1. The International Coffee Council, chaired by Mr Rodolfo Trampe of Mexico, met in Guatemala City, Guatemala from 2 to 4 March 2010.

2. The Council congratulated the Government of Guatemala and the Guatemalan National Coffee Association (Anacafé) on the outstanding logistical organization and success of the World Coffee Conference from 26 to 28 February 2010 and also expressed its appreciation for the excellent arrangements which had been made for hosting its 104th Session.

**Item 1:** Adoption of the Agenda

3. The Council adopted the draft Agenda contained in document ICC-104-0 Rev. 2 and took note of the schedule of meetings.

**Item 2:** Admission of observers

4. The Council noted that no requests for observer status at this Session had been received from non-governmental organizations.

**Item 3:** Votes and credentials

**Item 3.1:** Votes in the Council for coffee year 2009/10

5. The Council took note of the situation of outstanding payments affecting voting rights as at 12 February 2010 and approved the redistribution of votes in the Council and Executive Board for coffee year 2009/10 contained in document EB-3966/09 Rev. 1. The Council further noted the need for all Members to pay their contributions by the deadline of 31 March 2010.
Item 3.2: Credentials

6. The Council noted that the Secretariat had examined the credentials received from Members and had advised the Chairman of the Council that they had been found to be in good and due form. The Council decided to approve the report on credentials which was subsequently circulated, together with the List of Delegations, as document ICC-104-8.

Item 4: Membership

Item 4.1: Membership of the International Coffee Agreement (ICA) 2001

7. The Council noted that as at 2 March 2010, there were 76 Members of the Organization, comprising 45 exporting and 31 importing countries. Under the provisions of Resolution 443, the ICA 2001 would expire on 30 September 2010.

Item 4.2: Membership of the ICA 2007

8. The Secretary introduced document ICC-104-3 containing a report on the status of the 2007 Agreement. He reminded Members that the deadline for signature of the 2007 Agreement and the deposit of instruments of ratification, acceptance or approval was 25 September 2010. As at 2 March 2010, 40 exporting Members and five importing Members had signed the Agreement. With the deposit of an instrument of ratification by the Government of Uganda on 1 March 2010, 22 exporting and three importing Members had ratified, accepted or approved the Agreement, or deposited notifications of provisional application. The exporting Members and importing Members that had completed all the procedures respectively held 51.5% and 91.6% of the votes of their category of Members. Importing Members had met the requirements for entry into force of the ICA 2007 but this was not yet the case for exporting Members. The Government of Mexico would deposit an instrument of ratification very shortly, and good progress was being made by a number of other Members. In the case of non-members, the Russian Federation was expected to become a Member, although internal procedures could take some time. The Executive Director would visit the Republic of Korea during this coffee year and was in touch with private sector associations in China and Laos about membership. Countries which had not yet done so were urged to make every effort to expedite the membership process. The ICO had issued Depositary Notifications for all these actions and information was available on the ICO website (www.ico.org/depositary_e.asp). Procedures were set out in ED-2033/08 Rev. 3, including a model for Full Powers and model instruments.

9. The Council took note of this information and congratulated all Members who had signed the Agreement and deposited instruments of ratification, acceptance or approval, or deposited notifications of provisional application and urged other Members to expedite the membership procedures for the ICA 2007 so that it could enter into force as soon as possible.
In the case of Brazil, it noted that the Government had already signed the Agreement. The ratification process was underway and the 2007 Agreement had to be examined in line with parliamentary procedures in the Chamber of Deputies before being submitted to the Federal Senate. The Council also took note of a statement by the representative of Brazil and a communication from Brazil, respectively contained in documents ICC-104-6 and ICC-104-7. The Council further noted that Tanzania had already deposited a notification of provisional application and would shortly deposit an instrument of ratification with the ICO.

10. The Executive Director said that the new Agreement had been negotiated in 2007 and there had been no proposals to include clauses to regulate the market at this time. It was a modern and dynamic commodity agreement setting out the objectives for the coffee sector and the need to maintain production and promote consumption, as well as address finance in the coffee sector. Although the Agreement no longer included economic clauses, in the last 20 years the ICO had channelled almost US$100 million for coffee development projects which had had a positive impact on production, sustainability, quality, coffee infrastructure and pests and diseases. Information, statistics and market analysis had been substantially improved. In cooperation with the coffee industry the ICO had undertaken activities to promote consumption such as coffee and health programmes, and developed a Step-by-Step Guide and other initiatives to increase consumption. Further work could be undertaken in the area of promotion, although only US$12,000 remained in the Promotion Fund. He urged all Members to complete membership procedures as early as possible and was ready to assist as necessary with procedural queries.

11. In discussions on this item, Members expressed concern about the delay in the entry into force of the ICA 2007, which had been approved nearly three years before, compromising the objectives of the Agreement and sending a negative message to the world coffee sector. The ICA 2007 had important new objectives which would address the priorities and concerns of Members. With respect to the request to open discussions on the possibility of anticipating implementation of the recommendations on tariff escalation envisaged in the Doha Round in the case of coffee and for the Secretariat to prepare a report on this matter for discussion in September, the Council noted that discussions on tariffs and non-tariff barriers were taking place in fora outside the ICO. In the case of coffee sector finance, this was of great importance to the sector and a central objective of the new Agreement.

12. The Council noted that Members were concerned that the 2007 Agreement should enter into force as soon as possible. It congratulated Members who had already deposited instruments and urged those who had not yet done so to complete the procedures as soon as possible.
Item 5: World Coffee Conference

13. The Executive Director said that the World Coffee Conference took place in Guatemala City from 26 to 28 February 2010, chaired by the President of Guatemala, H.E. Mr Álvaro Colom Caballeros. It brought together over 1,400 coffee growers and representatives from government, the private sector and international agencies. The theme was ‘Coffee for the future: Towards a sustainable coffee sector’. The world coffee market had changed since the previous two Conferences, and the challenge today was meeting future consumption needs and ensuring a balance between supply and demand. Productivity and quality were paramount for producers who needed to invest in institutions to support the coffee sector, training, seeking new sources of finance and credit, reducing production costs and actions to address climate change. The sector needed to consider whether future projected increase in consumption was sustainable, and how coffee could compete with other drinks and attract new consumers. Technological innovation and entrepreneurship had been highlighted and speakers had recognized the importance of developing denomination of origins, speciality coffees, quality, and other factors that could give coffee a competitive edge. In the area of environmental sustainability, climate change was pivotal and speakers had noted the urgency of investing in technology and in institutions which could develop sustainable solutions. The decrease in production in Africa had been highlighted, compared to the increase in Asia which also had great potential for developing consumption. Finally, the importance of the women and youth in both producing and consuming countries had been noted. He expressed his thanks to the eight moderators for their central role in the Conference and guidance in moderating presentations. A report on the conclusions would be circulated so that at the next Session Members could evaluate proposals and recommendations and consider how best to incorporate them into the work of the ICO.

