Background

1. This strategic action plan for the International Coffee Organization (ICO) has been prepared in response to the International Coffee Agreement 2007, which was concluded in London in September 2007, and which will enter into force when the requirements of Article 42 (Entry into force) have been met.

2. The aim of the strategic action plan is to set out the direction and priorities of the International Coffee Organization under the 2007 Agreement. The plan will provide the context for the development of annual programmes of work, which will prioritize and allocate resources for activities outlined in this document.

3. Section I of the plan contains background information on coffee, the world coffee economy and the ICO, Section II sets out supporting activities to advance each of the 13 objectives of the 2007 Agreement, while information about outputs is contained in Annex I.

4. It is proposed that the strategic action plan should be reviewed five years after the entry into force of the 2007 Agreement and revised as appropriate.

Action

The Council is requested to consider the draft strategic action plan.
MISSION

The International Coffee Organization’s overarching mission, as set out in Article 1 of the 2007 Agreement, is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the sector.

BRIEF PROFILE OF COFFEE

Coffee is remarkable for being produced in almost all non-arid countries in the tropics. The coffee tree is grown for its fruits, which contain one or more usually two ‘coffee beans’. After various stages of processing, these beans are roasted and used primarily in the preparation of a beverage known throughout the world. Of the numerous botanical varieties of coffee trees, only two are cultivated and utilized commercially to any large extent worldwide. One is Coffea arabica, usually known as Arabica, accounting for some 70% of world production. The other one is the Robusta coffee tree, derived from the Coffea canephora species and usually known as Robusta. After the ripe berries have been harvested, two methods are used to remove the envelope or husk from the beans so as to obtain the marketable green coffee: the wet (washed) and the dry (natural) methods.

In the wet method, the beans are separated from the cherries by consecutive operations involving considerable quantities of water, consisting of pulping, fermentation to remove mucilage, drying and hulling. In the dry method the harvested berries are dried in the sun or in mechanical driers, following which hulling can take place. The harvest season (crop year) depends on the geographical zone and climate. In some countries the harvest starts on 1 April, whereas in other countries it starts on 1 July or 1 October.

WORLD COFFEE ECONOMY

As a product, coffee is instrumental in the promotion of sustainability in its three key dimensions: economic, environmental and social.

Over 50 countries produce significant amounts of coffee; in many of these, earnings from coffee exports are of vital importance to the country’s balance of payments, with coffee accounting for over 20% of such earnings in at least five countries and, in some cases, representing over 60% of such earnings. A further characteristic is that, with a few exceptions, coffee is produced in developing countries, including a significant number of
least developed countries (LDCs). Most consumption, on the other hand, takes place in industrialized countries, apart from Brazil, the second largest coffee consuming country in the world after the USA. Coffee is an important agent of development, providing a livelihood for some 125 million people around the world by generating cash returns in subsistence economies.

In environmental terms, coffee is an evergreen shrub, hence an important contributor to carbon sequestration, and is effective in stabilizing soils. It also promotes the preservation of bio-diversity in cultivated areas.

Coffee also contributes to social sustainability by offering much needed employment opportunities in rural areas, for both men and women, and helping to stabilize communities.

Overall, it is difficult to envisage any alternative economic activity in many coffee producing regions and countries that could make such a positive impact.

Historically, the main problem area has been economic sustainability, since coffee is a commodity that has been subject to multi-year cycles characterized by pronounced upswings and slumps in prices. During the last downturn, which lasted from 2000 to 2004 approximately, coffee prices fell to their lowest levels in 30 years. The consequent neglect and abandonment of farms, and increased poverty and migration from rural areas had devastating social and political consequences for producing countries. Low prices also lead to a disregard for quality throughout the coffee supply chain, thereby jeopardizing future consumption.

Although prices have recovered since 2004, the extent and duration of this more favourable outlook are still uncertain. Working towards securing a healthy world coffee economy is therefore important economically and politically, as well as being desirable from the viewpoint of encouraging economic development both to improve living standards in producing countries and to increase markets for goods produced in consuming countries.

The International Coffee Organization

The International Coffee Organization (ICO) was established in 1963 when the first International Coffee Agreement (ICA) entered into force in 1962 for a period of five years, and has administered successive Agreements negotiated since then. These include the ICA 1968 (and its two extensions), the ICA 1976 (with one extension), 1983 (and its four extensions), the 1994 Agreement (with two extensions), the 2001 Agreement (with one extension), and the recently concluded 2007 Agreement. The United Nations was the depository authority for the first six Agreements. In January 2008, the International Coffee Council adopted Resolution 436, designating the ICO as the Depositary for the 2007 Agreement.
The ICO’s 77 Members (as at April 2008) include 45 coffee exporting Members, accounting for over 97% of world coffee production and 32 importing Members, responsible for around 80% of world coffee consumption.

