



**INTERNATIONAL
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**Statement delivered by the Head of Operations,
Mr Gerardo Pataconi, on behalf of the
Executive Director of the ICO, Mr José Sette, at
the Opening Ceremony of the 122nd Session of
the International Coffee Council on
17 September 2018**

Mr Kitack Lim, Secretary-General of the International Maritime Organization,
Ms Luiza Carvalho, Regional Director for the Americas and the Caribbean of UN Women,
Ambassador Aly Touré, Chairman of the International Coffee Council,
Honorable Ministers, Your Excellencies, distinguished Delegates, ladies and gentlemen,

Personally, and on behalf of the ICO, I would like to welcome all of you to the 122nd Session of the International Coffee Council.

Allow me to start with a quote from Plato: “The beginning is the most important part of the work” and as the work ahead of us this week is challenging and yet exciting, we must begin by recognizing that: “to address the main challenges of the coffee sector we need to be innovative and to work together”. This is the ICO today; this is why we are here: exporting and importing countries, Governments and private businesses, experts and practitioners, academia and international organizations. We are here to jointly find sustainable solutions to tackle the challenges facing the world coffee sector through international cooperation.

Let me also express our gratitude to our fellow international organization, the International Maritime Organization, for allowing us to hold the 122nd Session of the International Coffee Council and related meetings here in these wonderful installations.

Holding this session at the IMO is also an opportunity to reflect on the importance of the maritime transport that helps bind the world coffee value chain together. Indeed, as the Secretary-General of the IMO, Mr Lim, referred to in his opening speech, world coffee production is largely transported by sea, enabling producers and traders from all over the world to deliver efficiently coffee to their commercial partners.

I thank Mr Lim and the IMO again for their support.

The great leader Mr Kofi Annan, who passed away just a few days ago said, “Gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance”.

Therefore, I am also very pleased to have with us Ms Luiza Carvalho, of UN Women. Ms Carvalho’s presence is particularly appropriate because, as you know, this Council approved, in Mexico, the introduction of an overarching annual theme to the work of ICO and selected gender equality as the theme of the 2017/18 coffee year. I am glad that Luiza is here to represent all the women involved in coffee.

This week, and especially today, will be marked by a special focus on women and coffee. We will present our in-depth study on ‘Gender equality in the coffee sector’, which focuses on the farm level of the value chain, followed by the thematic workshop on ‘Women in Coffee’ that broadens the focus covering the entire value chain from the farm to the cup, to share good practices and to find common solutions, taking into account that women are also particularly vulnerable to the impact of price and climate shocks. Finally, the e-book ‘Women of the Coffees of Brazil’ will be presented later today by Ms Josiane Cotrim.

We aligned the annual activities of the ICO with this year’s thematic focus: gender equality. The promotional campaign for International Coffee Day has also adopted this theme. Finally, the Council will be invited to approve the signing of a Memorandum of Understanding with the International Women’s Coffee Alliance to establish a partnership in our common areas of interest.

I also commit that the ICO will keep the theme of gender as a constant priority of the ICO in future activities.

I would like to also thank the Members and partners that have kindly sponsored some of this week events: (Nepal, Vietnam, UNIDO, NCA, University of Hertfordshire, SCA, and Conservation International).

In the 2017/18 coffee year, now coming to an end, the ICO Secretariat has worked through many changes in order to deliver the services that Members expect. In our actions, we have been guided by the terms of the International Coffee Agreement 2007 and the Five-Year Action Plan, which was approved by Members one year ago.

We seek, above all, to create an enabling environment for the world coffee sector and, in the words of the International Coffee Agreement of 2007, ‘promote its sustainable expansion in

a market-based environment for the betterment of all participants'. As will be seen, the ICO's activities are closely linked to the three Strategic Goals identified in the Five-Year Action Plan, namely: (1) 'to deliver world-class data, analyses and information'; (2) 'to use the Organization's convening power to provide a unique forum for dialogue between countries and within the public and private sectors'; and (3) 'to facilitate the development and funding of projects and promotion programmes through public-private partnerships'.

This afternoon I will make a comprehensive presentation on the execution of this year's Programme of Activities.

However, I would like to take this opportunity to particularly emphasize the ICO's openness to collaboration with outside partners. We have already signed Memorandums of Understanding with important institutions of the world coffee sector, such as the Global Coffee Platform, the Sustainable Coffee Challenge and the African Fine Coffees Association. As I mentioned, another MoU, this time with the International Women's Coffee Alliance, will be considered by the Council later this week.

In addition to these formal partnerships, we have established links with many important institutions in the field of development aid, a number of which will participate in the Donors Forum and Partnership Fair, scheduled for tomorrow and the day after.

Other ways in which we are opening up the ICO to the outside world include partnerships with academia, as will be shown by a study on the influence of futures markets on coffee prices, and with private sector experts that form the Statistics Roundtable, providing a valuable partnership with our statistical team.