14. The Council noted that in the first Session, dealing with changes and trends in world production, presenters had looked at production in the main coffee producing regions. In the case of Africa, the socio-economic implications of the declining coffee industry had been devastating for millions of farmers and action was urgently needed. Governments needed to look at encouraging public-private partnerships rather than total privatization, investing to develop infrastructure and creating appropriate institutions to support coffee development. In Brazil, there were solid organizations and institutions. The presentation had looked at its outstanding trading performance both in exports and in domestic consumption, the financial situation of coffee producers, as well as the relationship between market prices and production costs, selectivity and its effects on the market, and the role of the ICO. In the case of Colombia, the speaker had outlined factors which would lead to a recovery in its production in 2010, its capacity to produce between 11 to 12 million bags, and programmes to ensure the sustainability and profitability of coffee growing. The presentation on Central America had looked at production and exports in the region and strategies for addressing challenges such as costs, labour scarcity and growing demand. A new website had been launched to promote mild washed Arabica coffees: www.mildwashedcoffees.org. In the case
of Vietnam, presenters had outlined coffee development trends and strategies for sustainable coffee development which included increasing production and quality, and actions in processing, consumption, trade and policies. The organizational structure and impact of the economic crisis on the sector had been described, together with recommendations for international cooperation, public investment and services and policy.

15. The Session on production costs and constraints outlined the precarious balance between world supply and demand and the value of international cooperation in this respect. Production was potentially vulnerable in the future and the shortfall in research and technological development needed to be addressed. The need to increase production responsibly was stressed in the light of the crisis of low prices from 1999 to 2005. One presenter noted that manual selective harvesting condemned workers to poverty and efficient modern harvesting and processing techniques needed to be adopted to increase productivity and meet the challenges of demand and quality. The other presentation described challenges and opportunities for farmers in East Africa and the value of good agricultural practices in the continent. In the light of future growth in speciality coffee, farmers in the region had potential for meeting some of this demand through yield improvement and increasing processing at wet mills, potentially doubling their incomes.

16. The Session on changes and trends in world consumption looked at factors driving sustainability in the mainstream market and trends in different markets. In traditional markets, stakeholders were making efforts to promote sustainability in the mainstream sector. A representative of a major coffee company believed certified coffee growth was a key driver for developing a sustainable coffee sector but did not see merit in a differentiated approach for the mainstream market. It seemed that the speciality market led and the mainstream market followed, and that certified coffee would increasingly become mainstream. It was helpful that these efforts were consumer, customer, retailer and thus industry driven. The mainstream market showed healthy growth and was increasingly driven by quality and sustainability. The main drivers of growth were the growing middle-class in emerging markets and numbers of young people, aspirational values and adoption of western lifestyle, urbanization, coffee house culture, good marketing campaigns and innovation. Overall, future growth was likely to be relatively low in traditional markets with most potential in emerging markets and producing countries, although Japan had potential for further growth because of its relatively low per capita consumption. The main challenge was to secure adequate volumes and quality coffee to meet increasing demand and this could become a more pressing issue in the longer term in the light of climate change. Sustainable production levels with good quality and yields were needed, together with further innovation and industry restructuring to meet increasing demand of sustainably produced quality coffee in line with consumer preferences.

17. Another Session focussed on the development of markets for differentiated coffee, which was increasingly leading the market. The panel considered different definitions of
speciality coffee and value perception. Consumers were prepared to pay where they saw value and the industry needed to focus on this. The issue of certification was discussed and some interesting statistics were presented. While it was an important avenue for many producers, it was not right for everyone. Producers needed to give careful consideration to certification processes before deciding which one to use. A question from the audience had highlighted some ambiguity as to whether the most important influencers were those who drank the coffee or retailers and others, who saw certification as a badge of their Corporate Social Responsibility credentials. Producers also needed to look at how they could differentiate their coffees and delegates had learned about how Colombia had developed a branding strategy to add value to its coffee. The speaker had noted the importance of innovation and providing more information, so that consumers could trace coffee back to a particular farm. The common theme was innovation that led to differentiation.

18. The Session dealing with the outlook for supply and demand noted that coffee had grown by some 2% p.a. over the last 20 years. Emerging markets would continue to be the engine of growth. Demand was determined by income, prices and tastes, and coffee faced increased competition among beverages. Water, sports drinks and juices were targeting young consumers and tea promotions were strong and invoked a healthy image. Consumers were able to get their caffeine charge from elsewhere. Energy shots which were a quick fix posed a threat as coffee was a drink which needed time to prepare and enjoy. Coffee needed to be accessible and marketed to new drinkers, and innovation was critical to maintaining consumption.

19. The Session on environmental sustainability highlighted the need for further consideration of climate change and its implications for different producing regions. In the shorter term, some interesting developments in the labour sector in producing countries merited careful examination, such as the ageing of coffee producers, the difficulties of attracting young people into the sector, and labour costs. Other challenges included the importance of conserving the genetic material on which coffee is based. Delegates also heard about opportunities to enhance coffee’s contribution to social development, biological conservation and the contribution of coffee-growing areas to making a positive contribution to mitigating the effects of climate change. The coffee sector in Africa deserved particular attention and many of the topics discussed were very relevant to this continent.

