



**INTERNATIONAL
COFFEE
ORGANIZATION**

WGFA 40/20

10 July 2020

Original: English

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**Report of the 7th Meeting of the Working
Group on the Future of the International
Coffee Agreement
24 June 2020**

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1. The Working Group on the Future of the International Coffee Agreement (WGFA) met for the seventh time on 24 June 2020. The Chair, Ms Stefanie Küng, of Switzerland, welcomed all participants and noted that this was the third virtual meeting using the GoToWebinar software due to the social distancing policy restrictions in place during the covid-19 pandemic.

2. Representatives of the following Members were virtually present using the GoToWebinar software: Brazil, Colombia, Cuba, El Salvador, European Union, Ghana, Honduras, Indonesia, Japan, Kenya, Madagascar, México, Nicaragua, Papua New Guinea, Peru, Russian Federation, Sierra Leone, Switzerland, Tanzania, Togo and the United Kingdom.

Item 1: Adoption of the Agenda

3. The agenda contained in [WGFA-38/20](#) was adopted.

Item 2: Report of the 6th meeting of the Working Group held on 30 April 2020

4. The Chair presented a summary of the work of the WGFA to date, in particular the report of the last meeting contained in the document [WGFA-37/20](#).

5. The Working Group took note of the report.

Item 3: Purpose and mission of the ICO – Key Issues

6. The Chair noted that the discussion would be divided into five categories: (1) Objectives of the ICO; (2) Functions of the ICO; (3) Partners required to implement the ICA; (4) Resources required to implement the ICA; and (5) Policy-making structure.

(1) Objectives of the ICO

7. The Chair noted that many coffee-producing countries desired a redistribution of income across the global value chain and asked what can concretely and realistically be achieved in this direction within the prevailing free-market environment? What could the ICO do to make this happen? The Chair invited the Executive Director to take the floor and share his views.

8. The Executive Director noted that the objectives fell under Pillar (a) of the work of the WGFA and that most suggestions for changes to the Agreement proposed by Members so far had been relatively modest. They centred on updating references to international developments in the field of sustainability structures, such as replacing the term 'Millennium Development Goals' with 'Sustainable Development Goals'. However, some new concerns had been raised, such as the appropriate regulation of futures markets and investment funds, the growing market concentration among roasters and traders, and an emphasis on innovation and transfer of technology. Special concerns had been raised around promoting the resilience of smallholder farmers. The ICO was awaiting proposals by two Members on the inclusion of references to living income.

9. The Chair asked delegates if the new concerns outlined by the Executive Director reflect the changes in the coffee market in the last 13 years, since the text of the current Agreement negotiated in 2007? Was there anything else that should be included? She opened the floor for delegates to comment.

10. The delegate for Brazil expressed that a discussion of the Agreement in more broad terms was opportune and that the Agenda was well elaborated.

11. The delegate for Indonesia stated this was the time to revise the objectives, functions, roles and mechanisms of the Organization, since coffee was a key source of income for smallholder farmers and the ICO played an important role in making the coffee sector more sustainable. The objectives of the ICA should come back to the core problem of low coffee prices. The covid-19 pandemic had accentuated the drop in coffee prices and their impact on farmer's livelihoods. All economic, environmental and social aspects needed to be taken into account. One crucial objective was to enable the ICO to help achieve remunerative prices, reduce volatility and improve sustainability. How could these objectives be translated into concrete actions? The ICO needed to update and strengthen the implementation of the Five-year Action Plan. The Action Plan needed to be monitored and evaluated and take into account the challenges resulting from the covid-19 pandemic.

12. The delegate for the Russian Federation stated that the Organization should focus on the enhancement of international cooperation, in terms of coffee production, trade and processing. The imbalance between supply and demand should be the top priority of the ICO. Improvements should be made in the basic principles of coffee bean

supply, harmonization of quality standards, and reduction of the role of middlemen in supply chains. The Russian Federation supported the producing Members of the ICO. The participation of the private sector in the ICO was crucial, and the ICO should improve its mechanisms of cooperation with the private sector. He proposed the inclusion of more private sector representatives within the Coffee Public-Private Task Force (CPPTF), especially companies that belonged to the middle of the sector – i.e. those working with coffee processing, packaging, logistics, development of new high-tech, and digital solutions. He also addressed the importance of the CPPTF and the Projects Committee, while noting that the ICO could attract more financing from international donors for focused and special projects, aimed at raising the potential of coffee producers, especially smallholder farmers. Under the auspices of the CPPTF, a special website could be launched with information on demand and supply of coffee and relevant contact information of companies who export and import coffee. Such a portal in the framework of the ICO would contribute to the reduction of middlemen in the supply chain, which would increase the stability and sustainability of the global market for coffee. The ICO should welcome new partnerships with other international organizations which could contribute to an increase in its analytical capacity.

