January 2011 and the ICO composite indicator price now stood at 216.03 US cents per lb, the highest level since June 1977. Other market fundamentals remained unchanged: there was limited availability of Arabica coffee

¹ Please see list of acronyms at the end of the document.

on the international markets; domestic consumption in Brazil was strong; world stocks were at their lowest levels for many years; and high levels of production in Brazil in crop year 2010/11 had not had a negative impact on prices.

6. He introduced documents WP-Council 207/10 containing, inter alia, the fourth official estimate of the Brazilian coffee crop for 2010/11 and WP-Council 209/11 containing the first official estimate for 2011/12. He drew the Board's attention to a series of graphs which illustrated the strength of prices, in particular a graph showing prices in real rather than nominal terms against the UN Manufacturing Index² and the US Consumer Price Index: to put this into context, this showed that prices are not quite at the historical highs as they appear, but are at roughly the same level as the mid 1990's. Further graphs showed the low level of stocks, which represented a significant factor in the rise in prices. In terms of consumption, Brazil was continuing to increase and, although some markets such as the United Kingdom and Italy showed signs of a small decrease, most remained buoyant.

7. The Board took note of these reports.

Item 4: Coffee and health

8. The delegate from the ECF reported that little had changed with respect to the Positively Coffee Programme since September 2010. Work had continued on the new website which, he reminded the Board, was designed to replace the former website which had become increasingly redundant because of the more stringent health information requirements prevalent in the European Union. The new website would be merged with CoSIC's website and was due to be launched in April 2011. Turning to the HCP-CEP programme, he reported that work had continued and that a regular meeting of European coffee associations had taken place in February 2011 which had constituted a most useful exercise. The Executive Director informed the Board that he had attended a meeting of the CFC in Lisbon in February and he wished to record the Portuguese Coffee Association's appreciation of the work of HCP-CEP.

9. The Board took note of these reports.

Item 5: Coffee Quality-Improvement Programme (CQP)

10. The Executive Director introduced document PM-4/11 containing a progress report on the implementation of the CQP programme for coffee years 2005 to 2010: 28 countries had implemented Resolution 420 which accounted for circa 65% of world exports during the

² UN index of unit values of exports of manufactured goods from developed market economies.

five year period, while the volume of green coffee exported by the countries participating in the programme averaged 56.6 million bags out of total world exports of green coffee of 87.5 million bags.

11. He also introduced document PM-3/11 which contained a report on gradings for Arabica and Robusta coffees for calendar years 2005 to 2010. The pass levels of Arabica coffee had been consistent throughout the period, achieving an average of 92%, while the volume of Robusta coffee graded by NYSE Euronext deemed to be below the standards of Resolution 420 amounted to 63.2%.

12. The Board took note of these reports.

Item 6: Food safety aspects

13. The Chairman welcomed the Adviser and the Executive Director of the AJCA who made a presentation on a survey report about agrochemical residue contamination. The Adviser noted that the Japanese nation was very concerned about this issue; the Government of Japan had amended the Food Sanitation Law and introduced a positive list system in order to measure agrochemical residues in 2006. It had decided to apply a uniform standard of 0.01 ppm as the MRL for agrochemicals. As a consequence, the AJCA decided to investigate the current situation of agrochemicals registered and actually used in 24 producing countries, which covered 99% of Japan's coffee imports. When a pesticide was detected with a higher level of MRL, the Government issued a Mandatory Inspection Order to the country in question: this would cover all imports which were then inspected by quarantine officers. He reported that, despite their efforts, some pesticides were detected with higher than the permitted MRLs and the Orders had been issued to a limited number of producing countries. Some of these Orders had now been removed, but Orders were still in place in the case of Ethiopia and Indonesia. Information concerning the survey was contained in a CD-Rom which was distributed at the meeting: the CD-Rom contained the 2009 edition based on actual survey results in 2008, while the 2010 edition was currently being prepared. The Adviser recommended to the Board that both producing and consuming countries gather this information in order to understand and control the extent of this problem which remained one of the highest concerns for the AJCA.

14. The delegate from the ECF thanked the AJCA for the information and confirmed from their own experience how hard it was to obtain this information. The Executive Director drew the attention of the Board to the request contained in document ED-2087/10 to countries concerning MRLs: the Secretariat had so far received replies from Colombia, Brazil and Ecuador. He noted that one of the tasks of a recently recruited member of staff would

be to follow this up. He asked if he might take advantage of the presence of the AJCA to ask their view on the consequences of the earthquake and tsunami: the Adviser commented that it was too early to say, but his feeling was that the infrastructure problems were likely to be less than, say, after the Kobe earthquake.

15. The Chairman asked the delegate from the ECF to comment on OTA. The latter remarked that they had worked hard to achieve the situation of no limits on green coffee. However, this was not the case with finished goods, and this issue would not disappear.

