



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

PSCB 133/12

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**Report of the Private Sector Consultative  
Board on the meeting of 26 September 2012**

1. The Private Sector Consultative Board (PSCB), chaired by Mr Robert Nelson of the NCA, met for the 35<sup>th</sup> time on 26 September 2012 in London. The Chairman welcomed delegates, extending a particular welcome to Rusteacoffee, a representative of the private sector from the Russian Federation. Rusteacoffee was nominated as a consuming member of the Board by the Council on 24 September 2012.

**Item 1: Adoption of the Agenda**

2. The PSCB adopted the draft Agenda contained in document PSCB-132/12 Rev. 2.

**Item 2: Report on the meeting of 7 March 2012**

3. The PSCB approved the Report on the meeting of 7 March 2012 contained in document PSCB-131/12.

**Item 3: Coffee market situation**

4. The Executive Director introduced an analysis of the coffee market situation contained in the August 2012 Coffee Market Report. He reported that coffee prices had fallen in 12 out of the last 15 months, with the monthly average of the ICO composite indicator standing at 148.50 US cents/lb in August 2012, 30% lower than in August 2011, but at roughly the same level as the annual average for 2010. He also examined the dynamics between the four ICO group indicators since January 2009, emphasizing their interdependency. He presented figures on production for 2011/12, and exports for the first ten months of the coffee year. Finally, in terms of consumption, he noted that the most dynamic growth in the last ten years had been recorded predominantly by exporting countries and emerging markets, averaging 4.3% and 3.5% per annum respectively, compared to a more modest 1% in traditional markets.

5. In response to a request that the ICO provide information on levels of consumption in China, the Executive Director confirmed that the Secretariat had included a proposal for a study on 'Coffee in China' in the 2012/13 Programme of Activities. He also informed delegates that the ICO would conduct a study analysing changes in the market share of Robusta over time.

6. The Board took note of this information, and of document WP-Council 229/12 containing the final official production data for the Brazilian coffee crop for 2011/12, along with the third production estimate for the 2012/13 crop.

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

7. The Head of Operations introduced document PM-17/12, containing a progress report on the implementation of the CQP. Nineteen exporting Members of the ICA 2007 were implementing the CQP fully, with a further six Members providing partial data, accounting for some 64% of world exports for the period 2005 to 2011 and January to June 2012.

8. It was noted that some of these quality standards dated back to the 1960s. The Chairman referred to documents ED-2100/10 and ED-2124/12 Rev. 1 requesting Members to send updated information on quality standards. Responses had been received from Brazil, Colombia, Costa Rica, Cuba, Ecuador, the EU, Guatemala, Haiti and Mexico, and he reminded Members to provide this information to the ICO.

9. The Head of Operations also introduced document PM-16/12, containing a report on gradings results for Arabica and Robusta coffees for the same period. The pass rate for New York peaked in 2009, and fell to 70% in 2011, the lowest rate since the programme was implemented. In London, the pass rate was nearly 57%, accounting for 12.25 million bags, and 448,500 bags were graded 'P' for premium, mostly from India and Vietnam. The highest volume of rejections came from Vietnam, followed by Côte d'Ivoire.

10. The Board took note of this information.

**Item 5: Coffee and health**

11. The delegate from the ECF reported that there were few new developments with respect to the HCP-CEP programme, but that it was continuing in several countries, even though funding from the ICO and ISIC had now finished. The Chairman of the Promotion and Market Development Committee outlined a new initiative to continue the work of the Positively Coffee campaign, and capitalise on the results already achieved. This would be covered in greater detail in the Promotion and Market Development Committee. The Board took note of this information.

**Item 6: Coffee consumption**

12. The representative of the SCAA made a presentation on specialty coffee in the USA, providing a summary of a survey carried out amongst self-identified specialty coffee consumers in Portland and Los Angeles. He noted that there were two broad groups of consumers in this segment: super-specialty consumers who were more informed and knowledgeable, and those who prioritised convenience. The three primary drivers of coffee consumption were the desire for caffeine, the consistency of the product, and experience/quality. Focusing on one factor in preference to the others could risk losing consumers at other points. Finally, he emphasized the emotional relationship consumers have with coffee and the value of using more emotional language to engage with them, rather than technical language. A copy of his presentation is available on the technical presentations section of the ICO website (<http://www.ico.org/presents/1112/pscb-september-scaa.pdf>).