20. In the Session on ‘Millennium Development Goals (MDGs), capacity-building and support for producers’, the panel discussed the MDGs which were aimed at halving extreme poverty by 2015. There were only five years left until this date but much still remained to be done to attain the goals. Speakers covered topics such as decreasing production and social challenges affecting the youth in producing countries in Africa. Young people were a source of growth and social development but gaps in this area needed to be addressed to avoid social conflict, and there was a need to attract investment into agriculture. The EU development policy with respect to coffee was described; sustainability was a key pillar and a coordinated
and coherent approach was needed. Commodities and partnerships between the various actors in the sector were tools which could advance sustainability. Speakers also described the work of the United States Agency for International Development (USAID) and sustainable coffee development, and government assistance to the coffee sector in India, which included subsidies for setting up processing units, risk management instruments and support for research and capacity-building. The panel also looked at prospects for the next twenty years. Approaches such as quality and coffee and health programmes had had positive results and institutional entities had undertaken valuable work in disseminating scientific knowledge and education, which should be capitalized on and strengthened.

21. In the Session entitled ‘International Women’s Coffee Alliance (IWCA): Promoting possibilities’, the IWCA had made four presentations outlining its work of promoting possibilities for women through the development of local chapters. Discussions had focussed on the role of women in coffee growing and opportunities for them in the sector. IWCA activities included educating women in rural areas, empowering them and helping them gain access to credit and land. By giving women resources and the forum to make connections and develop opportunities that benefitted them, their families and communities benefitted in turn. The Session included presentations on the work of an association in Costa Rica and the experiences of one of the speakers as a woman in the coffee industry in India. A short video had looked at the role of women in private and public organizations. The IWCA had expressed its wish to collaborate with the ICO on two MDGs in particular, and to work together to identify programmes to enhance the participation of women in the sector.

22. In discussions on this topic, Members noted that the theme of the Conference was very appropriate and important for present and future generations. The presentations on the development of the coffee market and the outlook for supply and demand revealed a dynamic market and some important trends and developments which it would be useful to examine further. In the case of consumption, growth in areas such as differentiated coffees and consumption in producing countries deserved further consideration, together with factors affecting supply in the mid- and longer term. The 2007 Agreement provided many opportunities to follow up ideas raised in the Conference, highlighting the need for its early entry into force.

23. The Executive Director invited all delegates who wished to add their comments or the need for specific recommendations to send these to the Executive Director to ensure they were taken into account. The Council would need to look at the results and recommendations in September and see how to take these forward in the context of the work of the ICO and address the challenges that lay ahead.

24. The Council took note of this information and of a statement by the Vice-President of Honduras on coffee production in his country. It congratulated the President and Government of Guatemala, Anacafé and the ICO Executive Director on the excellent organization, attendance, quality and success of the World Coffee Conference. It expressed
particular appreciation to the President of Anacafé, Mr Ricardo Villanueva, Mr José Angel López Camposeco, Permanent Representative of Guatemala to the ICO, Mr William Hempstead, Director of Anacafé and Ms Blanca Castro of Anacafé for the generous hospitality and excellent organization of the Conference.

**Item 6: Coffee market situation**

25. The Executive Director introduced his report on the market situation (contained in the Letter from the Executive Director – January 2010). A copy of his presentation is available on the technical presentations section of the ICO website (http://dev.ico.org/presents/presentation0910.htm). He said that there had been a recovery in prices in the last five years and the composite indicator price had reached 123 US cents per lb in February. During the last few months, the differential between prices of Arabicas and Robustas had widened significantly and differentials between Colombian Milds and Robustas were at extremely high levels as a result of difficulties in supplies. World production was estimated to be between 123 to 125 million bags in 2009/10, some ten million bags higher than in 2000/01. In 2008/09, Arabica had accounted for 61% of production and Robusta 39%, and three countries (Brazil, Vietnam and Colombia) had accounted for 57% of world production. Total exports in 2008/09 had decreased by 3% to 94.7 million bags. With the reduction in stocks in producing countries, there was a drawdown in stocks in consuming countries. The value of exports in 2009 was US$13.6 billion compared to US$5.4 billion in 2001. World consumption reached 132 million bags in 2009, compared to 105.2 in 2000 and two producing countries (Brazil and Indonesia) were among the 10 leading consumers in 2009. He noted that annual growth in producing countries (4.36%) and emerging markets (2.93%) had outstripped that of traditional markets (1.33%) during 2000 to 2008. In the case of emerging markets growth had been highest in the Russian Federation, Ukraine and China. Finally he said that supply and demand projections for the period 2010 to 2020 showed that if consumption continued at 2.6% p.a., demand could reach 170 million bags by 2020, with production lagging behind.

26. The Council took note of this information and of document WP-Council 199/10 containing the latest official estimate for the Brazilian coffee crop for 2009/10. The Council also took note of a proposal for a statistical study to be carried out for consideration at the next ICO Council Session and circulated to Members 30 days before the September meeting. The study should cover the following six points: (a) relation between retail prices in the main importing countries and ICO composite indicator prices for the periods 1985–1990, 1995–2000, 2005–2010; (b) composite indicator prices for the periods indicated above, adjusted for inflation, using weighted inflation figures for the main importing countries; (c) composite indicator prices for the periods indicated above in euros, pounds sterling, yen and Swiss francs; (d) relation between composite indicator prices, expressed in tonnes, and
one tonne of each of the main inputs used in the coffee production process; (e) forecasts of world coffee production and demand for the period 2010–2015; and (f) survey of production costs in producing countries in coffee years 2001/02 and 2009/10.

27. In discussions on this item, the Council noted that the study would be a useful exercise, although it would depend on data received from Member countries who were requested to provide the relevant information to the Secretariat. The point was also made that this was an additional study which was not included in the current programme of activities for coffee year 2009/10 (Item 7 of document ICC-103-11). Interest was expressed in the projections for 2010 to 2020 which would need to be analysed further. If supplies could not meet the projected increase in demand, this could lead to price volatility. A joint effort by producers and consumers would be needed to address this challenge and Members should consider a strategy to meet projected demand. It would be useful for the Executive Director to look into this further. Concern was expressed about the differentials between Robustas and Other Milds and Natural Arabicas which had widened significantly, not just because of supply and demand factors.

28. The Council noted that the ICO would request producing countries to send the necessary information for the statistical study and would make every effort to prepare it based on the information and in the time available.

Item 7: Annual Review 2008/09

29. The Head of Operations introduced the Annual Review for 2008/09 which contained a report on the activities of the Organization during the last coffee year, including a report on the world coffee market, the adoption of the 2007 Agreement and regular activities such as projects, studies, statistics and promotion. The Council took note of the Review.

