



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 7 March 2012**

1. The Private Sector Consultative Board (PSCB), chaired by Mr Robert Nelson of the National Coffee Association of the United States, met for the 34th time on 7 March 2012 in London. The Chairman welcomed Mr Robério Oliveira Silva who was attending the meeting for the first time in his role as Executive Director.

Item 1: Adoption of the Agenda

2. The PSCB adopted the draft Agenda contained in document PSCB-130/11 Rev. 1.

Item 2: Report on the meeting of 28 September 2011

3. The PSCB approved the report on the meeting of 28 September 2011 contained in document PSCB-129/11.

Item 3: Coffee market situation

4. The Head of Operations introduced an analysis of the coffee market situation contained in the Monthly Coffee Market Report of February 2012. He reported that prices of Arabicas had decreased in February whereas Robustas had increased, resulting in a narrowing of the differential between the two. The ICO composite indicator price had decreased to 182.29 US cents/lb, a fall of 3.5%.

5. He reported that the value of coffee exports had shown an unusual increase of 50%. Exporting countries had drawn from working stocks which were at their lowest levels on record, representing only some two months worth of exports. He also noted that the consumption growth rate of 2.5% per annum had remained consistent over the past

decade. He drew the Board's attention to a graph showing retail prices of roast and ground coffee which showed an increase of 10% over the past year, apart from in Japan. Consumption in both traditional and producing markets remained buoyant: he thought that the figures for the Netherlands represented something of a statistical anomaly, whilst growth in the UK was encouraging. The same was true of producing countries. Brazil was not alone in enjoying strong growth: Indonesia and Ethiopia were exhibiting even higher growth figures than Brazil, whilst a number of emerging markets were showing very encouraging signs. He also showed projections to 2020 using three different growth rates.

Item 4: Coffee Quality Improvement Programme (CQP)

6. The Head of Operations introduced document PM-13/12 which contained a progress report on the implementation of the CQP. Twenty-two of the 33 Members of the ICA 2007 were currently implementing Resolution 420 fully, while the volume of green coffee exported by the countries participating in the programme averaged 65% of total world export of green coffee between 2005 and 2011. He also introduced document PM-12/12 containing a report on gradings for Arabica and Robusta coffees for the same period.

Item 5: Coffee and health

7. The delegate from ISIC made a presentation on caffeine health claims and current and prospective EU legislation. He reported that legislation covered a number of different aspects of health, including hydration and physical and cognitive functions, alertness and endurance performance. Health claims under Article 13.1 had been submitted on 27 January 2012: the European Parliament could not amend these proposals, it could only accept or reject them, for which a deadline of three months had been set. The European Commission was currently reflecting on the caffeine claims.

Item 6: Coffee consumption

8. The representative of the SCAA made a presentation on the importance of early engagement with coffee drinkers. He reported that nearly 70% of 225 million adults in the US drank coffee during the previous week; of these, 23% had started to drink coffee between the ages of 20 and 24, 41% had their first cup of coffee between the ages of 16 and 19, and 84% had begun consuming coffee before they were 25 years old. Equally important was that most of these coffee drinkers would continue to drink coffee for the rest of their lives. Although the general supposition was that young people had less brand loyalty than their parents, a study in 2007 had shown evidence that coffee purchasing decisions had strong brand loyalty elements among 18 to 24 year olds, particularly relating to the quality

of the product. Another study showed that 47% of 18 to 24 year olds had drunk a gourmet coffee in the previous week, compared to 34% of those over 40. The message was clear: encourage coffee drinkers to start young and with good quality coffee.

9. In the ensuing discussion, one delegate commented that one found the same trends amongst consumers in Europe as in the United States. He queried the definition of 'gourmet coffee': increasingly they were breaking this down by coffee type: for example, cappuccino, espresso, latte. He also queried how young people afforded better quality coffee. They were, generally speaking, less affluent, but they seemed to feel more optimistic about personal well-being and quality coffee was a priority item for them. In response to a question, the representative of the SCAA said that 90% of the market in the US consisted of roasted, not soluble coffee; out-of-home consumption had fallen recently, but was showing signs of recovery and was on a par with, or slightly in excess of, home consumption. He also reported that different strategies of introducing coffee should apply to different age ranges: sweetened drinks and milk were appropriate for younger drinkers, older drinkers tended to prefer black coffee.