13. The delegate for Colombia suggested to look at the bigger picture, i.e. what Members expected from the ICO. The ICO could not regulate the market or change the prices of coffee, the market was free. All experts seemed to agree that coffee will continue being consumed, despite the negative effect of coronavirus. However, a structural issue existed, i.e. an imbalance in the coffee value chain, in which a few players at one end of the chain were taking most of the value. Coffee farmers were unable to earn a decent living in many countries. The ICO should act as a catalyst in finding ways to try to reverse this imbalance in the coffee value chain. This could be done in part through cooperation and working with the private sector. The ICO should work on behalf of farmers. Its aim should also be to increase consumption, both in consuming and producing countries. Trade barriers needed to be reduced, especially in countries where taxes on coffee are very high. These barriers prevented producers from exporting, since they did not have access to markets. How could ICO contribute to increasing consumption and advocate for more transparency for everyone's benefit? And how could the ICO help remove trade barriers and push for a global flow of coffee? Consumers must be made aware of this huge imbalance – the ICO should be an advocate and a public voice that supports the weakest link in the value chain. The ICO was unable to regulate the coffee trade but should be a public advocate for change by showing the distortions and imbalances in the coffee sector.

14. The delegate for Brazil agreed with the comments made by Colombia and the Russian Federation. Economic losses had been the main reasons for the creation of the Organization. Since 1989, the organization had lost its initial motive for existence and had been unable to address the real problems affecting the market. The Organization was unable to interfere in the free market. The main reason for ICO to continue its existence was to serve as a platform to address the major problems of the coffee sector. The CPPTF was a good start, especially through its involvement of the private sector. The Organization needed to listen to the private sector and try and stimulate exchanges of ideas and actions among those parties interested in change. It should avoid being overly rigid or strict. The Task Force needed to be an open space for ideas for partnership, a space for technical co-operation. The participation of the private sector in general needed to be strengthened since it was the biggest source of employment in every country, it paid taxes and enriched governments. The CPPTF was a forum for the private sector and governments to discuss market imbalances and should concentrate on the weakest link in the coffee value chain, smallholder farmers. Politically, the ICO had a commitment to help the weakest and had a responsibility for the economic, environmental, and social sustainability of the entire sector. The Secretariat should collect, analyse, and discuss ideas from all sources. All must understand that the ICO was unable to control the market, but needed to understand it and cooperate in its function as a forum to address imbalances.

15. The delegate for Mexico spoke as the '*voice of many smallholders*' of their country and stated that the outcome should be that the coffee sector was de-commoditized. De-commoditization implied the mitigation of volatility and ensuring that market prices reflected physical supply and demand. Mexico had been emphasizing this for the past two decades. The market needed to consider worldwide production costs and a minimum profit in order to enable a dignified life for farmers all over the world. Minimum profit meant a win-win situation for all links in the supply chain. It also implied transparency in the supply chain with clear commitments from industry and governments. New mechanisms needed to be defined to guarantee that producers received a minimum share of the price paid by consumers. Some companies in Switzerland were already doing this, but the practice needed to be spread further. Production costs must be covered. Mexico wanted to use the Task Force to discuss these issues and to mitigate poverty. He gave the example of improvement of service providers, to ensure that the added-value in the supply chain is clear, transparent and optimized. The technical gaps at the field level between countries needed to be narrowed.

16. The delegate for Peru listed some important goals for the ICO: 1) to act as a global benchmark for information on coffee in order to help make sound public policy decisions and for producers to acquire knowledge of best practices; 2) to promote consumption of coffee in Member countries; and 3) to facilitate the financing of specific projects that should seek to improve productivity and rectify the imbalances in the value chain. For the last objective he suggested the establishment of a cooperative framework to allow parties to exchange materials, such as seeds, in a fluid and barrier-free way.

