



INTERNATIONAL COFFEE ORGANIZATION  
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ  
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ  
ORGANISATION INTERNATIONALE DU CAFÉ

ICC 106-19

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**Decisions and Resolutions adopted  
at the 106<sup>th</sup> Session of the  
International Coffee Council**

**28 – 31 March 2011**

1. The International Coffee Council, chaired by Mr Ewald Wermuth (European Union-Netherlands) met in London from 28 to 31 March 2011.

**Item 1: Draft Agenda and schedule of meetings**

2. The Council adopted the draft Agenda contained in document ICC-106-0 Rev. 3 and took note of the schedule of meetings.

**Item 2: Admission of observers**

3. Rule 5 of the Rules of the Organization provides that at the start of each Session, the Council shall decide on the acceptance of observers and designate the items on the Agenda open to accepted observers. The Executive Director a.i. introduced document ICC-106-6 containing a list of observers who wished to attend the current Session and said that, with a view to streamlining the process of accepting observers, it was proposed that at the last Session in each coffee year, the Council should approve a list of observers to be admitted to Sessions in the following year. A list of observers who could be admitted in September 2011 was attached as Annex II, including experts in the field of statistics who could be invited to attend meetings of the Statistics Committee. Any additional observers would need to submit requests for observer status in writing at least 45 days prior to the September Session (i.e. by 11 August 2011).

4. The Council took note of this information and decided that the observers listed in Annex I of document ICC-106-6 should be accepted for admission to the 106<sup>th</sup> Session and to Committees which were open to observers, except for items relating to Finance and

Administration and the post of Executive Director which should be restricted to Members only. The Council further decided to approve the list of observers contained in Annex II for admission to the 107<sup>th</sup> Council Session in September 2011.

**Item 3:                   Votes and credentials**

**Item 3.1:                Votes in the Council for coffee year 2010/11**

5.     The Council took note of the situation of outstanding payments affecting voting rights as at 30 March 2011 and approved the redistribution of votes in the Council for coffee year 2010/11 contained in document ICC-106-5 Rev. 2. The Council noted that Liberia, which had recently rejoined the ICO, had outstanding contributions from previous coffee years but was making efforts to settle these. It decided that the voting rights of Liberia should be restored for the time being, with the matter to be kept under review and considered again at the next meeting. Finally the Council noted the need for all Members to pay their contributions by 31 March 2011 in order to retain their voting rights and their right to participate in meetings of specialized committees.

**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-106-18.

**Item 4:                   International Coffee Agreement (ICA) 2007**

**Item 4.1:                Entry into force**

7.     The Council noted that, as advised in document DN-95/11, the ICA 2007 had entered into force under the provisions of Resolution 444 on 2 February 2011, following the deposit of an instrument of ratification by Brazil. It was the 7<sup>th</sup> ICA since 1962 and would last for 10 years, with the possibility of extension for a further eight years. In accordance with the provisions of Resolution 444, the period of extension of the 2001 Agreement had thus been terminated.

**Item 4.2: Membership of the ICA 2007**

8. The Executive Director a.i. said that document ICC-106-7 Rev. 1 contained a report on the status of membership under the ICA 2007 and also set out the implications of the entry into force of the 2007 Agreement with respect to votes, contributions and Members of the ICA 2001 which had not yet completed procedures for the ICA 2007. It was proposed that these Governments should continue to be invited to attend meetings, pending the formal completion of membership procedures for the ICA 2007. They were long-standing Members of the 2001 and previous Agreements, and this practice had been followed in the past. Although they would take their seats in the Council, they would not be eligible to participate in any formal decision-making process. He noted that at 31 March, 48 Governments had signed the Agreement, and 37 Members had ratified, accepted or approved it. Five new Members (Liberia, Timor-Leste, Tunisia, Turkey<sup>1</sup> and Yemen) would increase the geographical representation of coffee producers and consumers under the Agreement. Under the provisions of Resolutions 445 and 446, Signatory Governments and non-members had until 28 September 2011 to sign the Agreement and deposit instruments of ratification, acceptance or approval. Procedures for membership were contained in document ED-2033/08 Rev. 4. The Executive Director a.i. had written to countries listed in Sections B and C of Annex I of the report to remind them of the need to complete membership procedures as soon as possible. A number of countries had informed him of progress on membership including Cameroon, Dominican Republic, Guinea, Jamaica, Nigeria, Rwanda and Zambia. Colombia and Papua New Guinea were applying the Agreement provisionally. With respect to non-members, Lao People's Democratic Republic was represented at this meeting, the Russian Federation had indicated its interest in membership and Sierra Leone was in the process of completing membership procedures.

9. The Executive Director a.i. introduced document WP-Council 213/11 containing a draft Resolution establishing procedures for accession in accordance with the provisions of Article 43 (Accession) of the 2007 Agreement. He noted that the ICO was holding an instrument of accession for the Philippines, which would be accepted in deposit once the Resolution had been approved<sup>2</sup>.

10. The representative of Yemen made a statement to the Council, a copy of which was circulated as document ICC-106-16. The Council expressed its appreciation for this statement and extended a warm welcome to Yemen and representatives of two other new Members attending this meeting: Liberia and Timor-Leste.

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<sup>1</sup> *Instrument of ratification deposited on 28 March 2011, (see document DN-97/11).*

<sup>2</sup> *See document DN-99/11.*

11. The Council took note of the report on membership contained in document ICC-106-7 Rev. 1 and of a revised draft Resolution establishing procedures for accession to the ICA 2007 contained in document WP-Council 213/11 Rev. 1. It decided to approve the draft Resolution which became Resolution 447, a copy of which is attached to these Decisions. Finally the Council urged all Members which had not yet done so to complete the necessary procedures for membership as soon as possible, noting that only Members under the ICA 2007 would be able to participate in specialized committees and the decision-making process at the next Session.