10. The Head of Operations reported on a recent study on coffee drinking patterns. A delegate commented that another recent study had discovered evidence of fatigue amongst young consumers about seals and certification. Consumers questioned the significance of labels: the important fact was that the information should be available, otherwise the consumer would become suspicious. However, the nature of that information was less important.

11. The representative of the ECF made a presentation about consumer information on labels. There was a statutory obligation to provide an increasing amount of information which had resulted in labels being overloaded and confusing for both consumers and manufacturers. New EU legislation was contained in regulation 1169/2011/EU which sought to combine information about the labelling, presentation and advertising of nutrition labelling. The new regulation changed existing legislation on food labelling considerably, including the labelling of origin for certain products and nutrition labelling.

12. As far as origin labelling was concerned, there was a difference between the country of origin and the place of provenance; identifying on labels the countries where the coffee was grown was a difficult subject because of frequent changes of blends and was not relevant for many consumers. The impact assessment regarding mandatory indication of country of origin or place of provenance would last until 13 December 2014 and would take into account a variety of factors, including the need for the consumer to be informed, the feasibility and costs of providing the information and the impact on internal and

international trade. In the case of nutrition labelling, the mandatory declaration must be applied at the latest five years after the regulation had been published, in this case by 13 December 2016. On the positive side, labelling encouraged a conscious buying decision amongst consumers to assist a healthy diet and to give a special taste; it could indicate social, environmental or ecological attributes of a product; and it could be an important marketing instrument. On the negative side, there was a risk of label inflation; there was often no comparability; and there existed the danger of causing confusion amongst consumers.

13. The delegate from ISIC noted that the origin labelling legislation could have a negative impact on international trade: a coffee manufacturer would be obliged to show all countries of provenance. However, the manufacturers could not tailor their labels to every recipe, so in practice they would put the 10 or 12 biggest coffee producing countries on the labels. But the consequence was that they might not be able to buy coffee from other countries with smaller production volumes. The ECF and other bodies would fight this legislation, but the PSCB should be aware of the potential danger. The representative of the NCA reported that coffee had a specific exemption in this respect in the United States. However, he acknowledged that, if such legislation were ever to be introduced, it could be very detrimental to small producers. The Board noted that individual Members should make use of their representatives in the European Parliament and that action should be coordinated through ISIC which had done an excellent job in lobbying the Parliament to date.

Item 7: Food safety aspects

14. The representative of the NCA made a presentation on California's Proposition 65 which had been originally put forward in 1986 in order to promote water and environmental safety. It covered chemicals on two lists: substances 'known to cause cancer' and 'known to cause reproductive harm'. Maximum levels had been set low: in the case of carcinogens, an intake level triggering one more cancer death per 100,000 over 70 years, whilst the alternative 'safe harbour level' for acrylamide had been set at 0.2 micrograms per day. Normally, eight ounces of coffee would contain approximately 2.0 micrograms. Proposition 65 required warnings to be published on posters in retail stores, on signs in supermarket aisles and on packaging. The penalties for failure to warn were US\$2,500 per day per violation. Proposition 65 now covered over 800 chemicals including acrylamide (coffee, cereals, chips and fries), lead (chocolate and vinegar), and PCB's (meat). Acrylamide was created by cooking at 120 degrees Celsius and above and was present in all foods which contain certain sugars and asparagines. Lawsuits had been brought by the Council for Education and Research on Toxics (CERT) against retailers in the case of coffee in the cup,

and against roasters and retailers in the case of roast and ground coffee. Both cases are being heard in parallel in the California Superior Court for the County of Los Angeles. It is likely that more legal actions will be forthcoming and that the required warnings may mean that special labels will have to be introduced in California, as well as signs in supermarket aisles and retail shops. There is also the danger of an association in consumers' minds between coffee and cancer outside California.

15. In response to a question, the representative from the NCA said that there was no effective way of reducing acrylamide at present, although the industry continues to seek methods to reduce levels. This was confirmed by the representative from ISIC who added that a method did exist of applying an enzyme which helped to neutralize one component, but the process had very limited impact and significantly impaired its palatability. Notwithstanding industry efforts, no method has yet been identified which was both effective and preserved the coffee's palatability.