17. The delegate for Honduras stated that the ICO was a historic organization for producers and consumers. It needed to adapt to current times, which required profound changes in the Organization. There was a long bridge that still needed to be crossed. The Organization must support higher prices and the families that depended on coffee. He supported the Task Force and wanted the ICO to survive, but felt that change was needed.

18. The Chair thanked delegates for their comments and closed this item.

(2) Function of the ICO

19. The Chair gave the floor to the Executive Director.

20. The Executive Director stated that, within the context of the WGFA, the functions of the Organization were included in Pillar (d). This section contained chapters relating to various advisory bodies and the work of the ICO, including the removal of obstacles to trade and consumption, promotion and market development, measures related to processed coffee, mixtures, and substitutes, project activities and statistical information. Pillar D also contained items such as the Private Sector Consultative Board, the World Coffee Conference, and the Consultative Forum on Coffee Sector Finance, which would be discussed at a later point.

21. The current functions of the ICO reflected the Five-year Strategic Action Plan, which was a result of a process of consultation with Members. The plan contained three strategic goals: (1) delivery of world-class data, analysis and information to the industry and policymakers; (2) provision of a forum for dialogue, both within the public sector, but also between the public and private sectors; and (3) facilitation of development projects and promotion programs through public-private partnerships. This plan had proved flexible enough to enable the ICO to move forwards with its work and adapt. Within Pillar D, the proposals for change were: an emphasis on assisting smallholders and concerns about concentration within the upstream of the value chain.

22. The Chair added that the lack of substantive proposals for change suggested that the Agreement already contemplated most of the views of the Members. She noted the desire of Members for the ICO to have a greater role in projects, since it no longer had privileged access to the resources of the Common Fund for Commodities. She requested delegates to put forward options.

23. The delegate for Brazil stated that the functions were in order and that the problem lay with their implementation. The ICO had a limited capacity to promote coffee consumption. The private sector sold and marketed products; was the only player in the coffee sector capable of influencing consumption. The Organization therefore needed to collaborate closely with private companies. He stressed the importance of the Task Force as a means to reinvigorate the Organization. The ICO was a platform and not a force in itself; it could not and should not compete with the free market. The Agreement should create an Organization as a forum for debate. The Task Force needed to attract international cooperation agencies, such as the GIZ and JICA, to enhance technical cooperation among the players, with the objective of correcting imbalances. Technical projects should be introduced to help producers to become more sustainable and participate more strongly in the world market. Brazil was open to sharing experiences and participating in technical cooperation, while valuing the diversity of the market.

24. The delegate for Indonesia reminded the Working Group that previous discussions led to the understanding of the ambition of Members to modernize the Organization, and to create a more balanced and resilient value chain. The ICO had many forums of consultation, especially the CEO and Global Leader Forum and the CPPTF, which enabled multi-stakeholder collaboration and partnerships. Indonesia believed that multi-stakeholder partnerships could generate more resources for the ICO to achieve its objectives. Regarding consumption, he suggested encouraging and promoting online sales, which increased and continue to increase substantially due to covid-19 pandemic. Indonesia looked forward to the support of the ICO and the private sector in designing and creating, for example, promotional videos for a global coffee promotion campaign on social media platforms. The ICO should also engage in collaborations with nutritionists or bloggers to encourage them to promote the important health benefits of coffee and thereby promote consumption.

25. The delegate for Papua New Guinea agreed with the functions outlined by the Executive Director, which were inclusive. The issue lay in their execution. The Task Force was a good initiative, but needed time to see what could be accomplished. In the future,

the ICO should act as a catalyst for change, not an executor, by bringing actors together those who will bring change. The free market had created the imbalance noted by previous speakers, and the various actors in the value chain needed to reconsider what they were doing. What would be the ICO's function in coordinating supply in the future? When looking at the structural imbalance within the production sector, potential solutions included: technology transfer, with an emphasis on smallholders; and a focus on profitability instead of price. Regarding promotion, the ICO should not directly promote coffee consumption but encourage the private sector to join in, i.e. the ICO should function as a catalyst for the private sector to promote coffee, so that private enterprises would put their money into projects for change. As examples, he cited the Coffee Festivals in China, funded by the ICO in the late 1990s, and the creation of International Coffee Day (a catalyst for the private sector to act).

