



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

EB 3949/08

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Executive Board
267th Meeting
20 and 22 May 2008
London, England

Decisions Adopted
(267)

1. The Executive Board, chaired by Mr David Brooks of the USA, met on 20 and 22 May 2008.

Item 1: Adoption of the Agenda and schedule of meetings

2. The Board adopted the draft Agenda contained in document EB-3944/08 Rev. 2 and took note of the schedule of meetings.

**Item 2: Votes in the Council and Executive Board
for coffee year 2007/08**

3. The Board took note of the situation of outstanding payments affecting voting rights as at 15 May 2008 and of the redistribution of votes in the Council and Executive Board for coffee year 2007/08 contained in document EB-3934/07 Rev. 2, and further noted that a revised document would be circulated to the Council to reflect contributions received from Members during the week¹.

Item 3: Programme of activities for 2008/09

4. The Head of Operations introduced document EB-3945/08 containing a programme of proposed activities in coffee year 2008/09. The aim of the programme was to provide a focus for the work under the ICA 2001 in accordance with the activities contained in the plan of action for 2001 – 2006. An estimate of the cost of specific activities was given in Annex I (£31,000). These costs had been incorporated into the draft Administrative Budget for

¹ A revised votes document was subsequently circulated as document EB-3934/07 Rev. 3.

financial year 2008/09 and did not represent expenditure over and above that contained in the budget proposals. The guidance of Members was sought on a topic for a seminar (Activity 1.10.1).

5. In response to points raised by Members, including the need for finance for activities to increase consumption, information about what had been achieved in previous programmes of activities, the need to include transitional activities related to the ICA 2007 such as statistics, and for more detail about proposed expenditure on projects (such as activity 1.8.8), the Executive Director noted that the ICO network to promote consumption had recently been launched with funding from the Promotion Fund. In view of the limited promotion resources remaining, he suggested that Members should work together to find ways to develop future promotion activities. The Annual Review outlined progress in activities undertaken during each coffee year such as projects and sustainability. A number of transitional activities were already underway such as the preparation of terms of reference for new bodies and the revision of rules and regulations, including statistical rules, and provision to improve the statistical reporting system had been included in the 2008/09 programme. In the case of projects, the proposed expenditure was intended to develop new sources of financing or technical cooperation with other agencies, as the Common Fund for Commodities (CFC) had limited resources. He urged ICO Members which were also Members of the CFC to contribute to policy-making by the CFC Governing Council.

6. The Board took note of this information and of the suggestion that activities in 2008/09 could begin to tackle issues relevant to the 2007 Agreement, such as in the case of the proposed seminar which could deal with finance and risk management for coffee, and could subsequently be followed up by the new bodies. The Board further noted that Members were invited to send any comments on the programme of proposed activities in coffee year 2008/09, including proposals for a seminar, in writing to the Executive Director by **31 July 2008**. The programme would then be revised and reviewed again by the Board in September 2008, prior to submitting it with a recommendation to the Council.

Item 4: Coffee development projects

Item 4.1: Projects under consideration by the ICO

7. The Head of Operations introduced document EB-3946/08 containing the report and recommendations of the Virtual Screening Committee (VSC) on seven new project proposals.

*Enhancing resource use efficiency in coffee production and processing
by Farmer 2 Farmer learning (Tanzania, Uganda and Vietnam)*

8. The Head of Operations said that the VSC had been split on whether the proposal contained in document WP-Board 1049/08 should be revised or rejected. The Board noted that this was an important project for Vietnam and would improve the capacity of smallholder farmers in this country to optimize production and processing.

9. In discussions on this project, the point was made that the project was worthwhile and should be revised, including reducing the number of participating countries from three to two and the total budget to US\$1.5 million, and increasing counterpart funding. Other Members noted the relevance of the project to a number of countries, and supported revising it. It was suggested that it would be useful to have had more information about why the VSC was split on its decision and, in such cases, to consider inviting the project proponents to provide additional information and revert to the VSC.