16. Turning to acrylamide, the delegate from the ECF reported that there was new information. The debate had continued in the European Union. He reminded the Board that acrylamide was found in a wide range of products: this was a food issue, not a coffee issue. The EU had implemented a three year monitoring regime in 2007 and they had not yet seen the 2009 results. In January 2011 the EU Commission had recommended a half way house containing indicative values of 450 mg per kg: if quantities were found above this level, the authorities would discuss this with the food manufacturers. This would apply to all food manufacturers, not merely coffee. This was not an easy discussion because there was little one could do in the case of coffee: one could alter the time and temperature of roasting, with adverse effects on taste and other sensory aspects, but in essence little else. The ECF continued to conduct research with academic and other bodies and they would keep their finger on the pulse.

17. In response to a question concerning the importance of the limits, the delegate from the ECF replied that the limits were set at 90% of what was found in the monitoring values: soluble coffee had been set at 900 mg per kg, which was just tolerable, while roasted coffee had been set at 450 mg per kg, which was more challenging, particularly in the case of lightly roasted coffee. The delegate from ASOEXPORT asked if there had been any discussion regarding labelling. The delegate from the ECF replied that there had been none in Europe. However, they were looking with apprehension at what was happening in California in relation to Proposition 65. The approach in Europe had been collaborative and the authorities had recognized that this was a general food issue; from all the research available, coffee did not increase the risk of cancer, but one could not isolate the components and there were a number of continuing studies.

18. The Chairman reported on the situation in California. It had been very difficult to engineer a similar shift of emphasis from coffee to general food. The litigation was all concentrated in California where a motion had been filed in which the plaintiffs maintained that roasters had failed to warn consumers that coffee contained acrylamide which, per the plaintiffs, was known to the State of California to be carcinogenic. In a second case, a notice

to file a motion had been served on several roasters and retailers and the NCA had been working with coffee companies to respond. The ultimate fine could be US\$2,500 per incident, which could be defined as every package or cup of coffee sold since 2002. The manufacturers of French fries, who had been subject to a similar suit, had settled, as had those of hamburgers. One national hamburger chain reputedly spent many tens of millions of dollars prior to settling. There was a school of thought in California that there were already so many warning signs posted on retail establishment walls that another one would not matter. However, it would be more serious and significantly more costly if this extended to packaging. The NCA is currently preparing responses.

19. Should the plaintiffs ultimately prevail in a third case, known as the Labor Code Case, a broader warning indicating that coffee itself was known to the State of California to be carcinogenic would likely be required. The NCA is one of the entities financing a response to this. The NCA is also a co-plaintiff in a fourth case arguing that the chemical 4-MEI should be removed from California's list of carcinogenic substances. The NCA's view was that the issue related to California's environmental law, commonly known as Proposition 65, and would continue; there was little chance for legislative change; and that the ultimate solution would be to amend Proposition 65. However, this was an expensive proposition since it would cost some US\$0.5 million to undertake research to ascertain if this were possible and a successful campaign could run to US\$30 to 50 million.

20. The Executive Director thanked the Chairman for this valuable information and asked if it was available in a presentation. The Chairman told the Board that the information was available on the NCA website. This was subsequently confirmed as: http://www.ncausa.org/files/SAG_NCA_2011_FINAL_Presentation.pdf

21. The Board took note of these reports.

**Item 7.1: Entry into force
and**

Item 7.2: Consultative Forum on Coffee Sector Finance

22. The Executive Director reported that the ICA 2007 had entered into force under the provisions of Resolution 444 on 2 February 2011 and that a large number of countries had completed the entry procedures. This had not been the case with the 2001 Agreement and the consequence of this had been significant financial problems for the Organization. Nearly 90% of exporting Members, in terms of votes, had ratified the Agreement.

23. The Chairman noted that the entry into force meant that, inter alia, the Consultative Forum on Coffee Sector Finance, would come into being, which, he felt, provided an unusual opportunity: he expressed the hope that it would be developed in the manner of the PSCB with a mixture of government and private sector input, experts would be invited to make information presentations and discussions, while he would look to the Secretariat to disseminate information. He referred the Board to document PSCB-117/09 as a catalyst and generator of ideas. The delegate from the SCAE agreed that this represented a phenomenal opportunity and that the idea of taking the PSCB as a model was excellent.

24. The Board took note of these reports.

Item 8: Items under continuous review

25. The Executive Director reported that the ICGN had been the subject of extensive discussions at the ICO and he referred Members to document ED-2105/10 requesting Members to send him information relating to data and research on the coffee genome by 30 April 2011. No replies had yet been received and he urged interested parties to reply by the deadline. This would be followed up in September 2011 when a meeting would take place with the ICGN and Members during the Council meetings in order to review different initiatives being carried out, establish priorities for the future and explore potential sources of finance.