**International Coffee Agreement 2007**

The ICA 2007, the seventh Agreement since 1962, was agreed by the 77 Members of the ICO in London on 28 September 2007. It will last for ten years, with the possibility of extension for a further eight years. The Agreement will strengthen the ICO’s role as a forum for intergovernmental consultations, facilitate international trade through increased transparency and access to relevant information, and promote a sustainable coffee economy for the benefit of all stakeholders and particularly of small-scale farmers in coffee producing countries. As was the case with the 1994 and 2001 Agreements, it has no market-regulatory clauses.

The 2007 Agreement is an important instrument for development cooperation and will provide the legal framework for core activities undertaken by the Organization after it comes into force. Around 15 of the ICO’s 45 exporting Members are least developed countries (with low incomes and high economic vulnerability), and the Preamble specifically acknowledges the contribution of a sustainable coffee sector to the achievement of internationally agreed development goals, including the Millennium Development Goals, particularly with respect to poverty eradication.

**Governance and structure**

The ICO has two categories of membership: exporting and importing Member countries. The Council is the highest authority of the Organization and is composed of representatives of each Member country. Under the 2007 Agreement, the Council will be supported by a Projects Committee, a Promotion and Market Development Committee and a Finance and Administration Committee. The Council will also be advised by the Private Sector Consultative Board, the World Coffee Conference and the Consultative Forum on Coffee Sector Finance.

The Council is assisted by the Executive Director and a Secretariat consisting of two divisions: the Operations Division, which undertakes core activities such as projects, statistics and information services, and the Administration Division which looks after personnel, logistical and financial matters. Annex II shows the structure of the ICO.

**Comparative advantages**

The International Coffee Organization has served the world coffee community for nearly 50 years, working to address problems and issues relating to the world coffee economy through international cooperation between producers and consumers and developing coffee policies and political solutions. It provides the following unique advantages:
**Government relations:** High-level personal contacts with key representatives of 45 exporting and 32 importing Members at regular Council meetings, which enable government and industry representatives to make valuable contacts and hold discussions with other governments and major industrial players, on an informal basis.

**Coffee policy development:** Access to a unique forum where producing and consuming countries meet on a regular basis to discuss key questions and difficulties relating to international coffee trade, and coordinate action. In addition, the Organization organizes World Coffee Conferences, held at multi-year intervals, where high-level speakers from the public and private sectors address major issues facing the world coffee economy.

**Cooperation with other agencies:** The ICO cooperates closely with specialized coffee agencies and other international organizations, such as the World Bank, the Food and Agriculture Organization of the United Nations (FAO), the United Nations Environment Programme and the International Trade Centre UNCTAD/WTO (ITC), in order to benefit from the experience and expertise of relevant bodies.

**Relations with the private sector:** The ICO maintains close contacts with the private sector through a 16-strong Private Sector Consultative Board, which advises the ICO on matters of practical relevance to coffee such as food safety, health and sustainability. Members benefit from the ICO’s ability to mobilize cooperative initiatives with the private sector on issues such as the dissemination of positive information on coffee to the media and interested parties through the Positively Coffee Programme and the Health Care Professions – Coffee Education Programme.

**Objective and comprehensive information:** Regular market reports, economic studies, seminars and expert panels on coffee issues; and access to statistical data on the world coffee trade and economy (around 200,000 records processed every year).

**Promotion and market development:** The ICO has sponsored the publication of the Step-by-Step Guide to Promote Coffee Consumption, containing valuable practical guidelines for promoting coffee consumption. The Guide has provided the methodological basis for several specific promotion programmes in producing countries. The ICO has also set up a Coffee Promotion Network, a collaborative Internet-based community to interact and develop ways of promoting coffee consumption. In the belief that coffee quality is a key component of future market development, the Organization initiated the Coffee Quality-Improvement Programme, a voluntary initiative to encourage Members to ensure that their green coffee shipments fulfil certain basic quality standards.
**Project activities:** The ICO sponsors and secures financing for coffee development projects and supervises project execution to ensure that project activities are met, and to avoid duplication of activities and disseminate results of projects. Projects with a total value of US$83 million have received support since 1995.