Item 8: Preparations for the ICA 2007

Item 8.1: Strategic action plan

30. The Head of Operations introduced the draft strategic action plan contained in document WP-Council 173/08 Rev. 4. He noted that as decided by the Council in September 2009, Members had been invited to send any additional comments on the plan to the Executive Director by 15 December 2009. The revised strategy reflected comments made during the Council and received from Members by 15 December. It would only come into effect under the ICA 2007.

31. In discussions on this item delegates gave a number of comments and suggestions on the draft text. Specific proposals for wording from two Members would be sent in writing to the Executive Director. It was also suggested that climate change and improving market
structures were priority actions and more studies on risk management would be welcomed. In the case of the latter area, Jamaica was conducting a study with the World Bank and the results would be shared with the ICO in due course. The point was made that the conclusions of the Conference were essential elements which should be considered and incorporated into ICO strategic documents including the strategic action plan.

32. The Council noted that the Secretariat would prepare a report with the main conclusions and recommendations arising from the Conference and Members would need to evaluate these and decide which elements should be reflected in the plan. All Members were requested to send their proposals on the draft plan in writing to the Secretariat so that these could be incorporated into a revised document which would be circulated to Members for consideration at the next meeting. Addendums to the plan could be circulated during the Session if Members provided their suggestions to the Secretariat in time.

**Item 8.2: Development strategy for coffee**

33. The Head of Operations said that as decided by the Council in September 2009, Members had been invited to send further suggestions on the draft development strategy for coffee contained in document WP-Council 191/09 Rev. 1 to the Executive Director by 15 December 2009. No comments were received by this date.

34. The point was made that the document was aimed at a single donor agency, although there were many organizations working in the field of coffee sector development, as the workshop on the implementation of the Consultative Forum on Coffee Sector Finance in September 2009 had shown. The ICO should be a more active contributor in guiding this work and assist Members in considering how development assistance was organized and the role that the ICO could play. The Executive Director said that the development strategy for coffee followed a format lay down by the ICO’s main partner in the financing of projects and was based on priorities identified by Members. In due course, once the strategic action plan had been approved, the Secretariat would prepare a more comprehensive document which would incorporate elements of the plan and describe the activities of the ICO. The Council took note of this information.

**Item 8.3: Terms of reference for the Consultative Forum on Coffee Sector Finance (CFCSF)**

35. The Council decided to establish a working group to review the terms of reference for the CFCSF, composed of Brazil, Colombia, Costa Rica, the EU, Switzerland and USA, open to all Members and chaired by the Head of Operations. The Head of Operations reported that the group met on 3 March 2010 to consider the terms of reference contained in document ICC-102-11. Following discussions by the Group, revised terms of reference for the CFCSF had been prepared (contained in document ICC-102-11 Rev. 1).
36. The Council expressed its appreciation to the Working Group for its work and proceeded to review the revised terms of reference. Following further discussions, it noted that a revised document\(^1\) would be prepared for consideration by the Council at its next Session and invited Members to send further suggestions on this document in writing to the Secretariat. It also noted the suggestion that the Executive Director could exchange views with Members on paragraph (2d).

**Item 8.4: Conversion factors**

37. Article 2 of the 2007 Agreement provides that conversion factors should be reviewed as soon as possible after the Agreement entered into force, and again at intervals of three years. Prior to such a review, the conversion factors used would be those in the 2001 Agreement. The Head of Operations said that the current conversion factors were last reviewed by the Council in 2004. Document ED-2062/09 contained a proposal to apply a co-efficient factor of 1.05 instead of 1.00 for the conversion of green decaffeinated coffee into green bean equivalent, which could be applied once the 2007 Agreement has entered into force. Following consideration by the Statistics Committee, it had been presented to the Council in September 2009. As one Member had requested further time to evaluate the proposal, the Council had decided that the matter should be considered at this Session. The Council noted that the Member concerned had now reviewed the document and considered it to be acceptable as reviewed by the Statistics Committee.

**Item 9: Consultative Forum on Coffee Sector Finance**

38. The Council noted that in September 2009, the ICO held a workshop on implementing the Consultative Forum on Coffee Sector Finance, chaired by the Executive Director. Copies of the presentations were disseminated to Members electronically and were available on the ICO website (www.ico.org/workshop.asp). The report of the workshop was circulated as document ICC-103-15. A number of documents had been circulated for consideration by the Council including document WP-Forum 1/09, containing information on theoretical costs of convening the Forum; document WP-Forum 2/09 containing draft terms of reference for a Steering Committee to organize and promote the work of the Forum; document WP-Forum 3/09 containing proposals for participants to be invited to the Forum and document PSCB-117/09 containing a concept paper on the Forum developed by the National Coffee Association (NCA) of the USA.

39. The Head of Operations said that following discussions by the Working Group (see paragraph 35 of this report), the Steering Committee would be replaced by a core group. The document with proposals for participants would be presented in a new format following consultations with Members who would put forward suggestions on this matter.

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\(^1\) Subsequently circulated as document ICC-102-11 Rev. 2.
Item 10: Coffee development projects

Item 10.1: Projects for approval by the Council

40. The Council noted that the Executive Board had considered document EB-3973/10 containing the report and recommendations of the Virtual Screening Committee (VSC) on two new and one revised proposal. The Board had made the following recommendations:

41. Smallholder coffee expansion in Malawi (new): The Board had considered a concept note submitted by the Coffee Association of Malawi for technical evaluation by the VSC prior to further development as a full project proposal (WP-Board 1060/10). It had agreed with the recommendation of the VSC that it should be revised by the project proponents. The Council took note of this information and decided that the concept note should be developed.

42. Promotion of domestic coffee marketing and consumption in the Central African Republic (new): The Board had considered a proposal submitted by the InterAfrican Coffee Organisation (IACO) on behalf of the Central African Republic (WP-Board 1061/10). The Board had noted that the VSC had been split on revision or rejection and had decided to recommend that the proposal should be revised by the project proponents. The Council took note of this information and decided that the proposal should be revised.

