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**Statement by the Executive Director of
the International Coffee Organization,
made at the opening ceremony of the
126th Session of the Council**

Mr Iman Pambagyo, Chair of the International Coffee Council,
Excellencies, distinguished delegates, colleagues, ladies and gentlemen,

Welcome to the 126th Session of the International Coffee Council, which is being held online for reasons of which we are all aware.

Since we last met, in September of last year, the world has been turned upside down by the coronavirus pandemic. We can no longer take for granted the little pleasures that were once part of our daily life, like chatting with a friend over a cup of coffee at our local coffee shop. I send my deepest condolences to all those who have lost loved ones and friends to this devastating disease.

Our professional life at the ICO was inevitably also affected. Since the British government, on March 23, instructed everybody to stay at home, our staff has been working online from their residences. Today, we will complete 73 days of working from home. Although the government has been allowing greater movement in recent days, the overall guidance continues to be to work from home whenever possible. We will continue to base our response and return to the office on the advice provided by our host government.

The coronavirus has also made our relationship with you, our Members, more complicated. Large public meetings are still prohibited in the UK. Instead of meeting personally twice a year in Council Sessions, we have been forced to move to the

electronic medium. While I regret not seeing all of you again in person, you can take comfort in the fact that you are making history by taking part in the first online Council meeting since the ICO came into existence.

I ask for your understanding for the technical limitations under which we are working. I particularly regret the lack of interpretation, which helps us to understand each other better and brings us together. We consulted several international organizations with regard to interpretation for online meetings but none of the proposed solutions was considered satisfactory. We will continue to monitor developments in interpretation capacity in case future online meetings are necessary.

We also are disappointed to have postponed the meetings of our advisory bodies: the Projects Committee, Statistics Committee, and Promotion and Market Development Committee, as well as the Private Sector Consultative Board. This is simply due to lack of time, since we cannot hold regular full-day sessions because of our colleagues in different time zones.

Meanwhile, the staff has been hard at work at home. Even though online work has its challenges, I am pleased with our output in the last few months. I will be presenting a more detailed interim report on the achievements of the Organization since last September under Item 3.1 of the Council agenda, but would just like to touch briefly on some developments.

The work of the Statistics Section on the new database is progressing and we expect to launch the upgraded version in September.

The Economics Section has published an interim report on Obstacles to Consumption, focusing on tariff and non-tariff measures affecting coffee, which will be presented under item 3.2 of today's agenda.

The ICO has responded to stakeholders' desire for information and analysis on the impact of covid-19 in several ways.

First, we have released two short studies under the title 'Coffee break'. These publications aim to provide concise accounts of coffee sector issues of topical interest, with a view to facilitating informed debate. The Series is based on analyses carried out by the ICO Economics and Statistics sections related to coffee policy and strategic matters. The

subjects of the two studies were on (a) the demand-side effects of the pandemic, namely the relation between global coffee consumption and Gross Domestic Product; and (b) Volatile coffee prices: covid-19 and market fundamentals. The second brief was co-authored with the International Food Policy Research Institute (IFPRI), a research center of the CGIAR, a worldwide partnership engaged in agricultural research for development.

Second, we have launched 'Coffee sounds', an innovative series of video interviews with industry leaders to explore the major issues facing the world coffee sector. The first edition was an interview with Nicolas Tamari, the CEO of Sucafina, a leading coffee trade house, in which we discussed the impact of covid-19 on the world coffee trade.

Third, we have conducted a survey of the responses of coffee-producing countries to the coronavirus. I presented some preliminary responses to the survey in the Seminar yesterday. A full report will be issued in due time. Any countries that have not yet filled in the questionnaire are kindly requested to do so in order to enable the ICO to provide a complete picture of the situation and advocate for mitigation measures.

Fourth, the virtual seminar on 'Covid-19: impact on the world coffee sector and mitigation measures' is another of our responses to the coronavirus pandemic, bringing together highly qualified experts in their fields to examine the crisis.

These are all demonstrations of the ICO's agility and capacity to meet unexpected challenges.

Finally, our engagement with the UN system, development banks and donors agencies has met with an encouraging response in the search for solutions and mobilization of resources for the post-covid-19 world. This is a unique asset of our Organization and we are confident it will help to attract attention and funds to the coffee sector.

I am confident that the coffee world will come out of the coronavirus pandemic in good shape. I am aware that we still must wait for some time to know its true impact, but I believe coffee production, trade and consumption will emerge stronger. Even though there may be some short-term pain in terms of lost consumption, this is likely to be only temporary. One of the strong points of coffee consumption is its extreme resilience, since drinking coffee is an ingrained habit that is very resistant to change.

I am also confident that we can pull through the coronavirus pandemic because many producers have come to terms with a pandemic that is far more dangerous to coffee than covid-19: I am referring to the Coffee Leaf Rust disease. Although I would not say that the latest outbreak of leaf rust has been completely overcome, coffee production has been steadily recovering in most cases. This is one more demonstration of the capacity of the coffee sector to overcome challenges.

I am, therefore, optimistic that covid-19 is not a long-term threat to coffee as a whole. However, it may accelerate change, especially on the demand side. For example, sales of coffee on the Internet were already growing but have risen even more sharply under social quarantine rules. Other changes in distribution channels and composition of blends may occur as a result of disruptions to the economy.

Despite this optimism, covid-19 is a powerful threat to small organizations and businesses, such as the International Coffee Organization. Today, the minds of policy-makers all over the world are on emergency support measures for their locked-down economies, all of which have a heavy financial cost. Furthermore, many currencies have devalued against the US dollar and the pound sterling, increasing the cost of contributions in local currency even more.