13. The representative of the NCA made a presentation on its new consumption promotion campaign. In contrast to previous campaigns, which had focused only on the health message, this was to be wider in scope. It was not aimed at converting non-drinkers, but rather to persuade existing drinkers to consume more. To this end the NCA had been testing four concepts/messages: 'Coffee helps me get things done'; 'Enjoying a cup with a friend'; 'Coffee and your health'; and 'Coffee lovers are cool'. The key finding of this message testing was that coffee and health was the primary message driving increased coffee consumption, followed by the social aspect (enjoying a cup with a friend). One possible reason for this was that it gave consumers a 'green light' to drink more coffee. In terms of implementing this campaign, the representative emphasized the importance of timing; that is, engaging traditional media outlets before utilizing social media. Following the presentation, there was a discussion regarding the legal implications of health messages. In the USA, a coffee retailer or roaster would need approval from the FDA to include a health message. However, as the NCA did not sell coffee directly, this requirement was not necessary. A copy of his presentation is available on the technical presentations section of the ICO website (<http://www.ico.org/presents/1112/pscb-september-nca.pdf>).

14. The representative from the FNC made a presentation on the evolution and outlook for coffee sustainability initiatives. He reported that Colombian coffee growers were increasingly adopting certification schemes, with 20% of farmers now producing certified coffee. In terms of perceived benefits, perceptions about environmental and social conditions were improving, but those of economic benefits remained relatively low. Perceptions of household quality of life remained unchanged. In terms of intensity, although still high, the number of training hours per year had fallen since 2009, suggesting that organizational support was decreasing. Net income for certified coffee producers was higher

than in the control group, but farmer satisfaction had started to decrease. If these initiatives were to be sustainable, there was a need for greater organizational support. In the discussion following this presentation, it was suggested that in future meetings of the PSCB, certification systems and sustainability could become a permanent item on the agenda. The discussion highlighted the costs associated with certification schemes, particularly the problem of overlapping and multiple certifications. A copy of his presentation is available on the workshops section of the ICO website ([http://www.ico.org/event\\_pdfs/seminar-certification/certification-crece-e.pdf](http://www.ico.org/event_pdfs/seminar-certification/certification-crece-e.pdf)).

15. The Board took note of these presentations and reports.

**Item 7: Food safety aspects**

16. The representative of the NCA gave an update on developments in food safety legislation in California. Regarding Proposition 65, there were two cases running concurrently – one concerning coffee served ready to drink, the other roast and ground coffee for domestic use. There had been an increase in the number of plaintiffs, with both cases continuing to be contested, and both were still at the discovery phase. He reminded Board members that this was a food, not just a coffee, issue. There was also a new potential piece of legislation (Proposition 37) which concerned Genetically Modified Organisms (GMOs). Although not directly affecting coffee, it would regulate the use of terms such as ‘organic’ and ‘natural’, which could have implications for coffee in the future. The industry currently relied on the ‘natural’ definition of coffee in order to be exempt from various aspects of legislation.

17. The delegate from the ECF reported that the insecticide Endosulfan was named in the Stockholm Convention on Persistent Organic Pollutants Annex A, meaning that its use in production was prohibited. This ban is effective as of 27 October 2012.

18. The representative from the AJCA informed the Board that a mandatory inspection order against an African country had been lifted earlier in 2012, and it was attempting to remove one remaining ban against an Asian country.

19. The Chairman reminded delegates that the ICO Secretariat was consolidating a report on Maximum Residue Levels (MRLs), and would release a document within the next year.

20. The Board took note of this information.

**Item 8: Jute bags**

21. The Executive Director circulated document ED-2140/12 containing a letter from the International Jute Study Group (IJSG), which requested further information on the current use of jute bags in the coffee trade. Members were asked to submit this information by the end of November 2012. The Chairman highlighted a concern regarding the use of sub-food-grade materials in the production of jute bags in the United States and Europe. The representative from the ECF reported that the European Food Safety Authority had recently published an opinion regarding jute bags, not directly concerning coffee, but showing that they were aware of the problem. The ECF was also advising traders to recheck with their suppliers. There was a strong consensus among members that the ICO should use this opportunity to communicate to the IJSG the importance of food grade bags, and the industry's concern that there may be actors producing jute bags with sub-food-grade materials. The Board took note of this information.