10. The Board took note of these comments and further noted that there were only two opportunities for presenting projects to the CFC each year. The project would be competing with other projects considered by the CFC, which preferred proposals to include a substantial counterpart contribution, whether in cash or in-kind. If the project were to be revised, this could increase the chances of a favourable review by the CFC in the future. The Board decided that the project should be revised by the proponents, taking into account the comments of the VSC, and resubmitted for consideration as soon as possible.

Trifinio sustainable coffee project (Honduras, Guatemala and El Salvador)

11. The Head of Operations said that the proposal contained in document WP-Board 1047/08 had been submitted by the Tri-national Trifinio Plan Commission. The VSC had recommended that the project should be approved in principle for submission to the CFC. The possibility of seeking funding from other sources for the participation of El Salvador, which is not a Member of the CFC, would need to be considered. The Board took note of this information and decided to recommend that the Council approve the project proposal contained in document WP-Board 1047/08 for submission to the CFC. The Board further noted the need to coordinate with national coffee associations in the region in order to ensure that the project did not duplicate or compete with the activities of other projects.

*Integrated agriculture diversification development programme for
commodity cultivation, processing, marketing, and livestock farming (Malawi)*

12. The Head of Operations said that the proposal contained in document WP-Board 1048/08 had been submitted by the Profix Group of Companies with the support of the Coffee Association of Malawi (CAMAL). The VSC had recommended that the project should be rejected. The Board took note of this information and decided that the project should be rejected.

Study of the potential for commodity exchanges and other forms of market places in West Africa (Cameroon, Côte d'Ivoire, Ghana and Nigeria)

13. The Head of Operations said that the proposal contained in document WP-Board 1050/08 had been submitted by Cameroon, Côte d'Ivoire, Ghana and Nigeria. The VSC had been split on whether the proposal should be revised or approved.

14. In discussions on the proposal, the point was made that this was a worthwhile project and it would be useful to have more information about why the VSC was split on its decision. Another Member noted that the project complied with CFC guidelines for fast-track financing and, if it were revised to include a logical framework which was a requirement for projects, would support its approval. Other Members highlighted the need to provide additional information where this was missing or insufficient, and raised the possibility of revising the costs as the project should be able to benefit from work already undertaken for a similar study carried out in Eastern and Southern Africa. To avoid further delays, the Board agreed to recommend that the proposal contained in document WP-Board 1050/08 should be approved, subject to the proponents taking into account the comments and suggestions made.

Coffee berry borer (CBB) projects

15. The Board considered three CBB projects contained in document WP-Board 1051/08. Following a preliminary review of these proposals, the Board suggested that discussions should be held during the week, to discuss possible harmonization of the proposals in order to avoid submitting competing projects to the CFC.

16. The Board subsequently noted that since there were elements in the proposals that had already been covered in an earlier project “Integrated management of the coffee berry borer”, concluded in 2002², the CFC had recommended that an impact assessment of the project should be carried out. This would be arranged by the CFC and preliminary results should be available by January 2009. The outcome of the assessment would enable Members to consider what control measures would be helpful and to review new information that could be disseminated to Members. Additional information would also be available in the form of a manual on the natural enemies of the CBB, which had been developed by the United States Department for Agriculture (USDA) in cooperation with the Southern Frontier College (ECOSUR), Mexico.

17. The suggestion that it would be useful to hold a worldwide symposium on the coffee berry borer was welcomed, as it would enable countries to share their experiences. In view of the seriousness of this pest and the need for urgent action to avoid further damage to crops,

² See *Executive Summary of final report circulated to Members in 2002 as document ICC-86-5*.

the Board agreed that the ICO should hold a short meeting on the CBB during the next Council session in September 2008, which could be attended by technical experts from Members, to report on the latest situation, assess studies and technology which had been developed and their relevance to different countries. The requirements for a symposium on the CBB, which could be held at the time of the Council Session in May 2009, could also be considered.

Integrated management of CBB with a quality and sustainability component for coffee-growing in Central America

18. The Head of Operations said that the first proposal contained in document WP-Board 1051/08 had been submitted by the IICA/PROMECAFE (Inter-American Institute for Cooperation on Agriculture/Regional Programme for the Development and Modernization of the Coffee Industry in Central America, the Dominican Republic and Jamaica). The VSC had been split on whether the proposal should be revised or approved.