Other tangible results of these partnerships include: The Guide to Access Green and Climate Funding; the establishment of the Coffee Sustainability Projects Trust Fund; the Donors Forum; sponsorships; book launches; and promotional activities linked to International Coffee Day.

These efforts to build bridges with the outside world will be expanded on later this week.

However, our progress has not been without challenges. The withdrawal of an important Member has required painful cuts in our budget and reductions in staff. Nevertheless, we are committed to minimizing any adverse impact on the services offered to Members while providing a continued high standard of output.

You have all witnessed the many changes the ICO Secretariat has gone through in order to deliver the services you expect from us; to respond with innovation to old and new challenges: new management, new staff, new ideas, new methodologies and approaches, new programmes, new partnerships and new budgets.

Clearly, we will have to assess this impact in order to take the necessary corrective measures. The main message here is that staff are working hard, with innovation, creativity and commitment, to serve our Members and all coffee stakeholders: the millions of people that depend on coffee for a living and the millions of consumers that want to enjoy an affordable, healthy, sustainable and energizing cup of coffee.

The ICO staff and I are confident and excited that our work will improve the resilience of the entire coffee sector in the future, but recognize that these measures take time to make an impact. Meanwhile, coffee faces an immense challenge in the short term.

As you are all aware, coffee prices have fallen consistently over the last two years. In August 2018, the composite indicator price averaged 102.41 US cents/lb, a 20.1% drop compared to the same month in the previous year. The last time the monthly composite indicator price was lower than this level was in November 2013, when it recorded 100.99 US cents/lb. Recent days have seen prices move even lower: on Friday, September 14, the daily composite indicator price stood at 98.74 US cents/lb, slightly higher than the low of the month, 97.78 US cents/lb, recorded on 4 September. This is the lowest daily price since 6 November 2013 when it reached 97.77 US cents/lb.

Be reassured that we have not been idle. In the past month we have been assessing the situation, analysing data and trends and have identified causes and possible actions within the ICO's mandate.

This decline has multiple causes. On the supply side, several important exporting countries are expecting large harvests, which are likely to lead to a situation of oversupply, at least in the short-term. Further upstream in the coffee value chain, we observe a process of rapid concentration that is strengthening the relative bargaining power of retailers, trade and industry. In addition, the futures markets that are used as a reference for establishing coffee prices are increasingly attracting institutional investors such as pension and hedge funds that have no stake in our product and can aggravate price swings. As a result of these trends, pressure on the most vulnerable link in the coffee value chain, the millions of smallholder growers that actually produce the beans used to make this beverage we all love, is likely to increase even further. More research is necessary to quantify the exact contribution of these factors to formulate an effective response.

In the worst-case scenario, the current regime of low prices calls into question the long-term viability of our coffee sector. If the beans needed to match the expected growth in world demand are simply not available, then where will we – in our capacity as producers, traders, roasters, retailers, policy-makers and consumers – be?

As we have seen, the ICO's work focuses on building an enabling environment for coffee in the long term. But what additional steps can we take to deal with the situation before us?

A look backwards in time is useful to provide perspective on the situation in which we find ourselves. The numbers show that this is the second worst fall in prices of the free market era, exceeded only in its gravity by the coffee crisis that lasted from 1999 to 2004. During those years, ICO Members discussed in depth the same issues that we face today.

What was the outcome of this debate? In 2002, the Council approved Resolution 407, which barred Members from exporting coffee that fell below certain quality standards, thereby limiting supply of low-grade coffee to the international market and encouraging consumption of high quality coffee. Later, in 2004, this scheme was modified by means of Resolution 420, which enabled exports of all qualities of coffee, as long as lower quality product was duly identified as such on the Certificate of Origin. This was the collective response of ICO Members to the grave situation that prevailed.

At the same time, many producing countries introduced internal measures to help support their farmers. Exporting Members should also take a fresh look at these actions and evaluate if they can be usefully applied in the current situation.

The impact of all these initiatives is hard to quantify, but prices did recover from 2005 onwards.

Would it be appropriate to revisit these measures? What other measures could help alleviate our situation?

How can we influence demand? By fostering domestic consumption in exporting countries, thereby reducing their dependency on external price factors. Even though launched about a decade ago, the ICO's Step-by-Step Guide to Promote Coffee Consumption continues to be a powerful instrument to achieve this goal. All producers should have an interest in developing their internal markets.

Given current price levels, an open and wide-ranging debate on the current state of the world coffee market is desirable. We have therefore set aside time for such a discussion on Thursday afternoon, immediately after the Council receives the report from Professor Jeffrey Sachs on

the preliminary results of the study commissioned by World Coffee Producers Forum. During this discussion, I will present our assessment of the situation and possible actions to be considered. This will be an opportune moment for this Council, under the chairmanship of Ambassador Aly Touré, to look at all the alternatives open to us.

As Henry Ford once said: "If everyone is moving forward together; then success takes care of itself.

I thank you for your attention and look forward to a fruitful week of work with all of you.