

**STATEMENT BY THE PRESIDENT OF THE REPUBLIC OF BRAZIL,
LUIZ INÁCIO LULA DA SILVA
AT THE OPENING CEREMONY OF THE 2nd WORLD COFFEE CONFERENCE**

Salvador, Bahia, 24 September 2005

Your Excellency Mr Álvaro Uribe, President of Colombia,
Mr Paulo Souto, Governor of the State of Bahia,
Mr Néstor Osorio, Executive Director of the International Coffee Organization,
Ministers of my Government participating in this event,
Esteemed Mayor João Henrique,
Esteemed President of the Assembly,
Ministers of producing and consuming countries participating in this event,
Federal Deputies,
State Deputies,
Delegates to this 2nd World Coffee Conference,
Ambassadors,
Members of the Press,

I will respond to the invitation of President Uribe at the end of this statement.

It is a twofold pleasure to be in this beautiful and historic city of Salvador and to welcome the coffee world to the 2nd World Coffee Conference sponsored by Brazil in collaboration with the International Coffee Organization.

The presence of Heads of State, ministers, representatives of governments, the political world, industry, agriculture and the academic community confirms the economic relevance and strategic importance of this extraordinary Conference.

I must confess that it is not only in my capacity as the Head of State that the subject of coffee stimulates me. I am an avowed and persistent appreciator of this comforting beverage, which has become part of Brazilian culture as a constant symbol of the hospitality and friendliness of the Brazilian people.

Everyone knows that there isn't a single home, however poor it may be, nor any Brazilian man or woman who doesn't offer us a "*cafézinho*" at whatever time we may happen to call, whether during the day, in the early hours of the morning or at night. A cup of coffee is to Brazil what the tea ceremony is to Japan.

It is no exaggeration to say that Brazil only wakes up fully when the aroma of coffee invades our homes and stimulates our senses. A cup of coffee adds the finishing touch to a meal from the most modest to the most lavish; it seals friendships and celebrates meetings; it restores the body's energy and tempers our emotions.

It is not by chance that we are the world's leading producer and are well on the way to taking over from the United States as the biggest coffee consumer on the planet.

In the name of coffee, of the *Senhor do Bonfim* who is the patron saint of this city and of the Brazilian people, I would like to welcome all of you who have travelled from other Brazilian states and, in particular, all those who have crossed oceans to attend this meeting.

I am sure that I am also expressing the feelings of the Government of Bahia and the Municipality of Salvador, who have done everything in their power to ensure that the city welcomes you with the warm hospitality it offers its most distinguished guests.

Ladies and Gentlemen,

This is a strategic time to discuss the future of the world's most popular beverage. We are on a passage in search of a better alignment between world supply and demand to ensure a new cycle heralding a recovery in prices. But we must not delude ourselves. The structural imbalance in the market has dragged on for almost a century. A new dynamic favourable to producers will only be consolidated with the correction of the internal asymmetries of a trade that accounts for more than US\$90 billion a year.

In terms of international trade, coffee is the world's second most important commodity after petrol. But there is a great difference between coffee and petrol: coffee production depends on a vast contingent of small producers concentrated in economies fighting for their right to development.

Seventy percent of the coffee harvested in the world is grown on farms with less than 10 hectares of land. They are scattered over 60 countries and involve more than 25 million people living in the world's tropical and sub-tropical areas. In other words, production is concentrated in areas where the 21st century will witness the success or failure of the fight against hunger and poverty.

The reorganization of the international coffee market is, therefore, much more than a challenge for production: it is a chapter in the struggle for fairer world trade. For many countries represented here the reordering of this market could mean the difference between dignity and misery for a large number of their people.

In Uganda, according to the World Bank, coffee is the main source of survival for more than 25% of the population; in Ethiopia, it contributed 54% of total export earnings; in Rwanda, it accounts for 31% of the country's foreign exchange earnings; in India, it provides employment for 3 million workers; in Mexico, it involves 280 thousand of the poorest families in the States of Chiapas, Vera Cruz and Puebla; in Colombia, the most prosperous coffee areas are also those most vulnerable to violent conflict.