26. The delegate for Nicaragua agreed with the previous delegations and aligned himself with their views. He particularly agreed with Papua New Guinea in that the ICO should act as a catalyst for change. The Members formed the Organization and the Secretariat was their instrument. Members had a joint responsibility. Nicaragua wished to highlight the efforts of the Task Force, which was a good example of what could be achieved. His country believed that the private sector needed a more important role and to exert greater influence. Governments should act as policy makers. The Task Force was a good opportunity, and Nicaragua look forward to collaborating in that initiative. The Agreement required clear rules and objectives while allowing the private sector to follow the rules of supply and demand.

27. The Chair thanked delegates for their comments and closed the item.

3) Partners required to implement the ICA – *The role of the private sector*

28. The Chair gave the floor to the Executive Director.

29. The Executive Director stated that this item was also contained in pillar D. Broadly speaking, the participation of the private sector could be based on associations (as was the case of the Private Sector Consultative Board) or on companies (such as the CCPTF). Whatever their composition, these were entities with little autonomous decision-making power.

30. A related subject was to find ways in which the private sector could contribute to the financial sustainability of the Organization. Strategic decisions needed to be made, since it was safe to assume that those that contributed resources to the Organization would want to have a say in their use.

31. The Head of Operations presented possible models for the integration of the private sector available within the multilateral system. He noted the example of the International Telecommunication Union (ITU), which was related to a specific industrial sector, that of information and communication technologies, which had some similarities to international commodity bodies. The ITU was the oldest international organization with a global reach. Membership now included 193 member states, as well as around 900,000 private companies, research institutions and other international organizations. The membership of the ITU showed that it was a global unique platform for global public-private partnership. The organization had two types of membership: sector members and member states. Article 19 of its Convention encouraged participation and public-private partnerships. Similarly, the World Tourism Organization (UNWTO) includes members that are states and also the private sector. The decision-making structure still needed to be further examined.

32. The Chair stated that she found it interesting to see how the private sector can be integrated into the ICO. Did Members want to maintain the ICO as a purely intergovernmental institution? Or was there a way to integrate the private sector without comprising its essential intergovernmental quality? She opened the floor to delegates.

33. The delegate for Brazil stated that an organization that is commodity-orientated needed to maintain a dialogue with the private sector, which was responsible for the creation of value. Governments had the responsibility to correct imbalances, which needed to be done by laws and at a national level, since only legislation could control the greed of the private sector. The private sector should be integrated within the decision-making process, thereby transforming its greed into a positive force. He favoured a more in-depth discussion and stated that the Task Force already existed to address some of these imbalances. In many ways, addressing imbalances would benefit the private sector as well. Governments had to defend their highest ideals and also had responsibilities also in terms of environment and social sustainability. If the Task Force could work in a vibrant, innovative and productive way, then it would be an excellent portal for the participation of the private sector.

34. The delegate for Mexico stated that the ICO must be a point of reference for governments and industry in terms of supply and demand. There should be worldwide mapping of barriers, opportunities for coffee flows, value, balanced supply chain, and opportunities for increased coffee consumption. The Task Force is the best way to share targets. The ICO should also define a global agenda for coffee, innovation, participative and applied research. The ICO should be a shared service for the public and private sector.

35. The delegate for Indonesia stated that low coffee prices and covid-19 limited the role of the governments in providing financial sustainability to the Organization to achieve its objectives. In this regard, the role of the industry was crucial to mobilize resources, and thus enable the Organization to provide concrete benefits to its Members. Initiatives such as the CEO and Global Leaders Forum, the CPPTF and the Private Sector Consultative Board showed the connections of the Organization to the private sector. However, the role of the private sector needs to be carefully considered since the private sector was interested in promoting their brands.

36. The delegate for Peru stated that financial commitments by the private sector were necessary. He stated that Members needed to reflect on different ways in which the business community could participate in ICO meetings, both more regularly and in flexible frameworks.

37. The Chair noted that models such as the ITU model needed further exploration, for example in how the it handled the problem of decision making.

