



INTERNATIONAL COFFEE ORGANIZATION
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**Statement by the Delegate of Brazil
to the International Coffee Council
on 2 March 2010**

Mr Chairman,
Your Excellencies Ambassadors and High Commissioners,
Executive Director and Head of Operations,
Distinguished Delegates of exporting and importing countries,
Ladies and Gentlemen,

1. On behalf of the Brazilian Government I would like to congratulate and thank Anacafé and the Government of Guatemala for their hospitality and diligence in the successful organization of the World Coffee Conference, a very special occasion for discussing the current situation and future prospects of world coffee production. I am taking the floor today to follow up on Brazil's reflections concerning the operation of the International Coffee Organization in the context of discussion on the Strategic Action Plan 2009-14.

2. In the context of discussions on the approval of the International Coffee Agreement 2007, Brazil carried out a lengthy in-depth analysis of the role of the International Coffee Organization in the framework of the structure of the world coffee trade. Public hearings were held by the Committee responsible for examining the matter in the Chamber of Deputies and producer representatives expressed their concerns to the Brazilian Executive. This process indicated that there were disquieting doubts as to the importance of the Organization, in its current form, for the activities of the Brazilian coffee sector.

3. As the Brazilian Delegation recalled at the last Council Session, the end of the quota system and the deregulation of the world coffee market led to the liquidation of regulating stocks in exporting countries and the build-up of stocks in importing countries, thereby transferring price formation power to importing countries and accentuating the already considerable imbalance between exporters and importers in regard to market power and shares in the benefits of the world coffee economy.

4. The prevailing view in the Brazilian coffee sector today is that the International Coffee Organization, which was once a forum for frank and open discussion on matters such as the balance between supply and demand and fair prices for producers, now has an agenda focussing on peripheral issues for the world coffee economy. We recognize the importance of promoting the sustainability of the coffee sector. But we all know that the social and environmental pillars of sustainable development in the coffee world rest on economic sustainability. We cannot hope to raise the living standards of coffee producers and their families without paying them fair and remunerative prices for the fruits of their labours.

5. I do not intend to recapitulate the economic analyses presented by the Brazilian Delegation last September. We are all aware of the difficulties experienced by producing countries. The issue we need to confront is how to ensure a balance in the activities of the ICO that will enable it to maintain its role in generating statistics and analyses on the coffee economy, as well as providing assistance for the implementation of projects that promote the development of the sector in producing countries and tackling key issues in the international coffee economy. The Organization must take on the task of seeking concrete ways in which producers and consumers can cooperate so as to ensure remunerative and stable prices that will bring about long-term equilibrium in the sector.

6. It should be recalled that the issue is not only of interest to producing countries. In the absence of policies and prices that can guarantee the economic sustainability of production, consuming countries will be faced with cutbacks in coffee production and substitution of coffee by more profitable crops, a situation which is bound to have an effect on their own activities.

7. We consider that one of the ways of moving in that direction is to encourage wide-ranging discussion on forms of finance either already available to the coffee economy or that could be created, including funds for working stocks. In this context, Brazil considers that the mandate and activities of the Consultative Forum on Coffee Sector Finance should focus on discussions, exchange of experiences and new ideas on forms of finance and risk management in the sector and their impact on the international coffee economy rather than on finding resources for projects that usually have their own financing channels. For this purpose, the seminar to be held next September should focus on these subjects, as a way of helping to prepare for the commencement of the Forum's activities under the ICA 2007.

Mr Chairman,

8. The practice of tariff escalation and maintenance of non-tariff barriers for processed coffee, particularly soluble coffee, has led to serious losses for the coffee industry and has hindered the growth of added value and greater participation by producing countries in the

world coffee economy. Despite reiterated statements by Brazil in ICO Council Sessions on the losses incurred as a result of the maintenance of high tariffs for processed coffee, no progress has been made on this matter.

9. As an example I can cite, the tariff of 9% imposed by the European Union on Brazilian soluble coffee exports. Brazil belongs to the European GSP General (Generalized System of Preferences) but is classified, or, in other words, excluded from preferences related to coffee. The other beneficiary countries of the General GSP and the European GSP Plus enjoy more favourable tariffs of 5.5% and 0% respectively. This discriminates against Brazilian coffee exports and affects their competitiveness, making them lose ground in that market.

10. The issue of tariff escalation was discussed at the Doha Round of the World Trade Organization and a proposal which, while not eliminating the problem would reduce its scale, is still on the table. Unfortunately, the prospects for closing the Doha Round and implementing its conclusions are not particularly bright at present. In this context, Brazil would like to open discussion at the ICO on the possibility of anticipating implementation of the recommendations on tariff escalation envisaged in the Doha Round in the case of coffee. We suggest, therefore that the Secretariat prepare a report on this matter for discussion at the September meeting.

Mr Chairman,

11. In recent years there has been growing concern that the ICO has been unable to meet the aspirations of producing countries and provide concrete benefits for its Members. Multilateral cooperation in the framework of the ICO has not produced satisfactory results, but this does not justify abandoning the Organization. On the contrary, we believe there is scope, under the legal framework of the International Coffee Agreement 2007, for the ICO to recover its active and influential position in the world coffee economy.

12. In the same way that the excesses that created the world financial crisis led governments and central banks to re-examine the structure of the international financial system we should reconsider the structure of the world coffee economy in this forum and make the necessary adjustments for the coffee market to bring real benefits to all the actors involved. The entry into force of the new International Coffee Agreement provides an appropriate opportunity for achieving these aims. Otherwise the Organization runs the risk of losing its relevance, failing to achieve the objective of attracting new Members, and losing some of its existing membership.

13. To this end, we should seek to promote the effective removal of tariff and non-tariff barriers, encouraging value addition by producing countries, seeking to establish mechanisms

that would enable producing countries to exercise better control over crop flow by financing stocks, as well as encouraging the development of new markets, like the Chinese market for instance, so as to permit the continuing and sustainable growth of the world coffee economy.

14. The Brazilian Government will seek to cooperate with the other Members of the Organization with a view to strengthening international cooperation and ensuring the balanced development of the world coffee economy, generating income for coffee families, improving living standards, achieving quality improvement of production and protecting the environment.

Thank you very much.