43. Enhancing the potential of Robusta gourmet coffee production in Uganda and Tanzania (revised): The Board had considered a revised proposal submitted by the Istituto Agronomico per l’Oltremare (IAO) of the Italian Ministry of Foreign Affairs (MAE), with the support of the Government of Uganda (document WP-Board 1059/09 Rev. 1). It had noted that in September 2009, Angola had expressed interest in the project but had not been proactive in providing information to develop it. The Board had noted that the VSC had been split on approval or revision and had decided to recommend that the proposal should be revised by the project proponents. The Council took note of this information and decided that the proposal should be revised.

44. In discussions on this proposal, the point was made that Angola had confirmed that it was interested in participating and could provide the necessary information quickly if the project were approved. It was an important project and should be approved quickly to avoid further delays. There were long delays from the date of submitting projects to their approval, which could take two years or more to process. Procedural issues such as these needed to be reviewed.

45. The Council noted that there was unanimous support for the project with the inclusion of Angola. It requested Angola to provide the necessary information as soon as possible and also requested Tanzania to provide any missing information, so that the proposal could be submitted to the CFC, and decided to approve this project for submission to the CFC. Finally the Council noted the interest of IACO in cooperating on the project and dissemination of the results to its Members.
46. The Council further noted that Nigeria was reformulating the proposal ‘Enhancing income of smallholder farmers groups in the coffee producing belt of Nigeria’ (see document WP-Board 969/05), although this was not listed in the latest progress report on projects. It invited Nigeria to resubmit the revised proposal as soon as possible to the ICO so that it could be reviewed by the VSC.

47. The Chairman of the Finance Committee noted that a number of countries involved in projects had substantial arrears and said that the Committee had expressed concern about the outstanding contributions of Members. He requested that in future, when presenting the VSC report to the Executive Board, it should include information about the status of countries’ contributions. The Council took note of this information and expressed its appreciation to the VSC for its valuable work and recommendations on projects.

**Item 10.2: Projects already approved by the CFC**

48. The Head of Operations introduced document ICC-104-4 containing a progress report on the implementation of projects approved by the CFC and informed Members that the Executive Summary of the final impact assessment report on the coffee berry borer project was contained in document ICC-103-4 Rev. 1 and relevant material was available on the projects section of the ICO website (www.ico.org/projects/02-p.htm). The final technical report prepared by CABI on the coffee wilt disease project was also available and would be sent to delegates electronically (see also www.ico.org/projects/13-p.htm).

49. He reported that in October 2009, the CFC Executive Board approved the ‘Competitive coffee enterprises programme for Guatemala and Jamaica’ which would improve the competitiveness of small coffee producers through improving quality and productivity as well as organizational and management improvements. The project grant agreement was signed by the CFC, ICO and Anacafé during the Opening Ceremony of the World Coffee Conference.

50. In January 2010, the CFC Consultative Committee had approved in principle the proposal ‘Improving coffee quality in Eastern and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda’, which would be considered by the CFC Executive Board in April 2010. It was designed to improve livelihoods of small-scale coffee farmers in Eastern and Central Africa on a sustainable basis and the total cost of the project was US$8,013,240.

51. The ‘Building capacity for coffee certification and verification in Eastern Africa’ project was launched on 12 February 2010 during the Eastern African Fine Coffees Association (EAFCA) conference in Mombasa, Kenya. The overall goal was to build capacity in coffee certification and verification in Eastern Africa by creating a regional centre for certification and an outreach programme to ensure the active participation of producer
groups. Finally, in the case of projects entitled ‘Enhancing the potential of gourmet coffee production in Central American countries’ and ‘Diversification of production in marginal areas in the State of Veracruz, Mexico’, preliminary concluding workshops took place during the week of the Council Session, and a dissemination workshop for the project ‘Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador’ organized by the National Coffee Association (COFENAC) of Ecuador took place on 2 March 2010.

52. With regard to the ‘Coffee price risk management in Eastern and Southern Africa’ project, this proposal was approved by the CFC in 2001 but had not yet been implemented as the World Bank withdrew as PEA. As decided by the Council in September 2009, the Secretariat had written to the CFC with a proposal that this project should be anchored within the Coffee Development Fund of Kenya, with additional technical support from the regional coordination agencies in participating countries, and a regional institution to act as PEA. A meeting with participating countries and the Managing Director of the CFC had taken place before the Session and the ICO would be in contact with the CFC to follow up preparations for implementing the project. In the case of the Pilot short- and medium-term finance to small-scale coffee farmers in Kenya project which concluded in March 2010, the Secretariat would request that project assets be transferred to an institution that would continue to provide credit to farmers, such as the Coffee Development Fund. A proposal from participating countries to disseminate the outputs of the pilot project would be considered once the completion report had been received.

53. The Council took note of this information and of documents ICC-103-4 Rev. 1 and ICC-104-4. It noted that Indonesia had studied the impact assessment report of the coffee berry borer project contained in document ICC-103-4 Rev. 1. It would submit a revised project by the deadline and hoped that this would be favourably received. The need for more scientific research into controlling the spread of this pest was highlighted. With regard to the ‘Enhancing use of coffee germplasm – an African perspective’, and the proposal to merge this with the project ‘Renovation of CATIE’s international coffee collection’ (document WP-Board 1036/07) submitted by CATIE (Tropical Agricultural Research and Higher Education Centre) and approved by the Council in September 2007, the Council noted the request to keep these projects separate and to assist with seeking financing.

Item 11: Studies, reports and seminars

Item 11.1: Coffee consumption patterns in selected importing countries

54. The Chief Economist introduced document ICC-104-1 containing a study on coffee consumption patterns in selected importing countries (as provided for in the programme of activities for 2009/10).

55. In discussions on this item, the point was made that the study provided an overview of trends in consumption but should be reviewed in the light of presentations at the Conference,
and developed to take into account important additional factors such as age composition of the population, and whether coffee was consumed outside or in the home. Although the study concluded that traditional markets had reached maturity, presentations in the Conference had indicated that there was potential for growth. One Member would revert to the Secretariat with questions on methodology such as the extent to which prices in the study were converted to local currency in constant local currency terms or in US dollars. The point was also made that the study indicated a tendency for increasing the share of low value coffees and sensitivity to prices, which was conflicted with the need to ensure growers received prices to ensure their future sustainability.

56. The Council took note of this report and of discussions under this item and noted that the Executive Director would review the study further in the light of comments by Members.