Leaders of bodies representing family farmers in many of these countries will be present here in Salvador this week at a parallel event organized with the participation of the National Confederation of Agricultural Workers, which represents our family farm workers. These small producers, who support their families by growing coffee, account for 54% of our coffee production.

In Brazil, the coffee chain provides national earnings totalling US\$2 billion and employs 8.4 million people. Our coffee farms cover 2,700,000 hectares and involve 300,000 producers in 1,900 municipalities of 14 of the Federation's states.

Regardless of the size of their coffee farms, these producers have not lacked government support. Our national coffee policy has already released funds totalling R\$1,250 billion for financing costs and marketing of coffee in 2005. This support will be maintained in 2006 to ensure that farmers will not be at the mercy of unforeseen events and market fluctuations and can manage to negotiate their product at the fairest prices.

Ladies and Gentlemen,

Since it is not every year that the market can provide adequate remuneration for this vast flow of coffee, a silent cogwheel is set in motion in various parts of the world, dragging down millions of people to a suffocating level of poverty and inequality.

Migration, urban crowding, hunger and family breakdown: this is the counterpart of the inequitable appropriation of profits in the chain of one of the world food market's most profitable products. The challenge we are facing at this Conference is, in my view, how to channel the immense energy of the coffee chain for the benefit of the society it creates.

We must set our sights on a sustainable future, not only on the next flowering, which greets the first rains with the delicate aroma of the coffee farm in full bloom, but also on broader periods of great social change. As in the case of coffee growing, a policy for coffee must be based on long-term stability. But we know that lasting solutions can only succeed if there is a coherent vision of all aspects of the sector to be strengthened. This is not the case at present.

Ten years ago, producing countries kept one-third of the income generated by the world coffee trade, around US\$10 billion in a market accounting for some US\$30 billion. Today this share has fallen to less than US\$9 billion, in a market accounting for US\$90 billion a year.

Coffee farmers suffered the sharpest fall in income during this period compared to producers of other commodities. There can be little doubt that this imbalance widened the inequality gap between nations.

The warning comes from the United Nations Secretariat, which sees the slide in prices paid to producers as a serious difficulty and an obstacle to the successful achievement of the Millennium Goals. Free-for-all competition for the same way out has led to the senseless increase of supply in recent decades. It was not an adequate response to the collapse of the economic clauses of the International Coffee Agreement that deregulated the market after 1989. Today, producers receive less than 1% of the price of a cup of coffee in the major consuming countries.

My friends,

Between the failure of the regulated market and the self-destructive blind competition characterizing the last few years, there is no easy alternative. But the quest for answers raises a question that cannot be avoided: where are the coffee profits going?

Part of the explanation lies in the pitfalls of the unequal exchange familiar to poor countries since the colonial period. It still exists today in the profound gap between the rules governing

world trade in the 21st century and the need for the economic and political emancipation of the majority of developing countries, for many of which coffee is one of their economic mainstays.

Coffee farmers earn very little, while processors reap huge profits. And tariff barriers prevent producers from participating on equal terms in the final market for the product, sold in the rich countries in roasted, ground and soluble form.

There will be no lasting solution to this problem if there is no new agreement to balance the different interests of the coffee chain. We must establish a political basis for more equitable profit-sharing, coordination of supply and demand, and social and technological development for millions of farmers to really ensure a better quality for the product and a better life for those who produce it.

The logic of unilateral deregulation does not serve this purpose. Those who talk about “free trade” should also talk about “dismantling trade barriers and millionaire subsidies” and should fight to put an end to major financial asymmetries.

In Brazil, as in many other countries, I think, coffee is an educational crop. It helps us to understand our past and holds lessons of the accumulated conquests of our present.

In my view, the time is ripe. And this Conference provides a unique opportunity to make coffee part of the future. As I see it, the future will only be a future if it is better for everyone and not simply a refuge for the privileges of the past.

Ladies and Gentlemen,

To all of you who have come so far, I would like once more to extend my warmest welcome. I am sure that here in Bahia you will find that indispensable Brazilian *cafezinho* to cheer our labours and crown this Conference with success.

Thank you.