**Education and training:** Workshops for Members on topics such as geographical indications, genetically-modified coffee, organic coffee and equitable trading bring together leading experts in these fields.
SECTION II – ACTIVITIES UNDER THE ICA 2007

(1) Promoting international cooperation on coffee matters

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>1. To develop close links with representatives of producing and consuming countries, through missions and briefings on ICO activities and coffee issues, as well as other relevant activities</td>
</tr>
<tr>
<td>2. To enhance cooperation and communication on coffee matters with appropriate intergovernmental, international, regional and other organizations</td>
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<tr>
<td>3. To implement a strategy to encourage non-member countries to become Members of the Organization</td>
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<tr>
<td>4. To participate in events which bring representatives of the international coffee trade together, and encourage their use of the facilities and resources of the ICO</td>
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(2) Providing a forum for consultations on coffee matters among governments, and with the private sector

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>1. To facilitate consultations on coffee-related issues through regular Council sessions, meetings of ICO bodies and other relevant meetings and events</td>
</tr>
<tr>
<td>2. To hold a World Coffee Conference at appropriate intervals</td>
</tr>
<tr>
<td>3. To maintain a dialogue with the private sector to explore areas with potential of mutual interest for cooperation on ICO activities</td>
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(3) Encouraging Members to develop a sustainable coffee sector in economic, social and environmental terms

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>1. To monitor sustainability indicators</td>
</tr>
<tr>
<td>2. To promote the sustainable management of coffee resources and processing by means of project activities and the development of guidelines and codes of practice</td>
</tr>
<tr>
<td>3. To disseminate information about sustainability and sustainable techniques and practices, including appropriate organizational structures</td>
</tr>
<tr>
<td>4. To review actions and policies of other international commodity bodies, multilateral donors and other relevant agencies</td>
</tr>
<tr>
<td>5. To develop partnerships with organizations working in the field of sustainability</td>
</tr>
<tr>
<td>6. To identify means by which a sustainable coffee sector can contribute to the achievement of the Millennium Development Goals, in particular with respect to poverty eradication</td>
</tr>
<tr>
<td>7. To monitor the effects of climate change on the coffee sector, in light of the United Nations Framework Convention on Climate Change and other relevant actions</td>
</tr>
<tr>
<td>8. To develop statistical coverage of sustainable coffee programmes, including certification and verification schemes</td>
</tr>
</tbody>
</table>
(4) Providing a forum for consultations seeking understanding with regard to the structural conditions in international markets and long-term trends in production and consumption that balance supply and demand, and result in prices fair both to consumers and to producers

**Activity**

1. To identify priority issues, emerging concerns and opportunities arising from international and domestic trends, including technological developments, that may affect the coffee economy, and to advise on responses to these issues

2. To review strategies for achieving a better equilibrium between supply and demand, and present policy options to the Council

(5) Facilitating the expansion and transparency of international trade in all types and forms of coffee, and promoting the elimination of trade barriers

**Activity**

1. To take into account actions related to Article 24 (Removal of obstacles to trade and consumption) in implementing the International Coffee Agreement (ICA) 2007

2. To periodically prepare surveys on the effect of tariffs and non-tariff barriers on the coffee trade

3. To periodically prepare surveys on the effect of indirect taxes on coffee consumption

4. To expand statistical coverage of the coffee value chain, including issues related to value distribution and evaluation of efficiency

(6) Collecting, disseminating and publishing economic, technical and scientific information, statistics and studies, as well as the results of research and development in coffee matters

**Activity**

1. To prepare reports and studies on the market situation and trends and developments in the coffee sector

2. To continue to monitor and evaluate the system of indicator prices, and revise as appropriate

3. To investigate the usefulness of extra data from Certificates of Origin, particularly with reference to quality and niche markets

4. To implement recommendations of the Statistics Committee so as to enhance statistical information and reporting procedures

5. To monitor production plans by Member countries

6. To establish a global coffee sector database comprising data on the entire chain from farm to retailer

7. To undertake a review of ICO information policy and develop a strategy for the duration of the ICA 2007

8. To develop resources and fact-sheets on key coffee issues and disseminate these widely

9. To explore cooperative information ventures with academic institutions
10. To review options for private-public partnerships to enhance the transparency and reliability of coffee statistics

11. To review conversion factors for the types of coffee listed in sub-paragraphs (d), (e), (f) and (g) of Article 2 (Definitions) at regular intervals