We have noticed a drop in the timely payment of contributions with a corresponding impact on the Organization's cash flow. The ICO is facing significant cash-flow difficulties: a challenge it shares with many businesses and organizations worldwide due to a reduction in income as result of the measures adopted to fight the pandemic.

We have attempted to contact all Members in arrears in recent weeks. In the majority of cases, our designated contacts inform us that, despite their best efforts to expedite payment, the situation in their countries is such that payment of international organizations is not considered a high priority when compared with the emergency measures necessary to combat the coronavirus pandemic. Indeed, the budgets of many countries are under extreme pressure from looming recession and unforeseen expenditures in the fight against covid-19.

Even so, we must urgently address the ICO's critical cash-flow situation; if not solved promptly it threatens the very existence of the Organization. This would seriously damage the coffee sector at a time when a strong institution is required to support its stakeholders, and when all the ICO's information, data and expert analysis are of crucial importance and serve as an essential reference for analysts and the media.

We must join together to overcome this challenge of reducing expenditures and raising revenues in the short term. On the side of management, we have taken a series of measures to cut cash outflows. Overall, as we explained in greater detail to the Finance and Administration Committee, we are making significant savings on the 2019/20 budget.

We have also renewed our efforts to attract voluntary contributions from the other sources. Last year, we managed to receive more than £72,000 in contributions from the private sector to support the Structured Sector-wide Dialogue. More contributions will be received this year. In addition, we have been successful in attracting extra-budgetary support from Members. I wish to particularly thank Germany and Switzerland for supporting the implementation of the Programme of Activities, including the Coffee Public-Private Task Force, with consultants and a cost-free expert, who is expected to join the Secretariat soon.

Furthermore, after the conclusion of the upgrade of ICO statistical database, we shall be able to provide enhanced services to our subscribers and revise the fee for our services, with an expected increase of revenues.

All of these measures will be helpful to cut expenditures and raise revenues from other sources, but we also need the assistance of our Members. The ICO can only overcome this cash-flow crisis if it receives the contributions that are due. Without this, the financial sustainability of the Organization comes into question.

So, I urge all representatives of countries in arrears to redouble your efforts to ensure that contributions are paid. I know that times are difficult, but we need to think creatively. For example, many donor agencies and private sector enterprises are expanding their support for developing countries to combat the pandemic; Members in arrears should investigate the possibility of mobilizing part of these funds to pay ICO contributions to ensure their participation in and benefit from membership in the ICO. The Secretariat will be available to assist Members in this context.

Even Members that have paid their contributions in full can help by providing the ICO with an advance on next year's contributions, to help us get over this crisis.

Why must we act quickly?

The Organization's cash balance is only sufficient to finance its operations for a few months and there are no reserves. This means that we will reach a critical point, which we estimate will happen sometime in August, when the amount of cash held by the Organization is no longer sufficient to pay off the staff if the Organization were to be terminated. I am not talking about the full liquidation cost, which includes other obligations, especially to the landlord of the ICO's premises; I am only talking about the settlements staff are entitled to upon leaving the Organization.

In the medium and long term, we can try to find other savings in our expenditures. In the meeting of the Finance and Administration we discussed a variety of options, many of which will require far-reaching changes in the way we work. For example, a suggestion was made that we no longer hold physical meetings twice a year and switch to online Council sessions. In these times of crisis, all options must be taken into consideration, no matter how painful.

Another option would be to create a separate operational budget, which would be funded from extrabudgetary sources, such as voluntary contributions from donors and the private sector. Member funding by means of contributions could then be restricted to core functions, as is standard practice in some international organizations. This would be an important step towards benefitting even more from the support of the private sector for the work of the ICO.

A further possibility is to move towards the model implemented by one of the United Nations agencies, the International Telecommunication Union, where "sector members" contribute formally to the budget of the organization.

However, the gains from these more radical changes will take time to materialize. In order to enable Members to monitor the evolution of this delicate situation in the meantime, the Finance and Administration Committee has agreed to meet intersessionally for as many times as necessary before the next regularly scheduled meeting in September of this year.

For the foreseeable future, the Organization continues to depend heavily on contributions from its Members for the vast majority of its revenues. I therefore urge all delegates representing Members in arrears to do everything you can to ensure that contributions are paid, so that we can continue to build the future of coffee collectively.

A weak or even non-existent ICO is in no-one's interest and would have a profoundly detrimental impact on the overall multilateral system and other international commodity bodies. The coffee sector would be weakened and lose a unique forum that brings together exporters and importers, producers and consumers. This is especially true now that we are entering a promising phase of dialogue between the public and private sectors, following the London Declaration and the establishment of the Coffee Public-Private Task Force. Without the ICO, governments, industry, the research community and media will not have access to neutral data statistics and analysis, weakening the visibility of coffee and the capacity to advocate on its behalf in the multilateral system. This distinctive status of the ICO as a neutral forum within the coffee world is shown by the presence yesterday at our seminar of representatives of the Food and Agriculture Organization of the United Nations and the World Bank, among other distinguished experts.

Ladies and gentlemen,

I have been following with great attention the interventions of Members in the Working Group on the Future of the Agreement. Many interesting suggestions have been put forward, especially on the need to integrate the private sector into the ICO. The ICO staff and I look forward to working with you all on the text of a new Agreement that will take the Organization to a higher level. Meanwhile, the scope of the current International Coffee Agreement gives us many tools to address the issues we face, both in the short and long terms. However, we need to receive the contributions to which all of you agreed in September of last year, and we need them soon. I am sure that you recognise what is at stake and will respond positively to this appeal.

Thank you.