Item 8: Consultative Forum on Coffee Sector Finance

16. The Chairman reported that the Forum, which had held its second meeting the previous day, was of great value and he praised the dedication of members of the Core Group in guiding the Forum. The Chairperson of the Forum commented that one of the Forum's key objectives was to expand into the private sector and that they wished to model the Forum on the PSCB, extending its involvement to include financial institutions, traders and the coffee industry in general. The PSCB took note of this report.

Item 9: Role of the PSCB

17. In discussions on this subject, one delegate congratulated the Chairman and the Board on the quality of the meeting and the large number of very interesting presentations. Another delegate echoed this sentiment, but felt that members of the PSCB should be more forthcoming with ideas and be more proactive. An interesting topic for future presentations could be common problems faced by the Associations; he would appreciate some insight into how other Associations worked. The representative from the ECF said he would be willing to make a presentation on the top three issues facing his Association. The representatives of the SCAA and FEDECAFE offered to make a presentation at the next meeting on the question of seals and certification from the consumers' and producers' point of view. Another delegate said that he struggled with the concept of the relationship

between the PSCB and the Council: how might the PSCB guide and inspire work with the Council more effectively? The Executive Director agreed that it was important for the ICO to engage in this discussion and he offered his good offices to generate suggestions on how this might be improved.

Item 10: Items under continuous review

18. There were no comments on any of these items.

Item 11: PSCB representatives for 2011/12 and 2012/13

19. The Chairman reported that he had received a request from Côte d'Ivoire nominating the Conseil du Café/Cacao (3C) to the vacancy within the Robustas category of the producers. He would obtain formal approval of this nomination from the Council.

Item 12. Other business

20. Mrs Clare Courtney, the representative of the Roll Back Malaria Partnership (RBM), made a presentation on the work of RBM. She pointed out the high degree of correlation between the incidence of malaria and the geographical spread of coffee producing countries. There were over 200 million cases of malaria, 90% of which were in Africa and which resulted in 655,000 deaths, mostly amongst the under fives. The economic impact of malaria was judged to cost Africa US\$12 billion, or 1.3% of economic growth per annum. Her main message was that malaria was preventable and treatable with simple, effective solutions: insecticide treated nets, indoor spraying and malaria medicines. RBM, which had been set up by the World Health Organization, had been the driving force behind the distribution of 294 million nets since 2008 and spraying which had protected 81 million people in 2010, which compared to 15 million in 2005. She introduced a number of case studies in Ghana, Tanzania, Ethiopia, many of which had been undertaken in conjunction with private sector companies, to fund and distribute nets, sprays and medicine which had resulted in a dramatic reduction in illness and absenteeism. Documentation concerning the RBM's work was made available to members and further information could be obtained from the Secretariat. The Board took note of this report.

Item 13: Future meetings

21. The PSCB noted that the next meeting would take place during the week of 24 to 28 September 2012, and that this would be confirmed by the Secretariat.

Presentations

22. The following presentations were made at this meeting and can be downloaded from the technical presentations section of the ICO website at:

<http://dev.ico.org/presentation1112.asp>

Clare Courtney, Roll Back Malaria Partnership

Working for a malaria-free world

Ric Rhinehart, Specialty Coffee Association of America

The importance of early engagement with coffee drinkers

Roel Vaessen, Institute for Scientific Information on Coffee

Coffee and Health

Robert F. Nelson, National Coffee Association of USA

Under the microscope: California's Proposition 65

Holger Preibisch, European Coffee Federation

Consumer information on labels

List of acronyms used in this report

CQP	Coffee Quality-Improvement Programme
ECF	European Coffee Federation
EU	European Union
FEDECAFE	National Federation of Coffee Growers of Colombia
ICA	International Coffee Agreement
ICO	International Coffee Organization
ISIC	Institute for Scientific Information on Coffee
NCA	National Coffee Association of the USA
PSCB	Private Sector Consultative Board
RBM	Roll Back Malaria Partnership
SCAA	Specialty Coffee Association of America