38. The delegate for Colombia stated that two topics should be kept in mind: 1) major roasters knew how to become richer, they knew the market well, while most countries were struggling; and 2) Members needed to be cautious about possible use of the ICO by the private sector to promote its own brands. The party with the biggest checkbook tended to dictate the agenda, so the decision-making process must be thoroughly considered. Producing countries and multinationals had different objectives.

39. The delegate for Brazil concurred and added that it was essential to think about the amount and contribution of each company and private association for participation in the Organization, to ensure that financial clout was not used to control the ICO. He agreed with Colombia, but thought producers would also benefit from projects that could be agreed with the partners involved. The Organization needed to act in order to avoid becoming irrelevant, by inserting itself in the real world and becoming more effective.

40. The delegate for Mexico shared the viewpoint of Colombia and stated the need to examine the decision-making process within the ITU. He gave an example in his own country. Mexico had established a Business Coordination Council, which was a consultative organism for the government that coordinated aid coming from the private sector. The ICO had to look at the bigger picture and coordinate various governments and companies.

41. The delegate for Honduras agreed with Colombia and Brazil and affirmed the need to find some parallels and look further into the example of the ITU.

42. The Chair thanked delegates for their comments and closed the item.

(4) Resources required to implement the ICA

43. The Chair invited the Executive Director to introduce this point.

44. The Executive Director stated that ICO Members, in internal discussions, had already put forward some ideas regarding the financial sustainability of the organization. Concerning revenues from contributions, the Council had passed Resolution 470, which instituted the temporary suspension of Members in persistent arrears, to encourage the prompt payment of contributions. This should be inserted into the Agreement, as proposed by the European Union. Possible additional sources of revenue also included income streams such as: sales of subscriptions (especially of statistical data); organization of conferences; and donations from international organizations, development agencies, and the private sector. The latter included many activities already involved in the formation of the CPPTF. There was substantial goodwill from these actors; he estimated that the ICO had received about £200,000 in the previous coffee year from direct and in-kind contributions. This sum amounted to almost 10% of the Organization's total budget. One possible idea would be to work with two budgets, a core budget (central activities) financed by contributions of Members and an operational budget financed by other revenues and donations. To some extent, this was already in place in the form of donations received through the Task Force. The Executive Director wondered if this model would be suitable for an organization of the size of the ICO.

45. The Head of Operations shared his experience from the United Nations Industrial Development Organization (UNIDO). For the 2018/19 budget of the organization, operational costs had been shared between assessed contributions with a matching

budget. The core budget allowed access to certain resources, but additional resources were required to carry out the work of that organization. Meanwhile, the operational budget was conditional on mobilizing extra resources and then carrying out additional activities. He commented on the need for a combination of the two. He gave the example of the World Tourism Organization (UNWTO), where full members pay a part of the budget and the rest comes from other sources, such as associate or affiliate memberships, which were open to research institutions and private companies. The model could be adapted to the ICO.

46. The Chair asked the Working Group if there were any other changes in the Agreement that they wanted to consider to attract other resources. She opened the floor for debate.

47. The delegate for Brazil stated that this question would be discussed in the next Finance and Administration Committee on 2 July. He stressed that the Organization must cut costs in order to survive, especially after the economic impact of covid-19. The multilateral system as a whole was coming under increased scrutiny as to its efficiency. This was an opportunity to revise the Agreement in order to discuss the efficiency of the organization, and also its costs. He stated that the survival of the ICO was important.

48. The delegate for Indonesia stressed the importance of addressing current challenges, such as the revision of the ICA. Indonesia welcomed the efforts of the ICO during the covid-19 virtual seminar, in which the ICO hosted the World Bank, the Food Agriculture Organization of the United Nations, the Specialty Coffee Association and others. He highlighted that one of the questions raised during the seminar was 'What funds are available and how can farmers access these funds?'. The ICO should expand its membership, especially by engaging the United Kingdom to be a Member of the ICO. The ICO should also diversify income by increasing subscription fees for statistical data, market analysis and the annual Coffee Development Report. Additional revenues could be generated from paid international conferences and the sale of space for advertisements.