19. In discussions on this project, it was recommended that it should be approved, in view of the prevalence of the CBB in many countries, as noted in document EB-3948/08 which contained a report on the status of coffee pests and diseases in producing countries.

20. The Board took note of this information and decided to recommend to the Council that this project should be approved, subject to the proponents taking into account the findings of the CFC impact assessment of the concluded project “Integrated management of the coffee berry borer”.

Pilot project on implementation of the Integrated Pest Management (IPM) to control the Coffee Berry Borer (CBB) in Arabica and Robusta coffee smallholdings in Indonesia

21. The Head of Operations said that the proposal contained in document WP-Board 1051/08 had been submitted by Indonesia. The VSC had been split on whether the proposal should be revised or rejected. The Board noted that this was an important project for Indonesia, where around 2.2 million households depended on the coffee sector, and which had only participated in a single project to date. The project would also benefit other countries in the region, such as by inhibiting the spread of the pest to Papua New Guinea.

22. In discussions on this project, the need to revise the proposal and develop it in more detail was raised, with further information to be provided on aspects where this was missing or insufficient, including the baseline study, manuals, expert supervisions and models for monitoring and evaluation. It would be useful to consider merging this project with the previous one, to avoid submitting similar proposals that would compete for limited CFC resources.

23. The Board decided to recommend that the project should be further revised, and should take into account the results of the CFC impact assessment of the concluded project “Integrated management of the coffee berry borer”. In the light of the outcome of the impact assessment, consideration could be given to merging the proposal with the previous one.

CBB – the need for a review of the status and knowledge of a serious coffee pest

24. The Head of Operations said that the third proposal contained in document WP-Board 1051/08 had been submitted by CABI – UK. The VSC’s overall recommendation was that the project should be rejected.

25. The Board took note of this information and noted that this project was not rejected but was subject to further development in the light of the CFC impact assessment of the concluded project “Integrated management of the coffee berry borer” and further information about the need for a future seminar on the CBB.

26. Finally, the Board noted that new project proposals for consideration in September 2008 should reach the Executive Director by **27 June 2008**.

**Item 4.2: Projects under consideration by the
Common Fund for Commodities (CFC)**

27. The Head of Operations introduced the progress report on projects contained in document EB-3942/08 Rev. 3. In the case of the project entitled “Competitive coffee enterprises programme”, this had been considered by the CFC Project Appraisal Committee in October 2007, which had recommended that it should be reformulated. The CFC had approved financing for the cost of a consultant to reformulate the proposal which would be considered by the CFC Consultative Committee again once it had been reformulated. In the case of the project entitled “Building capacity for coffee certification and verification in Eastern Africa”, the CFC Consultative Committee would consider this project at its meeting from 14 – 19 July 2008. The Head of Operations further reported that he had attended the 15th meeting of the CFC and International Commodity Bodies (ICBs) held in Madrid in March 2008. The CFC Managing Director had outlined developments in CFC strategy, which would include a partnership with the EC action plan on commodities, and increased collaboration with private donors. The CFC Secretariat had also reported on follow-up to the third CFC five-year action plan (2008 – 2012), which envisioned that the CFC would provide around US\$21 million per year over the next five years for new project commitments, to cover all commodities.

28. In discussions on this item, the point was made that with regard to the concluded project “Improvement of coffee production in Africa by the control of coffee wilt disease – tracheomycosis”, this was a very serious problem for many countries and, as noted in the

conclusion of the final report (document ICC-100-3), further work and support was needed to follow up the project outputs. It was also suggested that it would be useful to consider the question of seeking finance for follow-up to completed projects such as this, in the light of the need for further dissemination of information.

29. The Executive Director noted that while projects could make a contribution to resolving problems such as coffee wilt disease, financing from the CFC was limited. Information about the results of the project had also been disseminated at the 4th African Scientific Coffee Conference held in Uganda in February 2008 (http://www.eafca.org/wwwcarchive/afcc5_presentations.asp#cfc). The CFC only financed pilot projects and Members should review their national agricultural policies in the light of the project results, taking into consideration the need for follow-up activities in their development programmes and providing the necessary finance for such activities.

