

ICO/World Bank high-level round-table
“International Coffee Crisis – Looking for long-term solutions”
ICO Headquarters, London, 19 May 2003

Presentation by Mr. Phil Bloomer – Head of Advocacy, OXFAM GB

Thanks.

This morning, millions of coffee farmers around the world are waking up to yet another day without enough food for their family's table, a day when they won't be able to send their daughters and sons to school, and a day when they won't be able to afford the simple medicines they need to help a sick child. Of course, you expect an Oxfam speaker to speak of suffering and poverty. But this is a particularly obscene form of poverty because it is so obviously man-made, and could be ameliorated if there was the political will to help.

In our work with coffee farmers and their organisations around the world, Oxfam is witnessing the collapse of local economies and the ensuing human tragedy. But don't take our word for it. The Government of Guatemala has declared a State of Emergency and started food distribution to coffee families because of widespread hunger. UNICEF report 85% child malnutrition in coffee-growing areas of El Salvador, and the government has bowed to the inevitable and frozen all demands for repayments of loans to 23,000 coffee farmers. In some of the worst hit countries of Africa – most of them least developed countries – they already share shocking statistics of infant and child mortality. The impact of the crisis is appalling but mostly unmeasured.

There is little controversy now about the causes of the coffee crisis. Most accept that over-production results from the rapidly expanding production in a small number of countries such as Brazil and Vietnam who are determined to expand their market share with low-cost coffee. This happens, but why does it create so much human suffering? Because the coffee market is not only an imperfect market, but a market that has failed in recent years – both in human and economic terms. When it is left to its own devices, its price signals do not draw the right responses on either the supply or the demand side to restore it to equilibrium. The adjustment of supply fails because of long lead-in times for tree crops, and the lack of alternatives. I'll come back to this. Demand does not adjust because retail prices do not move sufficiently due to the dominant share of final value taken by the roasters, traders and retailers. Of course today's free market model was supposed to sort out many of the difficulties of this previous system of market intervention. There can be little doubt that, in human terms, the current free market model has failed far more catastrophically than the previous one.

Of course, nobody wants this situation. If coffee growers had received a Euro of every statement of regret at their plight, they'd be happy. But if they got a Euro for every commitment to concrete action taken over the last three years... they'd be as poor and desperate as they are now.

However, coffee farmers and coffee producing countries have been proposing solutions. The global alliance on coffee and commodities composed of 100 Organisations from around the world, has proposed a coffee rescue plan of short and long-term solutions. The problem is that almost every one has been poo-pooed as unfeasible, inappropriate, or too expensive, by those able to help.

Let's just take a look at a few solutions and the reasons given so far for why our global trade and aid leaders have been unwilling to help. I will start by looking at the uncomplicated short-term elements of the Rescue Plan.

The one shining light of good news was the approval of the ICO Quality Scheme, which all parties signed up to last September. However, the Global Alliance has pointed out how unfair it is that all the cost and burden of this scheme falls on... guess who?... those least able to afford it – the coffee producing countries. We have repeatedly asked the European Union to independently monitor the quality of coffee coming into the European market and publish quickly the list of sinning exporting country and importing company so peer pressure can be brought to bear. The answer has been that it is just too expensive! Instead we await the figures that the companies themselves will provide us and can rest assured that they will be entirely objective. But the Global Alliance will keep pushing for this modest action by the Union.

Another uncomplicated solution proposed by the Global Alliance is a European Action Plan. This consists of increased assistance to coffee growing countries to help them diversify faster out of coffee, and ensure that the worst of the suffering is ameliorated. Europe had a good record of rapid assistance in the last coffee crisis – it used its Stabex facility to provide 978 million Ecu to 17 coffee dependent countries in the period 1990 to 1994. In our current worse crisis, far far less has been made available. We have proposed that the European Commission “fast-tracks” the allocation of un-utilised funds, allocated to countries but unspent. So far, we have been told that this is not practical, but that there is effort going into reviewing how something might be done. After a year of similar messages, impatience and frustration are rising.

Another reasonable solution proposed by the Global Alliance has been for the European Union to use its trade and aid facility to work with key coffee-producing countries who have stated publicly that they want to take their worst quality and loss-making coffee out of production. Surely this would be a perfect opportunity for the EU to demonstrate the power

of bringing trade and aid expertise to support diversification. But the answer I got last week from within the Commission is that the key countries are managed out of Relex, and External Relations are only concerned with the war on terror right now.