**Item 11.2: Sources and methods of finance for agricultural commodities, especially in the coffee sector**

57. The Head of Operations introduced document ICC-104-5 containing a report on information on financing of agricultural commodities by major international development agencies and funds, as provided for in Activity 3 of the programme of activities of the Organization for 2009/10. He noted that this was a preliminary report with some initial examples of coffee sector financing from the main multilateral donor agencies as the ICO had limited resources. It had proved difficult to obtain information about projects in the coffee sector and the ICO would welcome suggestions from Members on this topic.

58. In discussions on this item, Members noted that this was a useful starting point for an important and valuable area of work, but a more comprehensive and analytical document needed to be prepared. A wider range of financing such as commercial and concessional financing arrangements needed to be covered, not just multilateral organizations. It would be useful to know how projects took place and were financed, and to include more work of this nature in the ICO’s programme of activities. It was also suggested that the Secretariat should look at the Central American Bank for Economic Integration which was a large financial institution focused on promoting integration and social and economic development in the region.

59. The Council took note of this document, and further noted that it was a preliminary report on the topic of finance which was central for the coffee sector and the ICO had a valuable role to play in this regard. Members were invited to send the Secretariat their suggestions and comments for the further development of the document. The Secretariat should contact organizations to obtain information about relevant projects and develop the information on sources and methods of finance further.
Item 11.3: Climate change

60. The Executive Director said that since the Council had received a report on climate change and coffee in September 2009 (document ICC-103-6 Rev. 1); the UN Framework Convention on Climate Change had taken place in Copenhagen from 7 to 18 December 2009 to seek a consensus on an international strategy for fighting global warming. The key features of the Copenhagen Accord included US$30 billion pledged between 2010 and 2012 to be equally distributed between adaptation and mitigation efforts; US$100 billion by 2020 and the creation of a Copenhagen Green Climate Fund for the financing of the UN Reducing Emissions from Deforestation and Degradation in Developing Countries Programme (REDD) Plus (a mechanism that would allow developing countries to seek greater incentives if they conserved forest areas, adopted sustainable environment management programmes or planted new trees); adaptation; capacity building; and technology development and transfer. The Accord was scheduled to be implemented by 2015. The ICO would need to see to what extent it could participate in these programmes and investigate with Members what the procedures were for obtaining financing. He invited Members who were actively involved in this area to assist the ICO, noting that in the case of the EU, it had development programmes which could contribute to actions on climate change.

61. The Council took note of this report and of discussions under this item. It further noted that Mexico would host a meeting to follow up the Copenhagen Conference and it would be useful if the ICO could prepare a document for discussion by the Council which could subsequently be included on the agenda of the Conference in Mexico, so that there could be some concrete actions in this field. Members were invited to send contributions to assist with the preparation of this report. Presentations in the World Coffee Conference had highlighted the potential threat to the coffee sector from climate change and strategies and actions to address it needed to be developed by both producing and consuming countries. The carbon footprint of coffee needed further investigation; although it made a positive contribution in some circumstances this was not always the case. Cultivation techniques which could help to mitigate the risks needed to be developed such as practices to increase water storage in soil, shade-grown coffee and adaptation to increased pests and diseases from temperature changes. In the case of the EU, it was committed to action and financing on climate change and considered that action should be cross-cutting through a range of sectors. Indonesia had implemented a programme to support adaptation and mitigation of climate change in agriculture and other areas, including launching a programme to revitalize the coffee sector. In Papua New Guinea, a separate office had been established to deal with climate change and relevant research would be reported to the ICO.

62. The Secretariat should continue to monitor this topic and submit relevant information to Members to take into account production and national policies on climate change. ICO programmes should increasingly address climate change and Members should consider this important topic in their capitals in view of the urgency of actions to resolve it.
Item 11.4: Seminar topic for September 2010

63. The Head of Operations invited Members to consider proposals for a topic for a workshop or Seminar in September 2010 and noted that a proposal had been made in the Executive Board that the Seminar 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, as a way of helping to prepare for the commencement of the Forum’s activities under the ICA 2007 (see document WP-Council 200/10 Add. 1).

64. The Council decided that the topic should be coffee sector finance. This could help to contribute to the preparations of the CFCSF and give Members an indication of how it might function in the future. Rather than following the usual Seminar format, there should be an opportunity for discussion and interaction through a panel of experts who would discuss areas of coffee sector finance, and the event should not be described as a Seminar. It was also suggested that speakers from institutions in producing countries could be among those invited to participate on the panel. Members were invited to send the Secretariat proposals and names of experts who could be invited to participate in a panel debate, and to copy their communications to the Chairman.

Item 12: Report by the Chairman of the Private Sector Consultative Board (PSCB)

65. The Vice-Chairman of the PSCB, Mr Robert Nelson of the NCA, said that the PSCB had met on 1 March 2010 (the report of this meeting was subsequently circulated as document PSCB-120/10). The PSCB had discussed a number of substantive matters, including the New York and London futures markets. Members had noted some anomalies in the market and had agreed it could be useful for the ICO to look at the root causes of these anomalies, which could result from the actions of funds or other influences. The ICO could also consider what action could be taken, such as preparing a report or providing information, that would allow the Exchanges to be used more successfully by those in the industry who were interested in price discovery and risk management. The ICO could also consider inviting representatives of the New York and London futures markets or the Commodity Futures Trading Commission (CFTC) in Washington to inform Members about what was happening in the market.

66. The PSCB had also considered the issue of Maximum Residue Levels (MRLs) for pesticides and recommended that it would be useful for the ICO to develop a document on pesticide tolerances for each country, which could be cross-referenced to allow Members to look up levels by pesticide or by country. The Council might wish to consider the possibility of the ICO acting as a repository of scientific information on pesticides including information about MRLs and research conducted to support these. This would enable countries with lower levels of tolerances to use this information to support the case for changing MRLs.
67. The representative of the Mexican Association of the Coffee Production Chain (AMECAFE) had made an interesting presentation on efforts to address child labour in Mexico through programmes to enhance educational opportunities in the coffee sector. The PSCB had noted that Colombia, Nicaragua, Uganda, EAFCA and others were developing similar programmes to demonstrate their commitment to action in this area. It was important to note these efforts and also very helpful for the US Government to be aware of efforts to eliminate child labour.