(7) Promoting the development of consumption and markets for all types and forms of coffee, including in coffee producing countries

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>1. To organize regular meetings of the Promotion and Market Development Committee and implement its recommendations</td>
</tr>
<tr>
<td>2. To develop an action plan to promote the development of consumption and develop markets for coffee under the ICA 2007</td>
</tr>
<tr>
<td>3. To continue to promote, in conjunction with the private sector, positive communication about coffee, including the Positively Coffee and Health Care Professions – Coffee Education Programmes</td>
</tr>
<tr>
<td>4. To encourage Members, non-members, other organizations and the private sector to finance promotion and market development activities through voluntary contributions</td>
</tr>
<tr>
<td>5. To encourage the use of the Step-by-Step Guide to Promote Coffee Consumption</td>
</tr>
<tr>
<td>6. To maintain the ICO network to promote coffee consumption</td>
</tr>
<tr>
<td>7. To submit to the Council periodic reports on compliance with Article 27 (Mixtures and substitutes) of the ICA 2007</td>
</tr>
<tr>
<td>8. To maintain close contact with relevant media to develop a positive image of coffee</td>
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(8) Developing, evaluating and seeking finance for projects that benefit Members and the world coffee economy

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>1. To sponsor projects that benefit Members and the world coffee economy by defining coffee development strategies; monitoring project proposals for submission to relevant donors and supervising their implementation</td>
</tr>
<tr>
<td>2. To screen project proposals submitted with the support of Member countries, using consistent mechanisms, so as to select proposals that are suitable for potential donors</td>
</tr>
<tr>
<td>3. To seek finance for projects that benefit Members and the world coffee economy</td>
</tr>
<tr>
<td>4. To collect from Members, non-members, donors and other agencies, information on development projects and programmes focusing on the coffee sector</td>
</tr>
<tr>
<td>5. To disseminate information about project findings and results through workshops, publications and the internet</td>
</tr>
<tr>
<td>6. To develop the role of the ICO as Project Executing Agency in appropriate cases</td>
</tr>
<tr>
<td>7. To strengthen country ownership of projects and encourage, where appropriate, the development of national coffee associations</td>
</tr>
</tbody>
</table>
(9) Promoting coffee quality with a view to enhancing consumer satisfaction and benefits to producers

**Activity**

1. To encourage the implementation of quality standards for exported coffee (as provided for in Resolution 420)
2. To review the use of new technology for coffee production and processing, such as improved varieties and environmentally-friendly machinery
3. To analyse and quantify value-added by quality improvements and formulate appropriate recommendations
4. To promote a broader awareness of the essential elements of coffee brewing
5. To encourage the use of standardized criteria for coffee grading, as appropriate

(10) Encouraging Members to develop appropriate food safety procedures in the coffee sector

**Activity**

1. To participate in discussions about contaminants in food in the Codex Alimentarius Commission and other bodies
2. To disseminate information about appropriate food safety procedures in the coffee sector

(11) Promoting training and information programmes designed to assist the transfer to Members of technology relevant to coffee

**Activity**

1. To organize seminars, round-tables and workshops on coffee-related matters and disseminate information presented at these events
2. To survey institutions to ascertain training needs
3. To seek finance to carry out training courses or seminars
4. To arrange training courses (including e-training) in cooperation with appropriate bodies

(12) Encouraging Members to develop and implement strategies to enhance the capacity of local communities and small-scale farmers to benefit from coffee production, which can contribute to poverty alleviation

**Activity**

1. To develop projects encouraging capacity-building of local communities and small-scale farmers
2. To promote the transfer to small-scale farmers of appropriate technology
3. To investigate and, if appropriate, promote the benefits of cooperative models for coffee production
Facilitating the availability of information on financial tools and services that can assist coffee producers, including access to credit and approaches to managing risk

Activity

1. To hold meetings of the Consultative Forum on Coffee Sector Finance
2. To disseminate the results of price risk management studies
3. To encourage, where appropriate, the inclusion of risk management and credit access activities in projects supported by the ICO
4. To analyse the viability of different marketing strategies as a means of optimizing earnings of coffee farmers