**Item 4.3: Strategic documents and terms of reference**

12. The Executive Director a.i. said that at the time of considering strategic documents in September 2009, the Council had noted that all documents relating to the 2007 Agreement would need to be considered at its first Session after the entry into force of the ICA 2007. All documents had been extensively discussed between 2008 to 2010 prior to approving them under the 2001 Agreement. He introduced the Strategic action plan (document ICC-105-19) setting out the overall direction and priorities of the Organization; the Development strategy for coffee (document ICC-105-16) which he suggested could be reviewed and revised in 2011/12 to broaden its scope and make it compatible with the requirements of other donors; the Rules of the Organization (document ICC-102-7); the Financial Rules and Regulations (document ICC-102-8); the Rules on Statistics – Statistical Reports (document ICC-102-10); the Rules on Statistics – Certificates of Origin (document ICC-102-9) which took effect on 2 February 2011; the Rules on Statistics – Indicator Prices (document ICC-105-17), which took effect on 1 March 2011; the terms of reference for Committees and advisory bodies (document ICC-106-4); and a list of exporting countries and their country codes, ICO Certifying Agents and registered ports of export (document ICC-106-3), which would be further revised to reflect information received from El Salvador and new Members. In the case of conversion factors (document ICC-106-2), he noted that the wording had been simplified for the purposes of clarification. The Council took note of this information and decided to formally approve all the above-mentioned documents. In the case of conversion factors, the Council noted that conversion factors for decaffeinated coffee in roasted or soluble form might need to be reviewed by the Statistics Committee in the light of the revised conversion factor for decaffeinated green coffee.

**Item 4.4: Statistics Committee**

13. The Executive Director a.i. said that the Statistics Committee had been established by the Executive Board in 1998, and had met on a regular basis under the ICA 2001 to consider statistical matters. Terms of reference for the Committee under the ICA 2007 were

agreed by the Council in March 2009 (see Annex VI of document ICC-106-4). At its 100<sup>th</sup> Session in May 2008, the Council had noted that there was no reference to the Committee in the 2007 Agreement and consideration should be given to preparing a draft decision to establish it after the ICA 2007 had entered into force, given the importance of its work. Document WP-Council 212/11 contained the text of a draft decision.

14. The Council took note of this information. It noted the importance of the work of the Statistics Committee which had operated under the 1994 and 2001 Agreements and decided to establish the Committee under the 2007 Agreement with the mandate of examining, evaluating and making recommendations to the Council on statistical matters.

**Item 4.5: Establishment of Committees**

15. The Council decided that the composition of the Finance and Administration Committee, Projects Committee, Promotion and Market Development Committee and the Statistics Committee for the remainder of coffee year 2010/11 should be as contained in document WP-Council 214/11 Rev. 1.

**Item 5: Coffee market situation**

16. The Executive Director a.i. introduced his report on the market situation (contained in the Monthly Coffee Market Report – February 2011). A copy of his presentation on the outlook for the world coffee market is available on the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation1011.htm>). He said that the ICO composite indicator price currently stood at the highest level since the late 1970s. Prices for the four groups of coffee in the same period had risen steadily since mid 2010. Prices for Robustas had lagged behind but had started to rise in recent months. Prices for Colombian Milds and Other Milds were close to the highest monthly average ever recorded. The New York ICE futures settlement prices indicated that the market expected prices to rise until the end of the year, falling back in 2012. World production in 2010/11 was estimated at 133.1 million bags, in line with consumption and sufficient to maintain supplies but not to rebuild stocks. Production had increased in most of the ten leading producing countries on the previous crop year, as much as by 21.9% in the case of Brazil while Indonesia had experienced a drop of 25% on 2009/10, due to the effects of La Niña. One of the factors underpinning the firmness in prices was the fact that opening stocks in exporting countries were at historically low levels of around 13 million bags. In the case of inventories in importing countries, these had fallen in 2010 and stood at around 18.7 million bags. Total exports were around 96.7 million bags in 2010 with a value of around US\$16.5 billion. World consumption was around 134 million bags, an increase of 2.1% on 2009. During the period

2000 to 2010 world consumption had grown at around 2.4% p.a., with growth in traditional markets of around 1.1% p.a., 3.8% in emerging markets and 4.3% p.a. in producing countries. Consumption in a number of producing countries was growing at fast rates including Brazil (3.8% p.a.), Indonesia (7.2% p.a.), Ethiopia (5.3% p.a.), Mexico (6.5% p.a.) and India (4.1% p.a.). This was also the case in emerging markets with countries like Australia, the Russian Federation and Ukraine showing growth rates of 5%, 7% and 23.6% p.a. respectively.

17. In discussions on this item, the value of providing explanatory information about the statistics was noted. It would be interesting to explore the causes behind the rising prices and whether they arose from supply and demand issues, rising costs of inputs or the futures market. It was important to be aware of what was happening in the market and this should be a priority within the framework of the 2007 Agreement. The Executive Director a.i. said that there were fundamental reasons for increases in prices in different commodities which were either supply or demand driven. Although flows of speculative funds into the coffee market could exacerbate price movements in the short-term, the consensus was that, in the medium and long-term, the fundamentals would prevail. The futures market anticipated price movements peaking towards the end of the year, reflecting the availability of the next crop which was forecast to be larger. Higher prices were also an incentive to farmers to take better care of plantations. With respect to the impact of rising oil prices, costs were a separate issue from prices and the effects were long-term. Increases in oil prices affected the costs of fertilizers and in turn the costs of production; it could be useful to revisit an ICO study on fertilizer prices (document ICC-102-2). He drew the attention of Members to a FAO study 'Safeguarding food security in volatile global markets' which was available at: <http://www.fao.org/economic/est/volatility/vgm/en/>. Finally he said that there were three ways to add value to coffee: industrialization, which might not be viable for smaller producers, differentiation and the development of an internal market. The latter could be discussed in the Promotion and Market Development Committee.