68. In the area of food safety, the PSCB had received reports on Ochratoxin A (OTA), acrylamide and other issues. It had noted that the US Congress was looking at food safety legislation which was currently with the Senate and could be considered in the next week. If language similar to the bill which was passed by the House were adopted, the legislation would require 25 million coffee farmers and intermediaries to keep records of where coffee was obtained from and where it was sent to, and mechanisms which would enable coffee sold in the USA to be traced one step beyond the farm. This was a matter of great concern to those in the coffee industry. Finally, the PSCB had received a report on the Coffee Quality-Improvement Programme and had requested the Secretariat to investigate data in Graph 1 in document EB-3969/10 as this indicated that cup quality was increasing although colour and grade quality were decreasing.

69. In discussions on the issue of child labour, the need to avoid using the term slavery was stressed, and to ensure that information was treated very sensitively to avoid media attention. Support was expressed for the proposal to provide information about MRLs in view of the discrepancies between tolerance levels for pesticides in different countries. The point was made that in Japan, MRLs were based on levels applied to crops produced in this country. The need for common standards of testing had been raised during the PSCB meeting. The proposal to invite representatives of the New York and London futures markets to make presentations was welcomed. The Council took note of this information and requested the Secretariat to monitor progress on the US legislation and advise Members of the implications for producing countries once it had been approved.

Item 13: Promotion Committee

70. The Chairman of the Promotion Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 2 March 2010. The report of the meeting was subsequently circulated as PC-60/10. Members had received a report on the implementation of the ICO CoffeeClub Network, an initiative funded by the Promotion Fund. The website required further development as technology changed quickly, however the Promotion Fund resources were now almost exhausted. The Executive Director had been given a mandate to investigate various approaches to the future of the Network, including with third parties. The Committee had noted that this initiative had been developed with ICO resources and Members should not lose sight of the aim of using it to meet ICO objectives. The consultant
had also reported on programmes to promote coffee consumption. The Committee had noted that the ICO Step-by-Step Guide to Promote Coffee Consumption was an ICO project that had tangible and valuable results, with Colombia being the latest country to launch a domestic consumption programme. Coffee and health remained on the agenda and funding for programmes in this area and other activities to increase consumption would need to be considered in the future. Finally, the Committee had approved the accounts of the Promotion and Special Funds, and had decided to make a contribution of US$2,000 from the Promotion Fund to the 23rd ASIC conference in Bali in October 2010.

71. During discussions on this item, it was suggested that in view of the potential of emerging markets, the ICO should make China a focus for efforts to promote coffee as this country had a very large population who were starting to drink soluble coffee, and there was great potential for increasing consumption. The Council took note of this information and of the Chairman’s report, and further noted that Colombia had been selected to hold the World Barista Championship in 2011.

**Item 14: Phytosanitary matters**

72. The Head of Operations said that in mid 2009, DG SANCO issued a draft amendment to Regulation 1881/2006 setting maximum levels for certain contaminants in foodstuffs. In addition to several non-coffee related amendments, the reference to green coffee was deleted because finished coffee products were already regulated with maximum limits. The draft was adopted by the Standing Committee in September 2009 and had been submitted to Parliament for scrutiny and publication in the Official Journal. With respect to furan, the 72nd Joint FAO/WHO Expert Committee on Food Additives (JECFA) meeting in February 2010 was continuing work on evaluating the following contaminants: acrylamide, arsenic, deoxynivalenol, furan, perchlorate and total mercury. A call for data had been issued. A coffee-industry study (Furan in coffee: pilot studies on formation during roasting and losses during production steps and consumer handling) had been published in electronic format and would appear shortly in print in ‘Food Additives and Contaminants’. The main message was that losses occur throughout the process of manufacture, household usage and brewing. Analyses during early stages of the process could therefore not be equated to actual intake. This study would be a useful contribution to the scientific debate. With respect to acrylamide, the Commission was looking into the first results of monitoring acrylamide in foodstuffs. One complication was that data are not always meaningful since they group together large categories. For coffee a distinction needed to be made between roasted and instant coffee. Suggestions for a meaningful product categorization had been transmitted to the Commission. The Commission’s Expert Committee on Environmental and Industrial Contaminants was due to meet in February 2010 to discuss acrylamide guidance levels. The Confederation of the Food and Drink Industries of the EU (CIAA) would organize a workshop on contaminants later this year which would provide an update on acrylamide mitigation tools. The European Chemicals Agency was considering a request to classify
acrylamide as a Substance of Very High Concern. This referred to acrylamide as used in an industrial environment, such as plastics manufacture and water treatment. It did not relate to acrylamide in foodstuffs. However, confusion might arise.

73. With regard to pesticide residues, on 28 September 2009 Regulation 901/2009 was published in the Official Journal concerning a coordinated multiannual Community control programme for 2010-2012 to ensure compliance with Maximum Residue Levels (MRLs) and to assess consumer exposure. Coffee was not targeted. The Draft Directive establishing a Framework for Community Action to Achieve the Sustainable Use of Pesticides (COM (2006) 373) was formally adopted by the EU Council on 21 October 2009, and would shortly be published in the Official Journal. The legislation would enter into force 20 days after publication. The Directive, which was largely welcomed by the pesticides industry, introduced rules aimed at reducing the impact of pesticides on human health and the environment. It addressed the EU market, but the underlying ideas might filter through into international activities on pesticides, for instance in the Codex Alimentarius. In the case of Ethiopia and Japan, the situation of imports in Japan was unchanged since the first report of contamination. Some negative analysis reports about contamination which exceeded Japanese standards on some imports were still being received. The All Japan Coffee Association (AJCA) was very appreciative to the Government of Ethiopia for its efforts to resolve the issue and hoped that trade could return to normal volumes as soon as possible.

74. The Council took note of this report and further noted the request for the Secretariat to keep Members informed about food safety issues such as pesticides and OTA as information about legislation and documents became available. In the case of MRLs in the EU, these had been harmonized since 1 September 2008 and were directly applicable throughout the EU. Members could consult a database of EU MRLs on: http://ec.europa.eu/sanco_pesticides/public/index.cfm. The new rules were explained in a fact sheet on: http://ec.europa.eu/food/plant/protection/pesticides/index_en.htm. EU Pesticides Residues Monitoring Reports could be found on http://ec.europa.eu/comm/food/fvo/specialreports/pesticides_index_en.htm.