**Item 9: Consultative Forum on Coffee Sector Finance**

22. The Chairman noted the successful meeting of the Core Group on the Consultative Forum on 25 September 2012. He said that four advisors to the Group had been appointed by the Council: Marc Sadler of the World Bank, Noemí Pérez of FAST, Silas Brasileiro from the National Coffee Council of Brazil, and Nicolas Tamari of Sucafina S.A. The next Consultative Forum would take place in Brazil in September 2013, where they would explore using the force-field problem-solving model to approach the problem statement.

**Item 10: Association Management Issues**

23. The delegate from the ECF gave a presentation on the main challenges facing the ECF and the institutional structure of the organisation. The ECF only had two permanent members of staff: a Secretary General and a Personal Assistant, so it needed strong engagement by its members (national coffee associations and company members). In terms of challenges, the speaker highlighted three major obstacles. The first was the complexity of the EU decision-making process, which was both lengthy and featured cumbersome interaction between the Commission, Council and European Parliament. The ECF's response was to create a 'Watch list' of relevant topics, and their current status in the EU process, to ensure that the whole sector was aware of the ECF's position at any given time. A related challenge was that of dualism in lobbying, as national coffee associations and individual companies also lobbied Brussels, but not necessarily with the same position as the ECF. Finally, there was the challenge of internal and external communication, as many of these topics were relatively complex. The ECF had therefore created 'Dossier Documents' which

gave a summary of various topics, along with more detailed information for experts. A copy of his presentation is available on the technical presentations section of the ICO website (<http://www.ico.org/presents/1112/pscb-september-ecf.pdf>).

24. The Board took note of this presentation, and agreed that this could be a rewarding topic to revisit in future meetings.

**Item 11: Interaction between the PSCB and the Council**

25. The Secretary gave a summary of current interaction between the PSCB and the Council, and suggestions by PSCB members to increase the engagement of the Board with the Council. Existing interaction between the PSCB and the Council included the following: the Chairman was invited to attend briefing meetings with the Council Chairman, report on PSCB meetings, make recommendations to the Council on matters discussed in the PSCB, and assist the Core Group on the Consultative Forum; PSCB members were often included as advisors in ICO Government delegations; all PSCB members could attend Council sessions and Committee meetings as observers; key issues such as the Consultative Forum, the ICA, strategic documents and the World Coffee Conference were included on the PSCB Agenda for their input, and all ICO documents and reports were freely accessible on the website by interested private sector representatives.

26. PSCB members made a number of suggestions to strengthen this relationship: invite the Chairman of the Council to participate at PSCB meetings; hold intersessional consultations between the PSCB and the Executive Director or with key members; include representatives of the PSCB as advisors to Committee Members; PSCB recommendations could be made on a formal basis, such as through documents, to propose specific measures to the Council; establish a PSCB working group on how to generate resources for ICO activities such as the Forum and projects, or how to improve the image of the ICO; strengthen PSCB links with producer associations and Governments in Member countries; and generate concrete recommendations regarding topics such as price volatility, sustainability and food safety.

27. The Board took note of this information.

**Item 12: PSCB representatives and officeholders**

28. The Chairman invited the PSCB to elect a Chairman and Vice-Chairman for 2012/13. In accordance with previously established practice, Mr Ricardo Villanueva of Anacafé, currently the Vice-Chairman, was elected as Chairman. Mr Ric Rhinehart of the SCAA was elected as Vice-Chairman.

**Item 13: Other Business**

29. There were no submissions under this item.

**Item 14: Future meetings**

30. The PSCB noted that the next meeting would take place during the Council Session from 4 to 8 March 2013.

**List of acronyms used in this report**

|         |   |
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| AJCA    | All Japan Coffee Association  |
| Anacafé | Guatemalan National Coffee Association  |
| CQP     | Coffee Quality-Improvement Programme  |
| ECF     | European Coffee Federation  |
| EU      | European Union  |
| FAST    | Finance Alliance for Sustainable Trade  |
| FDA     | Food and Drug Administration  |
| FNC     | Federación Nacional de Cafeteros de Colombia (Colombian Coffee Growers Association) |
| GMO     | Genetically Modified Organism   |
| HCP-CEP | Health-Care Professionals – Coffee Education Programme                              |
| ICA     | International Coffee Agreement  |
| ICO     | International Coffee Organization   |
| IJSG    | International Jute Study Group  |
| MRLs    | Maximum Residue Levels  |
| NCA     | National Coffee Association of the USA  |
| PSCB    | Private Sector Consultative Board   |
| SCAA    | Specialty Coffee Association of America   |