As I indicated at the beginning, President Uribe invited me from this platform to visit Colombia and I shall proceed to reply to this invitation without knowing the exact date when I will be able to go. I would like President Uribe to know that I really want to go to Colombia, at the latest, in early December. I must say that I have already been to Colombia three times but all my visits were very rushed, very brief, one of them to Cartagena for a conference on coffee, but I want to go to Colombia for a simple reason. I want to explain this reason in public.

As you know, coffee is a product of poor countries, produced only in the tropical countries. In most cases, these countries are in a situation similar to that of Brazil or are even poorer than Brazil. In some countries coffee is the main source of exports and employment. At the same time, consumers are our richer brothers – Europe, the United States and Japan to mention only a few examples.

The problem we will have to resolve at some stage is that in South America, in Latin America, there are many coffee producers in small countries. In Africa and in some parts of Asia, and in India as well, there are also small producers and what I want to point out is that much depends on our political clout and on the organization we manage to achieve.

Consider the fact that when we export a 60-kilo bag of coffee we earn a few dollars for our balance of trade but when we import an electronic chip, however minute it may be, we have to pay out many more dollars than we receive for a bag of coffee. And there is a very simple reason for this: the rich countries are more organized and determine the rules of international trade to make sure that, whenever possible, they come out winning.

I am not really criticising. This is part of the logic of negotiation in the worlds of labour, agriculture and business: those with the greatest strength and economic power will always exert pressure to gain a little more. But I think that the time has come to begin to consider whether we, the producing countries, must look for a fight. Must put up a good fight.

In the first place we must add value to our products, we cannot simply export coffee in bean form, in other words we must invest in added value.

Secondly, we must establish agreements within the production chain that will enable us to discuss a fairer share of the final product for each element involved. It isn't right that countries that don't produce a single coffee bean should earn far more from coffee than the coffee producing countries themselves.

This is only so because in some ways, we ourselves have for many years been passive in this situation. In many cases countries have acted alone, producers have acted alone and in this globalized world there is no longer any room for individual action, there will no longer be any room if we fail to create among ourselves objective conditions to increase the value of what we produce. In other words, we are no longer colonies, we no longer have to send our products to the country that colonized us. We live in a free world in which the free play of market forces is constantly deified. It is up to us to create conditions to increase the value of what we produce. I must say this to the producers here present.

We cannot allow ourselves to be victims because we produce a little more. We cannot... Consuming countries must understand the need to sit around a table and initiate negotiations for a shared price, so that those who process the coffee can earn their money but those who dig the land and plant the coffee trees can also earn money to survive.

The rich countries have already learned this logic and put it into practice in their daily activities. President Uribe and I have many friends among the Presidents of the world's most important countries – and we are good friends – but when we mention agricultural prices friendship is cast aside. Because what really matters is the defence of a country's national interests. What matters is the defence of a country's political interests. What matters is the defence of the interests of a country's farmers.

Why don't we take this line of action? It depends solely on us. I am not saying it will be easy, because anyone who participates in the international negotiations of the World Trade Organization knows how hard it is to gain any advantage, however slight. It is hard because we are not united. It is hard because we often go there and vote for our trade competitors. It is hard because each of us thinks that he who pleases the king will be individually rewarded

and this no longer happens in the globalized world. We must ensure that what we have is properly valued: we have favourable conditions for growing coffee and we are major coffee producers – the leading producers are all represented here – and must ensure that others value at least the dignity of those who survive by working day and night to grow coffee.

I would like to thank President Uribe for his kind words and to tell him that, God willing, we will make a dream come true. Firstly, the integration of South America. And I must also make arrangements to hold meetings with many Brazilian entrepreneurs, many Colombian entrepreneurs, so that we can establish partnerships for Colombian and Brazilian entrepreneurs to get together for productive discussions.

Above all, Mr President, I want to discuss with your Excellency the question of biodiesel. Because I think that in the very near future biodiesel will be for the poor countries what petrol is today for the countries of the Middle East and what alcohol is today for Brazil. I think that biodiesel can be a way out for the development of the world's poorest countries, particularly countries in Latin America and Africa.

You can be sure, therefore, that I will be visiting you in Bogotá this year.

Warmest wishes and good luck.