**Item 15: Cooperation with other agencies**

75. The Executive Director said that the CFC had commemorated its 20th anniversary and organized a seminar to analyse the Role of Commodities in Development in December 2009. He had spoken on behalf of all International Commodity Bodies (ICBs), and in his intervention, had highlighted the value of cooperation between the CFC and ICBs and the importance of the work of these institutions in developing and implementing projects in Member countries. A copy of the presentation was available on the ICO website at www.ico.org/news/cfc1209e.pdf. He had also attended the 49th General Assembly of the InterAfrican Coffee Organisation (IACO) which took place in Accra, Ghana, from 23 to 27 November 2009. He had spoken at the inaugural Session and gave a presentation at a
workshop on Coffee Research and Statistics in Africa. Finally, he reported that the chief executives of international organizations, including the CFC and UNCTAD, had participated in the World Coffee Conference, and the ICO was in contact with the focal-point for sustainability in agri-food within the Department for Technology, Industry and Economics (DTIE) of the United Nations Environment Programme (UNEP) who would visit the ICO in 2010 to discuss practical cooperation between both organizations. The Council took note of this information.

**Item 16: National coffee policies**

76. The Council took note of a presentation by the representative of Kenya on leverage in coffee branding, a copy of which is available from the Secretariat on request.

**Item 17: Financial and administrative matters**

**Item 17.1: Administrative Accounts of the Organization for the financial year 2008/09 and Report of the Auditors**


**Item 17.2: Other financial and administrative matters**

78. The Chairman of the Finance Committee, Mr Mick Wheeler of Papua New Guinea, said that the Committee had met on 2 and 3 March 2010 and had re-elected him as Chairman. The Committee had received a report on the financial situation as at 31 December 2009 (contained in document WP-Finance 78/09). The Committee had noted that other income for the first three months of the year showed a positive variance, due mainly to rental income, although this had been counterbalanced by a shortfall on interest receivable, due to the fall in interest rates. The Organization was currently earning 0.25% to 0.35% on its deposits with banks and it was likely that there would be a shortfall over the year as a whole unless interest rates improved substantially in the near term. In general, the Committee had noted that the Organization’s financial situation could be summarized as satisfactory.

79. The Committee had also had a preliminary review of the draft Administrative Budget for 2010/11 contained in document WP-Finance 77/10. Based on overall expenditure of £3,077,000 and estimated revenue from external sources of £184,000, the potential contribution per vote would be £1,446.50 representing an increase of 4.5% compared with financial year 2009/10. The Executive Director had noted that there were several unknown factors which had implications for the budget, including the entry into force of the 2007 Agreement, exchange rates and the rent of the premises which was due to be reviewed in
April 2011, with any increase capped at 50%. The ICO was assessing the use of space on the premises and the possibility of subletting part of the second floor, while retaining the Board Room if possible. The Committee had made a number of suggestions relating to the negotiations with the Landlord and had discussed a number of related issues such as the rental of the conference facilities. It had also been proposed that multi-year budgets should be prepared, as decisions taken in one financial year had implications for subsequent years.

80. The Committee had considered document WP-Finance 76/09 which proposed an increase in salary scales, language allowance and the basis for contributions to the Provident Fund for General Services staff amounting to 0.3% from 1 October 2009, and an increase in the language allowance for extra official languages. It had also considered document WP-Finance 79/10 containing a proposal for the revision of the salary scale for staff in the Professional and higher categories, with effect from 1 January 2010. An increase of 3.04%, consolidating the post adjustments of the past year, had been recommended by the International Civil Service Commission (ICSC) with effect from 1 January 2010. This consolidation was on the basis of the ‘no loss – no gain’ formula, and represented no additional cost to the Organization. The Committee had taken note of this information and had decided to recommend that both proposals should be approved. In discussions on the issue of UN salary scales and post adjustments, the Committee had agreed that it would be useful to have a better understanding of this and to ensure that the system was still relevant to the ICO, and it would be further discussed.

81. Concerning outstanding arrears, the Committee had noted that Nicaragua was in compliance with the schedule established under Resolution 437. The Democratic Republic of Congo had made some regular monthly payments but was behind the schedule established in Resolution 430. The Committee had expressed concern about this country and other countries which had considerable outstanding arrears, and in some cases had not paid their contributions for six years or more. It highlighted the importance of meeting the financial obligations to the ICO. When project proposals were put forward for consideration, it was suggested that information on the status of financial contributions should be provided so that Members could be aware of the track record of countries in taking decisions. Finally, he reported that the Committee would meet again in July and September 2010 to review the Budget further before submitting it to the Board and Council with its recommendations.

82. The Council took note of this information and of the report on the financial situation contained in document WP-Finance 78/10. In discussions on this item, the need to review the structure and costs of the ICO was raised, in particular the use of the premises as the ICO only used the meeting rooms for a few days a year. The importance of resolving the situation of outstanding arrears was also highlighted as a substantial sum was involved and it had implications for the financial situation of the ICO.
83. On the recommendation of the Finance Committee, the Council decided to approve the proposals for revisions to salary scales, language allowance and the basis for contributions to the Provident Fund for staff in the General Service category contained in document WP-Finance 76/09, and the proposals for revisions to salary scales for staff in the Professional and higher categories contained in document WP-Finance 79/10. Finally the Council urged the Executive Director to make every effort to ensure countries paid their outstanding arrears and to consider arrangements to assist countries where appropriate.

**Item 18: Other business**

84. The Council expressed its condolences to the Government of Haiti for the recent earthquake and the loss of life and impact of this disaster on the Haitian people, and to the Government of Uganda for the loss of life and damage to coffee infrastructure caused by the recent mudslide in this country.

85. The Council noted that this was the last Session to be attended by Mr Max Schnellmann of Switzerland, Mr Felipe Ramos de Alencar Costa of Brazil and Mr G.V. Krishna Rau of India, and expressed its appreciation to all three delegates who had each made a very significant contribution to the work of the ICO and international cooperation on coffee.

**Item 19: Future meetings**

86. The Council took note of document WP-Council 201/10 containing the dates of meetings in 2010/11 and 2011/12 and noted that its next Session would take place in London from 20 to 24 September 2010.