18. The Council took note of this information and of document WP-Council 207/11 and 209/11 containing the latest official estimates for the Brazilian coffee crop. The Council further noted the suggestion that it would be useful for the ICO to look at the lessons learned and implications for the coffee sector from the FAO study, and requested the Secretariat to evaluate the possibility of incorporating an activity on this issue in the programme of activities for 2011/12.

**Item 6: Annual Review 2009/10**

19. The Executive Director a.i. introduced the Annual Review for 2009/10 which contained a report on the activities of the Organization during the last coffee year, including a report on the world coffee market, the World Coffee Conference and regular activities such as projects, studies, statistics and promotion. The Council took note of the Review.

**Item 7: Post of Executive Director**

20. The Chairman said that the names of four candidates had been submitted by the deadline of 15 March 2011 by the Governments of Brazil (Mr Robério Oliveira Silva); Gabon (Mr Christian Ruffin Silvère Ngoua); India (Mr G.V. Krishna Rau) and Mexico (Mr Rodolfo Trampe Taubert). Their curricula vitae had been circulated in documents ICC-106-9, ICC-106-13, ICC-106-14, and ICC-106-10 respectively. He introduced document ICC-106-15 outlining a format for the review of candidates by the Council in September 2011 and suggested that as only four candidates had been nominated, there was no need to establish a Screening Committee to recommend a shortlist of candidates to the Council in September.

21. The Council took note of this information and of documents ICC-106-15, ICC-106-9, ICC-106-13, ICC-106-14, and ICC-106-10. In discussions on this item it was suggested that candidates might wish to submit contributions in writing, which could be sent to the ICO for circulation to Members. With regard to a further suggestion that Members might wish to send their views on the ICO to candidates, it was noted that this would be at the discretion of individual Members, who should send the candidates their contributions prior to the suggested deadline of 1 July 2011 to enable candidates to take these into account in their submissions.

22. The Council took note of this information and decided to approve the procedures for the review of candidates outlined in document ICC-106-15, amended to provide for the opportunity for candidates to make written submissions which should reach the Secretariat by the suggested date of 1 July 2011<sup>3</sup>. Submissions received after this date would still be circulated, however Members might not have sufficient time to review them in their capitals. The submissions would also be made available on the ICO website. The Secretariat would inform the two candidates who were not present at this Session about the procedures and the opportunity to submit contributions in writing. Finally the Council urged countries which had not yet completed procedures for the 2007 Agreement to make every effort to do so by the September Session, and further noted that all Members would need to be up-to-date with their contributions to be able to participate in the decision-making process.

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<sup>3</sup> A revised document was subsequently issued as document ICC-106-15 Rev. 1

**Item 8: Consultative Forum on Coffee Sector Finance**

23. The Executive Director a.i. said that in September 2010, the Council had postponed discussions on the Consultative Forum until the ICA 2007 entered into force and had invited Members to submit recommendations on this matter in the meantime. No recommendations had been submitted. Bearing in mind that the 2007 Agreement had only entered into force on 2 February 2011, he suggested that Members could give preliminary consideration to the preparations for the Forum at this Session with a view to finalizing arrangements in September and holding the first Forum during the following year. Issues to be considered included the appointment of a Chairman and Vice-Chairman of the Forum, the date of the Forum, the Agenda for the first meeting, proposals for organizations to be invited to participate in the Forum (document WP-Forum 3/09), financing of the Forum (document WP-Forum 1/09), and the terms of reference and composition for a core group (WP-Forum 2/09 Rev. 1).

24. In discussions on this item the point was made that the Forum should be dynamic and respond to the needs of Members. It could be useful to consider it as a Board rather than a Conference, at which experts could interact with Members on specific issues. A topic of interest could be selected and relevant experts identified to contribute to discussions on it. The workshops in 2009 and 2010 and the summary of themes from the World Coffee Conference (document ICC-105-4) included possible ideas for topics such as access to microfinance for small producers, strengthening the bargaining power of growers by training farmers in order to improve access to credit and risk management instruments, design of new instruments with allocation of risks, a centralized information portal for financial services, assistance in training in the use of risk management tools and financial literacy. Other suggestions raised during the meeting included management of risks related to differentials between physical and futures markets, timelags between domestic and international prices, and ways of reinvesting the surplus from coffee into plantations. All delegations were encouraged to look at work which had been done and identify areas of value to them. The point was also made that the Forum should not focus on developing projects as this could be dealt with by the Projects Committee, but on finding more effective tools and models that could allow small producers to improve production and revenue.

25. The Council considered draft terms of reference for the core group contained in document WP-Forum 2/09 Rev. 1. Following consultations, a proposal to establish an ad hoc working group was circulated in documents WD-Council 25/11 and its revision. The Council decided to establish an Ad Hoc Working Group on the Consultative Forum on Coffee Sector Finance to assist the Council with organizing the work of the Forum including:



- Preparing draft terms of reference for a Core Group for the Forum, and
- Based on the topic identified by the Council at its 106<sup>th</sup> Session in March 2011,
  - a) preparing a statement of problems or issues to further refine that topic;
  - b) identifying a methodology or mechanism to be used at the September ICO meetings to address that problem or issue (e.g. a group discussion, the application of a problem-solving model or a facilitated discussion among experts with opportunity for Member participation); and
  - c) identifying individuals with relevant expertise to address the topic at the September ICO meetings.

26. The Council further decided to designate four representatives of exporting Members, two representatives of importing Members and the Chairman of the Private Sector Consultative Board (PSCB) to serve on the Ad Hoc Working Group. Other interested Members could participate. The Group would select a Chairman from among the designated Members. It would operate in English and by email and its Chairman would report to the Council in September 2011.