26. There were no other points raised under this Item. The Board took note of the report.

Item 9: PSCB representative and office holders

27. The Chairman reported that proposals for representation on the PSCB for the next two coffee years, 2011/12 and 2012/13 would be considered by the Council in September 2011. The Secretariat would issue an ED document inviting Members to consult their current PSCB representatives to ascertain if they would be willing to be nominated for a further two years, or to suggest alternatives, as appropriate. He asked PSCB members to advise their governments if they were willing to be reappointed so that a list of nominees could be circulated in good time for the September meetings. He also drew the Board's attention to the fact that there were only seven consumer representatives at present. He asked members to consult their governments so that the Council could designate another representative for the next two coffee years.

Item 10: Other business

28. The representative of the SCAE observed that there were seven empty seats at the meeting. He felt there was a need to look more imaginatively at the Agenda in order to focus on items which were relevant to the members. He suggested that members should be asked to make a brief presentation on what was relevant to them: this could extend beyond coffee issues and could explore wider association management issues. He felt that the Agenda was too static: the Board was a unique institution and it should provide an excellent forum to talk about issues of the moment. He suggested that the Board could also pick a topic in advance of its next meeting and ask members to make presentations on that topic.

29. The Chairman agreed with the delegate of the SCAE: he liked the idea of asking members to make presentations, perhaps on the subject of the three biggest issues which their Association was facing. He felt it might also be useful to organize work sessions outside the PSCB meeting itself. The delegate from the SCAA felt that the participation of some PSCB members in the Committees of the ICO might be valuable. However, the schedule did not really encourage this. He endorsed the suggestions regarding new ideas and the need to rejuvenate.

30. The delegate from the ECF welcomed these thoughts and added that the Board should remember its original purpose, which was to inter-act with the Council on topics which were on the latter's Agenda. He suggested that the PSCB's Chairman should be involved in planning the meetings. The delegate from ASOEXPORT agreed that it was important to return to the rationale underlying the creation of the PSCB which had different issues and problems and he suggested that experts could be approached to discuss such subjects as differentials and prices. The delegate from AEKI agreed that this was an important subject because it was also the start of a new Agreement: the Board needed better, more pro-active representation; they were invited to suggest topics for each meeting, but rarely did so. He noted that the PSCB was an advisory body and was not given sufficient thought within the Council. He also felt that moving the meeting from Wednesday to Monday had accompanied a decline in interest and he asked that further consideration should be given to this. He reminded the Board of the lively discussions at the last meeting when members of LIFFE and ICE had been present: he had hoped for some reaction from them, but so far none had been received. The delegate from the SCAA agreed that this had been the most stimulating meeting he had attended. He also raised another important issue: the question of defaults on contracts. At present the issue was in the producer camp because of the rise in prices. However, it could apply equally to consumers. He suggested that experts could be asked to make presentations on this subject: he did not know if this really was an issue. Other suggestions from delegates included: arbitration procedures; the

changing situation in sustainability and the new supply chain assurance; the real value of certifications and their cost; the issue of climate change and adaptation to climate change in coffee production; the issue of rejects and the dynamic between supply and demand; the question of issues management and the impact of options on price movements. The Chairman suggested that a poll be taken of Members of the PSCB who had not attended the meeting to ask them if a change of date would make a difference.

31. The Executive Director commented that this had been an interesting exchange and he appreciated the commitment of PSCB members to the Board. He noted their comments regarding the schedule: the current meetings, as well as those in September, were particularly important because they saw the creation of the Committees, as well as the election of a new Executive Director. He agreed to reconsider the timing of the PSCB meeting.

32. The Board took note of these reports.

Item 11: Future meetings

33. The PSCB noted that the next meeting would take place during the week of 26 to 30 September 2011, and that this would be confirmed by the Secretariat.

List of acronyms used in this report

4-MEI	4-methylimidazole
AEKI	Association of Indonesian Coffee Exporters
AJCA	All Japan Coffee Association
ASOEXPORT	Association of Coffee Exporters of Colombia
CFC	Common Fund for Commodities
CoSIC	Coffee Science Information Centre
CQP	Coffee Quality-Improvement Programme
ECF	European Coffee Federation
ED	Executive Director
EU	European Union
HCP-CEP	Healthcare Professions – Coffee Education Programme
ICA	International Coffee Agreement

ICE	Inter-Continental Exchange
ICGN	International Coffee Genome Network
ICO	International Coffee Organization
MRL	Maximum Residue Level
NCA	National Coffee Association of the USA
OTA	Ochratoxin A
PSCB	Private Sector Consultative Board
SCAA	Specialty Coffee Association of America
SCAE	Speciality Coffee Association of Europe