

PRESENTATION BY MR. LINNEU CARLOS DA COSTA LIMA

**ICO/WORLD BANK HIGH LEVEL ROUND-TABLE
“THE INTERNATIONAL COFFEE CRISIS:
SEARCHING FOR LONG-TERM SOLUTIONS”**

London, 19 May 2003

Executive Director, delegates, good morning.

It is a pleasure to take part in this meeting at the ICO and present the Brazilian government's – the new government of President Lula's – view on the Brazilian and world coffee economy.

Our general outlook is optimistic, for the days of excessive supply are at an end. From 2004 onwards there will be a trend towards supply and demand equilibrium. In Brazil's case, consumption and exports now exceed output (by two million). Even taking into account next year's large harvest, we calculate that by the end of next year stocks will very low, at under 10 million bags, which is almost lower than the level required for sales.

We are emerging from a crisis which harmed us all. The situation still demands care and attention. Brazil, as our President has already shown in public, is going to play its part by working to expand domestic consumption and improve the quality of coffee supplies, through the inclusion of coffee in school lunches and the Zero Hunger programme. The options programme, which has been approved in the past few days, must send a signal to the market about the price floor which will apply. We hope that it will be successful and that we can double this programme in 2004. This is the Government's way of showing that it is alert and wishes indirectly to participate in price formation.

Coffee is enormously important to Brazil as you all know. In excess of eight million people in the country are directly or indirectly dependent on the coffee economy. Despite the fact that it now represents a small percentage of GDP, coffee is one of the few crops which requires labour three hundred and sixty-five days a year. And, since close to 80% of our coffee comes from small holdings in Minas Gerais, Espírito Santo, São Paulo and Paraná, the current Government's main commitments consist in fighting hunger, ensuring men and women remain in the countryside, and preventing internal migration. Our sense of responsibility to society is very great and a profitable coffee economy has a leading role to play in solving some of these crucial problems.

We are aware of the difficulties faced by our fellow producers. Brazil is not going to encourage the expansion of plantations or subsidise the coffee economy, but it will work hard to ensure the coffee it produces is sold and consumed. We will always compete, but will do so in a spirit of loyalty and friendship.

Brazil participates in, co-operates with, respects and calls on everyone to play an active role in, the ICO, searching for solutions which are of benefit to all. These include stepping up consumption in Eastern Europe, Asia and other emerging markets, and increasing funding so that exporters can operate with larger stocks over longer periods, thereby allowing the deprived in our society to overcome hunger, unemployment and violence.

We are currently carrying out the routine procedures needed for the normal conduct of coffee operations. However, in the next few months we plan to present a medium-term (10-year) plan calling upon all sectors for co-operation. The aim of the policy will be to boost levels of confidence and interest of all those engaged in the coffee sector around the world.