27. The Council further agreed that the topic to be addressed at the ICO meetings in September 2011 should be 'managing the risk of green coffee price volatility'. The Executive Director a.i. should invite those individuals identified by the Working Group to attend the ICO meetings in September 2011 to address the above topic, taking into account the statement of problems or issues and the methodology or mechanism identified by the Working Group.

28. With respect to the participation of individuals with relevant expertise at the September meetings, the Council noted that the Working Group would need to consider how to cover the costs of their participation, as under the provisions of Article 31 (Consultative Forum on Coffee Sector Finance), the Forum was self-financing. Following consultations, the Council noted that the following Members would participate in the Ad Hoc Working Group<sup>4</sup>:

**Exporting Members:** Brazil, Cameroon, Colombia, Côte d'Ivoire, Kenya, Mexico and Papua New Guinea

**Importing Members:** European Union and the USA

**Chairman of the PSCB:** Mr Robert Nelson of the National Coffee Association of the USA (NCA)

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<sup>4</sup> Mr Mick Wheeler of Papua New Guinea was appointed as Chairman after the Council Session.

**Item 9: Programme of activities for 2011/12**

29. The Executive Director a.i. introduced document WP-Council 210/11 containing a draft programme of proposed activities in coffee year 2011/12 which was based on the Strategic action plan (document ICC-105-19). He welcomed comments from Members on how best to incorporate the findings of the World Coffee Conference (document ICC-105-4) and invited Members to suggest a topic for the seminar in 2011/12 (Activity 19), noting that climate change, germplasm, carbon and water footprint of coffee or coffee finance could be considered in this connection. The Council took note of this information and further noted that Members should send their comments and proposals on the draft programme in writing to the Executive Director a.i. by 1 August 2011. The programme would be revised to reflect comments received by this date and considered again by the Council in September 2011.

**Item 10: Studies, reports and seminars**

**Item 10.1: Studies**

30. The representative of the Food and Agriculture Organization of the United Nations, Mr El Mamoun Amrouk, introduced document ICC-106-11 containing a study on the coffee market outlook (2010 – 2019), as provided for in the programme of activities for 2010/11. A copy of this presentation is available on the technical presentations area of the ICO website (<http://dev.ico.org/presents/presentation1011.htm>). In response to questions about the inclusion of data from policies by Member countries as well as climatic conditions, the FAO said that the involvement of Members had been very important to the project, and data and policies received had been included. He would check on his return about the specific case of Cameroon which had a plan to double output in the next five years. In the case of financial actors, the macro-economic factors included GDP growth. With respect to climate change it was looking at this issue and its impact on production and trade.

31. The Council expressed its appreciation to the FAO. It urged it to continue to develop its work in this field and noted the importance of both organizations continuing to cooperate on this issue.

32. The Chief Economist introduced document ICC-106-1 containing a study on the coffee value chain in selected importing countries and document ICC-106-12 containing a study on coffee price volatility: retail prices. The Council took note of these studies and of discussions under this item and further noted that Members were invited to send the Secretariat their suggestions and comments for the further development of these documents.

**Item 10.2: Seminar topic for September 2011**

33. The Council decided that, in view of the need to allocate time for discussions on the Consultative Forum and the post of Executive Director during the September meetings, no Seminar should be held on this occasion in the light of these exceptional circumstances.

**Item 11: Report by Chairmen of ICO bodies**

**Item 11.1: Private Sector Consultative Board (PSCB)**

34. The Chairman of the PSCB, Mr Robert Nelson of the NCA, said that the PSCB had met on 28 March 2011. The report of this meeting was subsequently circulated as document PSCB-126/11. The PSCB had discussed a number of important items including food safety, the Consultative Forum on Coffee Sector Finance and the performance of the PSCB. It had received a report by the representative of the All Japan Coffee Association (AJCA) on agro-chemical residue contamination, and had discussed the implications of legal action in California with respect to acrylamide for the USA and other countries. The PSCB had noted that in the context of the regulatory framework used by health authorities, there was an emphasis on the individual components of coffee, however there were positive benefits from consumption of coffee as a beverage. More work was needed in looking at how the different elements interacted with each other and on positive attributes. In the case of the Consultative Forum, the PSCB considered that it provided an opportunity to deliver immense value. It stressed the need to be creative with this initiative, which could deliver tangible benefits. Finally, the PSCB had noted that organizations between early adulthood and middle-age in a typical life-cycle delivered most value. It was critical to examine the PSCB's performance and to ensure that it continued to be dynamic. Since changing the agenda could help to drive change, work would be done to develop the agenda and ensure that topics were relevant and delivered value. The Council took note of this information and expressed its appreciation to the Chairman of the PSCB and PSCB Members for their work.

**Item 11.2: Statistics Committee**

35. The Chairperson of the Statistics Committee (Ms Marcela Urueña of Colombia) said that the Committee had held its first meeting under the ICA 2007 on 29 March 2011. The Committee had considered priorities for statistical matters under the 2007 Agreement and had agreed that the following four items should be considered at each meeting: exports of organic coffee and certified programmes; exports to exporting countries; compliance with statistical rules and monitoring the inventories and stocks of green coffee. The Committee would consult the PSCB about the introduction of revised coefficient factors to convert

roasted decaffeinated coffee and soluble decaffeinated coffee into green bean equivalent. It had agreed that Members of the Committee should endeavour to include statistical experts in their delegations and had noted the desirability of participation by statistical experts from the private sector, to enrich and strengthen the work of the Committee. The Council had agreed that four experts could be invited to participate in the meetings in September: Ms Judy Ganes of J. Ganes Consulting, Mr Neil Rosser of Neumann Kaffee Gruppe, Mr Rob Simmons of LMC International Ltd. and Ms Andrea Thompson of Coffee Network (see Annex II of document ICC-106-6). Finally the Committee had noted that its discussions would only reflect data collected by the ICO in accordance with the relevant Rules on Statistics, and that the ICO would continue to cooperate closely with the FAO and the International Trade Centre UNCTAD/WTO (ITC).