Institutional/administrative activities

Activity

1. To prepare annual work programmes of studies, surveys and reports
2. To review the ICA 2007 five years after its entry into force and take decisions as appropriate
3. To undertake Depositary functions as specified in Resolution 436 (Depositary for the ICA 2007)
4. To prepare an Annual Review each year reporting on the activities of the Organization to enable the Council to consider progress in achieving the objectives of the ICA 2007
5. To continue to review the ICO’s contracts with outside suppliers to ensure cost-effectiveness
6. To regularly review the ICO’s software and IT systems and IT service providers
7. To review the organizational structure of the ICO and ensure staffing levels are efficiently deployed
8. To prepare the ICO Administrative Budget each coffee year and assess the contribution of each Member
9. To provide appropriate training for staff to ensure the best possible service to Members
10. To maximize income from external sources with particular reference to the use of the ICO’s conference facilities
<table>
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<tr>
<th>Objective</th>
<th>Expected outputs</th>
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</table>
| **1. International cooperation** | ▪ Memoranda of Understanding  
▪ Exchanges of information and expertise  
▪ Participation in relevant meetings, conferences, working groups, projects, training, joint activities and publications  
▪ Increased membership of the Organization |
| **2. Forum for consultations** | ▪ Regular meetings of the International Coffee Council and other ICO bodies  
▪ World Coffee Conferences  
▪ Increased involvement of the private sector in ICO activities  
▪ Round-tables, seminars and other events |
| **3. Sustainable coffee sector** | ▪ Publications, workshops, on-line materials and other dissemination of information  
▪ Guidelines and codes of practice for a sustainable coffee sector  
▪ Regular reports and statistical information on sustainable coffee programmes  
▪ Joint activities with the United Nations Environment Programme (UNEP) and other organizations on sustainable coffee issues  
▪ Projects to increase the sustainability of the coffee sector  
▪ Reports on sustainability indicators  
▪ Enhanced awareness of the importance of coffee for the sustainability of world agriculture and achievement of the Millennium Development Goals |
| **4. Structural conditions/long-term trends** | ▪ Identification of key issues, collection of data and dissemination of information on long-term trends that may affect the coffee economy and development of appropriate strategies  
▪ Updated coffee development strategy reflecting priority issues for the coffee sector |
| **5. Expansion and transparency of international trade** | ▪ Regular reports on obstacles to trade  
▪ Regular reports on the effects of tariffs, non-tariff barriers and indirect taxes on coffee consumption  
▪ Enhanced statistical coverage of the coffee value chain |
| **6. Information, statistics and studies** | ▪ Regular reports and studies on the coffee market situation  
▪ Enhanced coverage of statistics and other relevant information on the world coffee sector  
▪ Updated information strategy  
▪ Resources and fact-sheets on coffee developed and disseminated  
▪ Expanded ICO website  
▪ Revised layout of Certificates of Origin, as appropriate  
▪ Revised conversion factors for types of coffee, as appropriate |
7. **Promotion and market development**

- Action plan to increase coffee consumption and develop markets
- Press briefings/releases
- Continuing dissemination of positive communication about coffee through the Positively Coffee and the Health Care Professions – Coffee Education programmes
- Continued implementation of the ICO Network to promote coffee consumption
- Periodic reports on compliance with Article 27 (Mixtures and substitutes) of the ICA 2007
- Support for the implementation of programmes for the promotion of coffee consumption, especially in producing countries

8. **Projects**

- Screening and prioritization of projects submitted with the support of Members
- Mid-term evaluation and impact evaluation reports presented to the Council
- Dissemination of projects results
- Definition of areas in which the ICO would be technically interested in acting as the PEA
- Fundraising campaign to seek funding for project activities from alternative sources
- Collaboration with relevant technical and financial institutions

9. **Quality**

- Regular reports on quality
- Cost-benefit study on quality improvement
- Increased standardization of coffee grading standards

10. **Food safety**

- Regular reports on food safety issues and procedures
- Participation in relevant meetings and conferences, working groups, joint activities and publications
- Adoption by Members of appropriate food safety standards in the coffee sector

11. **Training and information programmes**

- Publications, workshops, on-line materials and other dissemination of information
- Development and implementation of training courses and programmes in collaboration with appropriate bodies

12. **Capacity-building**

- Capacity-building project activities supported by the ICO
- Appropriate technology transferred to small-scale farmers
- Dissemination of successful project results and lessons learned

13. **Financial tools**

- Meetings of the Consultative Forum on Coffee Sector Finance
- Inclusion of risk management and credit access activities in projects supported by the ICO
- Publications, workshops, on-line materials and other dissemination of information
- Analysis of viability of different marketing strategies

**Institutional/administrative activities**

- Reports on membership
- Annual programmes of activities
- Annual Reviews
- Review of strategic action plan at appropriate intervals
- Administrative Budgets
- Increased income from external sources