The Global Alliance has also called on the giant roasters to start to pay a decent price. One, which at least allows subsistence at the bottom of their supply chain. We have called on them to support the ICO quality scheme, use their considerable lobby resources to push for solutions, and start to purchase some Fair Trade coffee – a modest target of 2% of their blends. Well so far we think that virtually nothing has been done by the giants. They have sat by like Greek Gods and watched the misery expand exponentially at the bottom of their supply chain, while their very substantial profits from coffee have rolled into the bank. Nestle have stood out for some market intervention, some are even just beginning to make noises about buying some Fair Trade coffee – How long does it take you guys?

These shorter-term solutions have all been designed to be feasible and market-friendly, yet almost nothing has been done.

But the long-term solutions also have to be addressed to get greater and quicker re-balancing in supply and demand.

One of the biggest long-term solutions perhaps is the ending of agricultural export subsidies by rich countries – these prevent coffee farmers from moving out of coffee into other commodities where they could start to make a living again. As we all know, the EU, Japan and US spend billions each year on trade-distorting agricultural policies in the form of export subsidies, export credits, and import tariffs.

This the scale of double-standards which the rich countries apply as they wring their hands and say that it is deeply unfortunate that poor coffee farmers have to face despair while the free but failing market corrects itself. If just a proportion of destructive dumping was stopped, this would ease the plight of some. Instead of which we have seen the current regime expanded in the US and entrenched in the EU. Uganda is suffering terribly from the coffee crisis, but it has also found its alternative sugar industry blighted. Uganda's sugar production costs are far less than the EU. The EU is in fact the highest-cost producer. But its subsidies make it the second largest sugar exporter in the world. In 2001, for example, it dumped 770,000 Tonnes of white sugar on Algeria. A country that would be a natural export market for low producers like Uganda. The U.S. is in many ways worse. Take their \$3.9 billion subsidy to just 25,000 cotton farmers – that is three times more than the entire USAID budget for Africa's 500 million people.

But there is a rising chorus of public outcry, which is calling for an end to this destruction of poor people's livelihoods.

We have never pretended that the long-term solutions within the coffee market are simple. But neither will we accept that there are none, except the brutal abandonment of poor farmers and workers to their fate in a perpetual cycle of boom and mainly bust. That is why the Global Alliance continues to call for dialogue between all actors to create a coffee-market-management initiative to bring coordinated investment in market information, diversification, quality improvement, stock destruction, import and export taxes, quotas and a more competitive market structure which together can bring better balance in supply and demand.

For this round-table, Oxfam is proposing we call on the G8 governments to join with producer countries at the June 2003 Summit to establish a Commission on Coffee to recommend the actions needed to reduce price instability and market concentration. We need a small team of open-minded experts drawn from across the industry, with a well-resourced secretariat, and reporting back to the ICO.

But I want to end my speech with that I see as remarkably good news.

While our economic and political global leaders have prevaricated, a global movement has emerged which is determined to make the coffee market work for the poor as well as the rich. Firstly, people around the world are taking action; secondly small initiatives are bringing some relief to some farmers. Here are some highlights:

In the last eight-month over half a million e-mails or postcards have been sent to companies and trade ministers demanding action.

Over 40,000 were sent to one company in just one week before Christmas.

The European Parliament, Spanish Parliament, and U.S. Congress and Senate have passed resolutions demanding action to help coffee farmers.

Campuses and Schools across the United States are switching to Fair Trade coffee in protest. But more importantly, Starbucks have increased their purchases five-fold to over 1 million pounds, and Dunkin Donuts have switched entirely to Fair Trade coffee, expanding the U.S. market by 20%. One Kraft executive said to us recently, "I remain unconvinced of buying Fair Trade, but maybe I'm missing something". We were too polite to answer.

Equally in coffee-growing countries there are campaigns for fair treatment and for greater collaboration between coffee growing countries. These have bought hundreds of thousands out onto the streets from India to Central and South America.

Right now there is a concerted lobby of the U.S. Administration to re-join the ICO. This has to happen by the 1st of June, though president Bush's enthusiasm for solving global problems at multilateral fora remains well hidden.

So I finish by saying that the Global Alliance is not going away, and we will continue to pressure for short-term action to ameliorate the crisis, and long-term action to start to make the market work for poor farmers as well as the rich. The members of the alliance are used to being denounced as economic illiterates and rabble-rousers. They said it about us on debt, they said it about us on patents and medicines. The fact is that the human tragedy of the failing coffee market is one terrible example of the double standards and rigged rules which make our current global trading system a motor for the obscene inequality which haunts our planet.

It is time to Make Trade Fair.

Thank you.