36. The Council took note of this report and expressed its appreciation to the Committee for its work. The Council further noted the suggestion that it would be useful to include experts in other committees to assist them in their work.

**Item 11.3: Promotion and Market Development Committee**

37. The Chairman of the Promotion and Market Development Committee (Mr Henry Ngabirano of Uganda) said that the Committee had held its first meeting on 30 March 2011. The report of this meeting was subsequently circulated as document PM-5/11. The Committee had received a report on progress on the ICO CoffeeClub Network which would be relaunched in the next few weeks, upgraded to take account of the latest developments in Web 2.0 and social networking media. The Committee had also noted the value of previous promotion activities and the need to look at barriers to consumption and develop projects to increase consumption, including providing information about the benefits of coffee through mechanisms such as the Positively Coffee Programme and the Health-Care Professions – Coffee Education Programme (HCP-CEP). The Committee had noted that exporting Members had made a financial contribution to the 23<sup>rd</sup> International Conference on Coffee Science in Bali in October 2010 which had been attended by over 300 delegates from 34 countries. The Association for Science and Information on Coffee (ASIC) had expressed its appreciation for this contribution and the Conference proceedings would be available for consultation in the ICO Library.

38. The Committee had received reports on the implementation of the Coffee Quality-Improvement Programme and had noted that 28 countries accounting for around 65% of world exports in the period were implementing Resolution 420. The Committee had also received a report on gradings for Arabica and Robusta coffees for calendar years 2005 to 2010 and had noted that during this period, the pass levels on grade

analysis of Arabica coffee had achieved an average of 92% in the period. Cup analysis results had improved although levels of colour analysis had fallen. In the case of Robusta coffee, some 63.2% of the coffee graded during that period had been below the standards of Resolution 420, with some 77% of this coffee originating from Vietnam. The launch of new quality standards in Vietnam and the increase in the size of lots graded by NYSE from 5 to 10 metric tonnes may have contributed to a drop of nearly 88% in the volume of coffee graded (deemed to have failed the CQP standards) from 1.63 million bags in 2009 to only 201,000 in 2010. The Committee noted the importance of improving the quality of coffee as a means of increasing consumption. It urged Members to develop standards to enhance coffee quality and to send the ICO information about existing national coffee quality standards, with a view to considering quality standards at a future meeting.

39. The Committee had also received a report on phytosanitary matters and had noted the need for Members to send the ICO details of MRLs for pesticides used in the coffee production process. In the case of promotion and market development under the ICA 2007 and financing for this activity, the Committee had noted that information, quality and health were key components in any promotion activities and the matter would be discussed again at the next meeting. Finally, the Committee had taken note of the Accounts of the Promotion Fund for 2009/10 contained in document PM-2/11 which, as agreed in September 2010, would not be audited until significant activity resumed. In the case of the Accounts of the Special Fund for 2009/10 contained in document SF-43/11, the Committee had noted that these should be approved by exporting Members during the Council Session.

40. During discussions on this topic, the request was made for a representative of the European Union dealing with food safety to inform the Council and/or the PSCB at the September meetings about new directives on food safety so that producing countries could anticipate any steps which might need to be taken to address these. The Council noted that the representative of the European Union would explore the possibility of a representative attending, and if this was not possible, would report on this issue himself at the next meeting.

41. The Council took note of this information and noted that the Accounts of the Special Fund for 2009/10 contained in document SF-43/11 were approved by exporting Members at this Session. The Council agreed that it would be more appropriate for the Special Fund Accounts to be discussed in the Finance and Administration Committee in the future.

**Item 11.4: Projects Committee**

42. The Chairman of the Projects Committee (Ambassador José Ángel López Camposeco of Guatemala) said that the Committee had held its first meeting on 30 March 2011. The report of this meeting was subsequently circulated as document PJ-10/11. The Committee had considered document PJ-2/11 containing a proposal to establish the VSC as a Virtual Screening Subcommittee (VSS) for an interim period including revised terms of reference. Following some discussion about the way forward, the Committee had decided to recommend that the VSS should continue to operate until September 2011 and had requested the Executive Director a.i. to put forward proposals for the future technical screening of projects for its consideration. Members were also requested to provide input to assist with this process.

43. In addition to considering two proposals (see Item 11.4.1), the Committee had received a report on proposals submitted to the CFC Projects Appraisal Committee in November and had noted that in January 2011, the CFC Consultative Committee had approved Project Preparation Facilities to hire consultants to conduct an appraisal and develop a proposal entitled 'Qualitative and quantitative rehabilitation of coffee with the aims of improving living conditions of coffee farmers afflicted and displaced by war and their restoration to their areas of origin as well as the protection of their biophysical environment in the Democratic Republic of Congo'. The Committee had taken note of documents PJ-8/11 and PJ-6/77 respectively containing a progress report on projects approved by the CFC and a new proposal submitted by the United Nations Conference on Trade and Development (UNCTAD) approved by the CFC in October 2010 (see paragraph 45).

44. The Committee had considered project activities under the ICA 2007 and received a presentation from Ms Eltha Brown, First project manager of the CFC, on CFC projects and funding and a presentation on current procedures for reviewing and submitting projects by Mrs Lilian Volcan, the ICO Projects Officer. The Committee had noted that a number of documents set out guidance on project activities including the Strategic action plan and Coffee development strategy and this matter would be further discussed at the next meeting. Finally, the Committee had taken note of a request for a representative of the CFC to be present at the next Session to inform Members about developments at the CFC and discuss their concerns about reduced funding for projects.