49. The delegate for Honduras affirmed the need to cut costs.

50. The delegate for the Russian Federation concurred in the need to cut relevant cuts, so as to optimize the use of the budget. Suggestions included reducing costs of

meetings and language services, as well as the relocation of premises. Online conferences for coffee producers could also be a source of income for the Organization. Outstanding contributions should not constitute a burden on other Members that paid on time.

51. The Chair agreed that the financial situation was the most pressing issue facing the Organization. However, discussion within the WGFA should concentrate on the future of the Agreement.

52. The Executive Director responded to Indonesia stating that the ICO had been engaging with the host government (the United Kingdom) for over a year and substantial progress had been made. The UK government was committed to joining the Organization immediately after conclusion of the transition period in its departure from the European Union. Financial questions would be discussed during the Finance and Administration Committee and all the points raised in the current meeting would be evaluated in the preparation of the revised budget.

53. The Chair concluded by saying that it is important to cut costs and diversify income. She then closed the item.

(5) Policy-making structure

54. The Chair gave the floor to the Executive Director to comment.

55. The Executive Director stated that some of the topics were covered under Pillar (c), while others could be decided by the Council and therefore didn't have to be covered by the Agreement. The current structure comprised the Finance and Administration, Promotion and Market Development, Projects and Statistics Committees, which were complemented by the Private Sector Consultative Board and the World Coffee Conference. Thus far only the European Union had suggested a major change, i.e. the combination of the Promotion and Market Development, Statistics and Projects Committees into an Economics Committee. No proposals for changes in voting and calculation of contributions had been received. The ICO would prepare a comparative study with other international commodity bodies.

56. The Chair opened the floor with the questions: 'Do we need two physical meetings of the Council every year or can one be held online?' and 'Is the structure of the Committees still appropriate?'

57. The delegate for Papua New Guinea highlighted two points: (1) regarding the frequency of Council sessions, while he appreciated online meetings, certain groups were being excluded from a more active participation in meetings because of the lack of interpretation facilities. In addition, much of the interaction in the Council took place informally in the corridors. He was opposed to holding all meetings online, but was prepared to accept one online session a year to help cut costs; and 2) while understanding the reasons why the European Union wanted to merge three committees into an Economics Committee, he stressed the importance of and need for the Projects Committee. With regard to decision making, this was always done by consensus. The question of votes only had relevance for the calculation of contributions and merited further exploration. For example, he questioned the need to have two categories of membership, exporting and importing. This had been important during the quota period but was no longer relevant.

58. The delegate for Indonesia highlighted the need for more private sector involvement and to look into practices at other international organizations, such as the International Cocoa Organization. He noted the positive implications of additional contributions, while expressing caution about potential conflicts of interest if the private sector became a major source of funding to the Organization's regular budget. He suggested that the ICO should maintain the status quo and that decision making should be left to Member countries only.

59. The Executive Director stated that there was no easy solution on how to involve the private sector financially. He acknowledged the desire to broaden the Organization's sources of finance and the possible trade-offs in terms of decision-making power. He reiterated the 'Golden Rule', i.e. the one with the gold makes the rules. He noted that Members would have to think very carefully about the question of whether to diversify streams of revenues or continue as they were.

60. The Head of Operations commented that the nature of the inter-governmental status of the ICO would not necessarily be modified. Decision making would still be in the hands of Members. The private sector would help set objectives and contribute financially to them.

61. There were no further comments and the Chair closed the item.

Item 4: Next Steps

62. The Chair noted that the four pillars of the Agreement and the purpose and mission of the ICO had already been discussed in the Working Group. She noted that there are still many issues to come back to. She requested that the Secretariat draft a 'non-paper' containing all the elements discussed in this meeting to help move the discussion forward.

63. There were no requests for the floor and the item was closed.

Item 5: Other business

64. The Chair noted that there were no requests for other business.

Item 6: Date of next meeting

65. The Chair noted that the Secretariat would be fully occupied with the Finance and Administration Committee in July. She suggested that the Working Group meet again during the week before the 127th Session of the International Coffee Council, which was scheduled to take place from 7 to 11 September 2020. The next meeting would therefore be held on 2 September 2020.

66. The delegate for European Union thanked everyone for the suggestions and confirmed that 2 September was suitable for them but not 1 September.

67. The Chair noted that there were no further comments on the date. The date for the next meeting was noted as 2 September 2020.

68. The Chair closed the meeting.