30. The Board took note of this information and of the progress report on projects contained in document EB-3942/08 Rev. 3. The Board further noted that document EB-3948/08 contained the results of a survey on coffee pests and diseases, namely coffee berry borer, coffee wilt disease – tracheomycosis, white stem borer and coffee leaf rust (documents ED-2020/07 and ED-2020/07 Rev. 1, circulated in August 2007 and February 2008). In total, 20 responses had been received from Members representing 75% of world coffee production, and an additional contribution had recently been submitted by Zimbabwe. The report provided a snapshot of the health of coffee trees and would assist the ICO in exploring technical assistance from organizations such as the Food and Agriculture Organization of the United Nations (FAO) and the CFC.

**Item 5: Implementation of the
Coffee Quality-Improvement Programme**

31. The Head of Operations introduced document EB-3947/08 containing a report on the Coffee Quality-Improvement Programme (CQP) for calendar year 2007. Twenty-eight exporting Members (accounting for nearly 68% of world exports) were implementing Resolution 420. During 2007, these 28 countries had exported 56.7 million bags of green coffee, of which over 98% (55.9 million bags) complied with the defects and moisture targets in the Resolution. The volume of coffee graded by the London International Financial Futures Exchange (LIFFE) which failed to comply with the targets of the Resolution in 2007 amounted to 1.72 million bags, an increase of over 6% compared to 2006, and a decrease of over 7% compared to 2005. Of these 1.72 million bags, nearly 1.14 million bags were from Vietnam. In the case of ICE, nearly 82% of coffee graded had passed the gradings analysis in calendar year 2007, compared to 80% in 2006. As indicated in the report, the delay in introducing new quality standards in Vietnam appeared to be a contributing factor to the high volume of coffee being rejected at LIFFE gradings. When the new standards were fully

implemented, it was expected that this volume would gradually decrease. The Head of Operations added that in the case of harmonization of Resolution 420 with the ISO Green Coffee Defects chart, there was no additional information to report since the last meeting.

32. In discussions on this item, the point was made that it was disappointing that the number of countries implementing the Resolution had not increased since the previous report, with only two-thirds of exports covered by the CQP, and that the volume of coffee for which no information was available had increased.

33. The Board took note of this information and of the progress report on the CQP contained in EB-3947/08.

Item 6: Phyosanitary matters

34. The Head of Operations reported that the Codex Committee on Contaminants in Foods (CCCF) had met from 31 March – 4 April 2008 and had considered a revised discussion paper on ochratoxin A (OTA) in coffee, including an outline of a draft code of practice (based on FAO Guidelines for the Prevention of Mould Formation in Coffee). It had agreed to submit a proposal for new work on a code of practice for prevention and reduction of OTA contamination in coffee, which would be considered by the Codex Alimentarius Commission at its 31st Session in July 2008. An electronic working group, led by Brazil, would prepare the draft Code for distribution by Codex by end 2008.

35. The CCCF had also considered a proposed draft code of practice for the reduction of acrylamide in food, mainly focussed on foods produced from potatoes and cereals, reflecting their importance in terms of dietary exposure to acrylamide. It had agreed to forward the proposed draft code of practice to the Codex Alimentarius Commission for adoption at step 5. The draft code had a limited section on coffee, acknowledging that no commercial measures for reducing acrylamide in coffee were currently available, that studies had shown that it was not stable in coffee powder in closed containers over extended storage periods, and that work was underway to identify the underlying mechanisms that might provide future opportunities for mitigation.

36. In the case of pesticides, the Head of Operations reported that the EC had published Annexes II, III and IV to Regulation (EC) 396/2005, setting Maximum Residue Levels (MRLs) of pesticides for food. Annexes II and III contained references to coffee beans and would enter into force as from 1 September 2008. They could be accessed via the following link: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2008:058:som:en:html>. The Board took note of this report.