45. The Council took note of this information and of the need for the ICO and the Projects Committee to identify alternative sources of finance and assistance for projects from other sources, and for Members such as the EU to assist in this regard. It further noted the importance of maintaining and strengthening the CFC which was an importance of

source of development finance for producing countries, and encouraged Members to alert their capitals to concerns about the future of the CFC. The Council agreed that it would be useful to inform the CFC about its discussions and to invite a representative of the CFC to the next Session to give Members an overview of the restructuring process and potential implications for future financing of coffee development projects, to enable Members to assess the impact of this on future resources. The Council also took note of document PJ-6/11 (Economic Crises and Commodity Dependent LDCs: Mapping the exposure to market volatility and building resilience to future crises), document PJ-7/11 (Coffee Development Projects) and document PJ-8/11 (Summary of progress reports submitted by the Project Executing Agencies on projects currently being implemented).

46. Finally the Council noted the importance of the work of the Virtual Screening Committee (VSC) which had operated under the 2001 Agreement. It decided to establish a Virtual Screening Subcommittee (VSS) under the 2007 Agreement with the mandate of expediting and evaluating new project proposals for consideration by the Projects Committee, for a further interim temporary period until September 2011. The VSS would be composed of Brazil, Côte d'Ivoire, Guatemala, Indonesia as Exporting Members, and European Union and the USA as Importing Members.

**Item 11.4.1: Projects for approval by the Council**

47. The Council noted that the Projects Committee had considered document PJ-5/11 containing the report and recommendations of the Virtual Screening Committee (VSC) on two new proposals. The Committee had made the following recommendations:

**Adaptation to climate change in the PROMECAFE region**, contained in document PJ-3/11, submitted by the Regional Program for the Development and Modernization of the Coffee Industry in Central America, Panama, the Dominican Republic and Jamaica (PROMECAFE). The Committee had noted that the VSC had considered this proposal for the first time and had been split on whether to recommend the proposal for approval or revision. Two participating countries (Dominican Republic and Jamaica) had not yet completed procedures for membership of the ICA 2007 while three countries (Dominican Republic, El Salvador and Panama) were not members of the CFC. Following discussions, it decided to recommend to the Council that the proposal should be further revised and resubmitted to its next meeting, taking into account the recommendations of the VSC and comments made by the Projects Committee. The Council took note of this information and decided that this project should be revised as recommended by the Committee.

**Study of the sustainability of the coffee supply chain versus climate change adaptation and mitigation using the life cycle assessment**, contained in document PJ-4/11. The Projects Committee had noted that the VSC had recommended approval of this project. Following discussions, and in view of the importance of this issue for Members, it decided to recommend to the Council that the proposal should be revised to include synergies with work undertaken by Brazil and Colombia in this field, with the assistance of the Secretariat, and could be approved on this basis.

48. In discussions on this matter, the point was made that as noted by the Projects Committee, the revised proposal should take into account work undertaken by Brazil and Colombia in determining the carbon footprint associated with the life cycle of coffee trees. This was important in the light of concerns about the limited resources and timeframe of the project. The Council took note of this information and decided that the proposal should be approved as recommended by the Projects Committee and approved it for submission to the CFC on this basis. Finally the Council noted that new and revised project proposals for consideration in September 2011 should reach the ICO by **24 June 2011**.

**Item 12: Cooperation with other agencies**

49. The Executive Director a.i. said that he had attended the annual meeting between the CFC and ICBs held in Lisbon on 7 March 2011 to discuss matters including the future role and mandate of the CFC, the recommendations of the Mid-Term Review on the role of the CFC and ICBs in project design, and preparations for the Fourth United Nations Conference on the Least Developed Countries (LDC-IV). He reminded Members that the ICO had made a submission to the United Nations Framework Convention on Climate Change (UNFCCC) meetings in Mexico from 29 November to 10 December 2010 (see document ICC-105-13). The ICO had suggested to the CFC that both the UNFCCC meetings and a Conference hosted by the Netherlands on Agriculture, Food Security and Climate Change from 31 October to 5 November 2010, which had an input into the UNFCCC Conference provided useful opportunities for ICBs to make contributions on commodities. A copy of the ICO submission to the UNFCCC had been sent to the CFC, which had confirmed that its participants to the Conference would stress the importance of analysing the impact of climate change on commodity development.

50. The Executive Director a.i. said that he had attended the second meeting of the UNCTAD Global Commodities Forum (GCF) which took place from 31 January to 1 February 2011 in Geneva, Switzerland and had made a presentation on the state of agricultural markets: the drivers of volatility. A copy of this and other presentations, as well



as audio files, could be downloaded from <http://www.unctad.info/en/Global-Commodities-Forum-2011/Presentations/>. The participation of a wide-range of stakeholders at this event had underscored the value of a holistic approach to the crosscutting issues of the global commodity economy. He noted that document PJ-6/11 contained the summary of a new project: 'Economic crises and commodity dependent Least Developed Countries (LDCs): Mapping the exposure to market volatility and building resilience to future crises' approved by the CFC in October 2010. The CFC had appointed the ICO on behalf of all ICBs as Supervisory Body to supervise the implementation of the project submitted by UNCTAD, which started in November 2010. The results would be reported to the LDC IV in Turkey in May 2011 which was expected to adopt the next Action Plan for LDCs. The Council took note of this information and of a presentation by Mr Mussie Delelegn Arega, Economic Affairs Officer, UNCTAD, a copy of which was circulated as document ICC-106-17.

51. Finally the Executive Director a.i. reported that the ICO had been in contact with representatives of the African and Asian Development Banks and with the United Nations Development Programme (UNDP) Green Commodities Facility, a specialized technical unit to enhance sustainability within commodity supply chains from the developing world. The UNDP would welcome the opportunity to discuss strategic interests and the possibility of developing sustainable coffee projects with the ICO and the CFC and would be invited to participate at the next Council Session.

52. In discussions on this item, the point was made that with increases in the prices of food, the trend in some developing countries towards importing food items might need to be reviewed. Agriculture was an area that had been neglected by many donors in recent years and a review of policies was needed in the light of recent developments. The point was also made that in considering the issue of climate change, Members should take into account that the UNFCCC was the appropriate legal framework for negotiations on this issue. The Council took note of this information and encouraged Members to contact their Governments on return to their capitals to stress the importance of the CFC as a partner in developing the coffee sector in their countries.

**Item 12.2: International Coffee Genome Network (ICGN)**

53. The Executive Director a.i. said that a meeting with Members interested in cooperating with the ICGN took place in September 2010 to discuss cooperation on a long-term initiative to sequence the coffee genome, with a view to improving coffee quality and developing resistance to pests and diseases. Following this meeting he had circulated document ED-2105/10 requesting Members to send him all relevant information by 30 April 2011. Members were also invited to send their views on proposals already submitted to the

ICO and to suggest donors to implement this type of initiative. A further meeting would take place at the time of the 107<sup>th</sup> Council Session in September 2011 with the ICGN and Members to review the different initiatives and work being carried out and, building on existing expertise and findings, to establish priorities for the future and explore potential sources of financing. The Council took note of this information.

**Item 13: 50<sup>th</sup> anniversary of the ICO**

54. The Council noted that the ICO would celebrate its 50<sup>th</sup> anniversary in 2013 and all Members were invited to contribute suggestions to commemorate this occasion at the next Session in September 2011.

**Item 14: National coffee policies**

55. The representative of Ghana reported that his Government had agreed on a national policy to rehabilitate coffee farms in Ghana with a view to doubling or tripling production in the next five years. The Council took note of this information.

**Item 15: Financial and administrative matters**

**Item 15.1: Finance and Administration Committee**

56. The Chairman of the Finance and Administration Committee (FAC), Mr Damon Dubord of the USA, said that the Committee had met on 29 March 2011. The Committee had received a report on the financial situation as at 28 February 2011 (see document FA-8/11) and had noted that it could be summarized as satisfactory. The Committee had also had a preliminary review of the draft Administrative Budget for 2011/12 contained in document FA-7/11. Based on overall expenditure of £3,215,000 and estimated revenue from external sources of £191,000, the potential contribution per vote would be £1,512 representing an increase of 8.7% compared with the financial year 2010/11. This figure did not take into account the latest figure for the rent proposed by the landlord which was £2 per square foot higher than anticipated. The Committee noted that Personnel and Premises were the two most significant items in the draft Administrative Budget. It had discussed the current salary system and requested the Secretariat to research other possible systems and to review all other items in the Budget to see what reductions could be made. The Committee had also agreed that the Secretariat should rework the Budget in the light of its discussions and the negotiations with the Landlord and present various different scenarios to its next meeting, including theoretical cuts to items such as the Programme of Activities and Personnel.

57. In discussions on this item, the point was made that the proposed increase resulted from increases of close to zero in previous years, counteracting previous savings. The Council took note of this report.

**Item 15.2: Administrative Accounts of the Organization for the financial year 2009/10 and Report of the Auditors**

58. On the recommendation of the FAC, the Council decided to approve the Administrative Accounts of the Organization for the financial year 2009/10 and Report of the Auditors contained in document FA-2/11.

**Item 15.3: Premises**

59. The Chairman of the FAC said that the Landlord had advised the ICO of his proposals for the Rent Review which would apply from 1 April 2011, and which provided for an increase of 36.3%. Scenarios for the premises were contained in document WP-Finance 85/10. The Committee had discussed the possibility of further negotiations and subletting part of the premises to another organization. This might potentially be of interest to two other organizations, one of which would need a response in the next two to three months, while the other would not be able to take a decision before September 2011. It noted that the ICO would arrange a meeting with the Landlord to continue negotiations on the rent. In the absence of any agreement, there was the option of appointing surveyors to advise on the reasonableness of the new rent or going to an independent arbitrator. The latter had proved an expensive option which had resulted in an unsatisfactory conclusion at the time of the last rent review in 2001. The Committee had decided to recommend that the Council should initiate discussions with the International Cocoa Organization (ICCO) on the premises and possible sharing of services, that representatives of Members should approach the ICCO with this proposal, and that the Secretariat should continue discussions with the Landlord with a view to negotiating the best possible deal. These negotiations would need to be concluded by the time of the September meetings.

60. In discussions on this matter, the need to take action on this sooner rather than later was noted. The ICO should continue to examine options and explore synergies and ways of making better advantage of available space. Members noted that planning restrictions limited the use of the ground floor to conference facilities and show rooms or similar purposes. It was also suggested, that as Governments were Members of other International Commodity Bodies, consideration should be given as to how to make best use of limited resources and Ambassadors could explore options for the way forward.

61. The Council noted that the FAC had expressed a preference to make better use of the facilities by exploring the possibility of sharing them with another international organization. It further noted that the ICCO had established a process to relocate to Abidjan which would be discussed during its meetings in September 2011, which preceded the 107<sup>th</sup> Council Session. It decided to request the Chairman of the FAC to keep this item on the agenda of the Committee, to continue to explore possible options with the Committee, and report to the Council at its next Session. It further decided to request the Chairman of the Council to contact the Chairman of the International Cocoa Council to seek the views of the ICCO on the option of sharing the premises and to report to the Council at its next Session.