Item 7: Financial and administrative matters

Item 7.1: Report of the Finance Committee

37. The Chairman of the Finance Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 21 May 2008³ and had reappointed him as Chairman for coffee year 2007/08. The Committee had received a report on the financial situation as at 30 April 2008 (contained in document WP-Finance 56/08) and had noted that this was satisfactory. It had also reviewed document EB-3940/07 Rev. 1 containing the Administrative Accounts of the Organization for the financial year 2006/07 and the Report of the Auditors, and had recommended that this document should be approved.

38. The Committee had discussed the draft Administrative Budget for 2008/09. Based on overall expenditure of £2,910,000 (an increase of 1.5% over 2007/08) and estimated income from external sources of £240,000, the potential contribution per vote would be £1,335, representing an increase of 2.5% over 2007/08. The draft Budget had received general support, and would be reviewed again by the Secretariat in the light of potential developments in expected income and expenditure. It would also include an “output” Budget showing different cost centres within the ICO. A revised Budget would be sent to Members in August and would be reviewed by the Committee at its next meeting on 22 September 2008, prior to being submitted to the Board and Council for approval.

39. The Board took note of this report. On the recommendation of the Finance Committee, the Board decided to submit the Administrative Accounts of the Organization for the financial year 2006/07 and the Report of the Auditors contained in document EB-3940/07 Rev. 1 for approval by the Council.

Item 7.2: Payment of arrears

40. The Chairman of the Finance Committee said that the Finance Committee had considered the situation of outstanding contributions. In the case of Uganda, this country had paid all its outstanding arrears and was up-to-date with the schedule of payments for contributions for 2007/08. Uganda was therefore well in advance of its obligations under Resolution 429. In the case of Nicaragua, its arrears had been paid in accordance with the schedule in document WP-Finance 55/08, although there was a small shortfall on contributions for 2007/08. In view of the efforts made by this country to settle its outstanding contributions, the Committee had recommended that a draft Resolution should be prepared restoring the voting rights of Nicaragua for submission to the Council.

³ The report of the Finance Committee meeting was subsequently circulated as document WP-Finance 57/08

41. In the case of the Democratic Republic of Congo, some payments had been received, but the country was behind the schedule established in Resolution 430. The representative had indicated that the aim was to catch up with the schedule by the end of the year. The Committee had appreciated the efforts which were being made but considered that they were insufficient to restore the voting rights of the Democratic Republic of Congo at this stage. The Committee had also noted that Malawi had paid all its arrears, however its contribution for 2007/08 was still outstanding. The situation of both countries would be considered again in September 2008.

42. Finally, the Committee had considered a request by Liberia, which had confirmed its intention to rejoin the ICO and had appealed for its outstanding contributions to be waived in view of the conflict in this country during almost two decades. The Committee had decided that it would not set a good precedent to waive the arrears, and had noted that similar conclusions had been reached in other international fora.

43. The Board took note of this report and further noted that the coffee office in the Democratic Republic of Congo had been reactivated and would be responsible for payments to the ICO, and that Zimbabwe had paid both its outstanding arrears and its contribution for coffee year 2007/08. The Board expressed its appreciation to Malawi, Nicaragua, Uganda and Zimbabwe for their efforts in repaying their outstanding contributions, and noted that a draft Resolution proposing the restoration of the voting rights of Nicaragua would be submitted to the Council.

Item 7.3: Other financial and administrative matters

44. The Chairman of the Finance Committee said that the Committee had decided to defer to its next meeting discussion of draft terms of reference for the Finance and Administration Committee (document WP-Council 170/08) and proposals for revisions to the Financial Regulations and Financial Rules of the ICO (document WP-Council 172/08). In the case of the latter document, it had been suggested that the chapter on finance in the Rules of the Organization could be incorporated into it. The Committee had agreed that this was a useful suggestion that should be investigated.

45. The Board took note of this information.

Item 8: Other business

46. The Board noted that there was no other business to discuss.

Item 9: Future meetings

47. The Board noted that its next meeting would take place at the ICO headquarters in London at the time of the Session of the Council scheduled to take place during the period 22 to 26 September 2008.