**Item 15.4: Payment of arrears**

62. The Council noted that the Democratic Republic of Congo had made some regular monthly payments but was behind the schedule established in Resolution 430. Nicaragua was also behind the schedule established under Resolution 437. The FAC had agreed that both countries should be encouraged to clear their arrears and comply with the terms of the Resolutions. The FAC had also considered document FA-10/11 containing a proposal on a policy for the sponsorship of projects by countries with outstanding contributions and had recommended that the Council should approve the text of a decision shown therein.

63. The Council considered the situation of Members which had arrears of more than one year and decided that, after September 2011, such Members would not be eligible for sponsorship by the Organization of new projects to be considered by the Projects Committee. Such Members should, however, be given the opportunity to present their case to the Council regarding their inability to fulfil their financial obligations.

**Item 15.5: Other financial and administrative matters**

64. The Chairman of the FAC said that the Committee had considered document FA-3/11 proposing an increase of 3.1% in salary scales and the basis for contributions to the Provident Fund for General Services staff with effect from 1 October 2010; document FA-5/11 containing revisions to the education grant and dependency allowances for staff in the Professional and higher categories with effect from 1 January 2011, and document FA-4/11 proposing revisions to salary scales for staff in the Professional and higher categories, also with effect from 1 January 2011. The revised scale in document FA-4/11 represented a 1.37% increase through the consolidation of a number of post adjustments; this consolidation was on the basis of the 'no loss – no gain' formula and the overall effect would give no increase in take-home pay and no additional cost to the Organization.

The cost of implementing the proposals in documents FA-3/11 and 5/11 could be met from within the Administrative Budget for 2010/11 (see document ICC-105-20). The Committee had also considered document FA-6/11 proposing changes to the method of calculating contributions to the Provident Fund for staff in the Professional and higher categories and document FA-9/11 containing proposals for seven additional banks to be added to the list of authorized banks used by the ICO. The Committee had decided to recommend to the Council that all these proposals should be approved.

65. On the recommendation of the FAC, the Council decided to approve the proposals for revisions to salary scales and the basis for contributions to the Provident Fund for staff in the General Service category contained in document FA-3/11; the education grant and dependency allowances for staff in the Professional and higher categories contained in document FA-5/11; and the proposals for revisions to salary scales for staff in the Professional and higher categories contained in document FA-4/11. The Council further decided to approve the proposal to change the method of calculating contributions to the Provident Fund for staff in the Professional and higher categories contained in document FA-6/11, and to add seven new banks to the list of authorized banks used by the ICO as proposed in document FA-9/11.

**Item 16: Other business**

*Côte d'Ivoire*

66. The Council noted that Mr Saint-Cyr Djikalou of Côte d'Ivoire had left his post of Permanent Representative of Côte d'Ivoire to International Commodity Bodies after ten years of service. Members expressed their appreciation for his outstanding contribution to the Organization, particularly for his work as Chairman of the Working Group on the future of the Agreement, which had been instrumental to the successful negotiation of the 2007 Agreement. The Council requested the Chairman and Executive Director a.i. to write to Mr Djikalou to convey its thanks to him. The Council further noted that Côte d'Ivoire would continue to participate in the work of the ICO and would respect its financial obligations and other initiatives, and was committed to working with other Members to finding ways of alleviating poverty through the provisions of the 2007 Agreement.

*Papua New Guinea*

67. The Council noted that this would be the last meeting attended by H.E. Ms Jean Kekedo, High Commissioner for Papua New Guinea, and expressed its great appreciation for her contributions to and support for the work of the ICO.

*Request for information from Members*

68. The Council noted that all exporting Members were requested to send the Executive Director a.i. information on national quality standards, costs of production for 2000/01 to 2009/10, employment generated by the coffee sector and MRLs for pesticides used in the coffee production process as requested in document ED-2100/10.

*ICO website*

69. The Executive Director a.i. reported that the ICO website had been upgraded for the ICA 2007, and included a new section on resources. He invited Members to send their suggestions and comments on the revamped website to the Secretariat including views on developing a Members only section. The Council took note of this information.

*Costs of production*

70. The Council took note of a request for support from the ICO or the Statistics Committee for guidance or training for exporting Members on collecting data on the costs of production.

**Item 17: Future meetings**

71. The Council took note of document WP-Council 208/11 containing the dates of meetings in 2011/12 and 2012/13 and noted that its next Session would take place in London from 26 to 30 September 2011. Five days had been scheduled to allow sufficient time for consultations on the appointment of the next Executive Director.



ORGANIZACIÓN INTERNACIONAL DEL CAFÉ  
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ  
ORGANISATION INTERNATIONALE DU CAFÉ

**ICC Resolution 447**

29 March 2011  
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**International Coffee Council**  
106<sup>th</sup> Session  
28 – 31 March 2011  
London, United Kingdom

**Resolution number 447**

APPROVED AT THE SECOND PLENARY MEETING,  
29 MARCH 2011

**PROCEDURES FOR ACCESSION TO THE  
INTERNATIONAL COFFEE AGREEMENT 2007**

WHEREAS:

A number of Governments eligible to sign the International Coffee Agreement 2007 under the provisions of Article 40 thereof have indicated that they wish to become Parties to the Agreement;

Other Governments may also wish to become Parties to the Agreement;

It is deemed desirable to establish procedures to enable the Governments concerned to accede to the Agreement as soon as possible; and

Under the provisions of Article 43 of the Agreement, the Government of any State member of the United Nations or of any of its specialized agencies or any intergovernmental organization described in paragraph (3) of Article 4 may accede to the Agreement in accordance with procedures which shall be established by the Council,

THE INTERNATIONAL COFFEE COUNCIL

RESOLVES:

That Governments eligible for membership in accordance with Article 43 may accede to the International Coffee Agreement 2007 by depositing an instrument of accession with the Organization no later than 30 September 2012 or such other time as the Council may decide.