



Report of the Private Sector Consultative Board on the meeting of 16 March 2009

1. The Private Sector Consultative Board (PSCB), chaired by Ms Florence Rossillion of the ECF, met on 16 March 2009.

Item 1: Adoption of the Agenda

2. The PSCB adopted the draft Agenda contained in document PSCB-112/08 Rev. 2.

Item 2: Report on the meeting of 24 September 2008

3. The PSCB approved the report on the meeting of 24 September 2008 contained in document PSCB-111/08.

Item 3: Chairperson's Report

4. The Chairperson informed the Board that she would summarize the proceedings at the end of the meeting.

Item 4: Coffee market situation

5. The Executive Director introduced his report on the market situation contained in the ED-Letter for February 2009 and document ED-2059/09 which contained a preliminary evaluation of the impact of the global financial crisis on the coffee sector. He reported that prices had remained relatively firm: demand was stable, while forecasts for the Brazilian and Vietnamese crops were less than for the previous year. The supply/demand balance was likely to go into deficit during 2009/10 and stocks of coffee in producing countries were at their lowest levels since records began.

6. The delegate from the ECF agreed with the Executive Director that demand was stable. He felt that the high end of the market was likely to suffer and in the longer term they were nervous about Eastern Europe, where individuals' spending power might be more affected by the economic downturn. He expected that this might result in a shift to lower margin coffees.

7. The Board took note of this report.

Item 5: Statistics

8. The Chairperson invited discussion on the subject of statistics which had become a regular feature of the Board's meetings. The delegate from ANACAFE stressed the importance of transparency in statistics; data concerning internal consumption in both consuming and producing countries needed to be strengthened. Differentials had reached record levels and there was very little reliable data on this subject. He asked the Board to consider how the provision of data could be improved in this respect in the future. The delegate from the SCAA agreed that the question of differentials was most interesting and he agreed on the need to investigate the question further. He observed that there were a number of sources which could be tapped, especially traders: the individual data might be inaccurate, but it might be possible to take an average in order to obtain a more reliable picture. The delegate from AEKI said that consumption in producing countries was increasingly important although it remained difficult to pinpoint exact production as well as exact consumption. With respect to differentials, he thought there was a need to change the information process, which should be examined carefully. The Chairperson agreed with the comments on differentials and invited PSCB members to submit data.

Item 6: Coffee and health

9. The Chairperson welcomed Ms Joanna Scott, who had replaced Mrs Robert-Sargeant as Programme Manager on the Positively Coffee and HCP-CEP programmes. Ms Scott gave presentations on both Programmes, copies of which were made available to members at the meeting. She gave a synopsis of the history and progress achieved in both areas. She reported that many people felt that it was time for an evaluation of the Programmes. ISIC had invited national coffee associations to a meeting in Amsterdam in January 2009 to present their views. Their view was that in 'developed' markets, most operators did not derive significant benefit from Positively Coffee because they had their own sources of information and ran their own websites. However, representatives of less developed markets strongly recognized the value of the Programme; it was felt that the ICO umbrella was critical to its credibility; and the consensus was that the Programme was valued and should continue in some form.

10. The Programme Manager reported that many members felt that the Positively Coffee message on the website was too positive, did not provide balanced information and could

attract regulatory challenge as well as providing a reputational risk to the coffee sector. As a consequence, a Scientific Advisory Committee had been formed from ISIC members to review the content of the website as a matter of urgency; a revised format would then be prepared in English and, in order to avoid giving mixed messages, the other languages would be removed from the website while the text was translated into French, Spanish and Portuguese. The latter would be restored in the new format as soon as possible.

11. The Programme Manager also gave a brief overview of the individual country Programmes within HCP-CEP. The Board took note of these reports.

12. The Executive Director asked to what degree Members of the Organization and the PSCB wished the ICO to participate in the Positively Coffee and HCP-CEP. He noted that ISIC had always invited the Organization to its Board meetings. It was important for him to gauge the feeling of members regarding the import and relevance of the Organization's involvement in the Programmes so that he could convey a consistent message to ISIC. He also noted that this was the last year of funding for the Positively Coffee Programme by the Promotion Fund.

Item 7: Food safety aspects

13. Dr Euan Paul gave an update on the issues of OTA, acrylamide and furan. Regarding OTA, he reported that in the European Union there was no increase in OTA levels; indeed there might even be a slight decline, although care needed to be taken with the figures. He noted that Korea had introduced limit values on green coffee without warning; the procedure had not been well thought through. Korea was not a member of the ICO and it was therefore difficult to discuss this issue. Codex Alimentarius would be reviewing its Code of Practice, which was a logical and sensible way to proceed. He observed that producing countries should take care to adhere to limits: failure to do so would lead to rapid alerts within the EU which might lead to limits on green coffee being introduced.

14. Concerning acrylamide, Dr Paul reported that this substance, which arose from heating, had been found to produce tumours in animals. This was not just an issue related to coffee, but to any food which was heated to more than 120 degrees. At present there was no known way of dealing with acrylamide, although there was some evidence that acrylamide levels declined over time. Dr Paul also reported on furan, which was the main source of the aroma of coffee. Again, there was little knowledge of this substance. Discussions were currently being undertaken with the authorities in Europe, but these were at an early stage. Finally, turning to pesticides, he reported that Japan had a large list of prohibited pesticides. There was some concern within Europe, but it did not affect coffee at present. The situation was being monitored.

15. On the issue of the ban by Japan on imports of coffee from Ethiopia which had been imposed in May 2008, the Executive Director reported that he had written to the AJCA to establish whether the new arrangements instituted by the Ethiopian Government were sufficient to enable the coffee trade to return to normality. The AJCA had replied on 19 August that the situation remained unchanged although every effort was being made to enable a resumption of normal trade to take place. The representative of the AJCA said that the Executive Director had given an accurate synopsis of the situation. The delegate from EAFCA observed that he thought the issue had been solved, but was awaiting confirmation.

16. The Board took note of these reports.

**Item 8: Implementation of the
Coffee Quality-Improvement Programme (CQP)**

17. The Executive Director introduced document EB-3958/09 which described the latest situation of the Coffee Quality-Improvement Programme. He noted that 28 countries representing 69% of world exports were complying. He said that the volume of coffee graded by NYSE Liffe which failed to comply in 2007/08 amounted to 2.4 million bags, an increase of over 88% compared to the previous year. Of this amount, 62% was from Vietnam and 11% from Indonesia. He explained that there was concern about the new NYSE Liffe grading system: hence the invitation to NYSE Liffe to explain the new system.

18. The Chairperson invited Mr Surendra Kotecha, Independent Quality and Marketing Consultant and Grader for NYSE Liffe, to address the meeting. He gave a presentation on the revised NYSE Liffe Robusta contract, the futures contract and the options contract. He also examined the new system in relation to packaging, sampling, the grading process, deliverable classes, defect and foreign matter definitions, grouped lots, as well as the revised fee structure.

19. The Chairperson thanked Mr Kotecha for his presentation, a copy of which was made available to the Board and is also available on the technical presentation area of the ICO website (<http://dev.ico.org/presents/presentation0809.htm>). The delegate from AEKI observed that they had not been consulted about this new system and he was pleased to hear that they had the opportunity to analyse this information and provide further input. It was easy for large multinationals to convey the information because they usually had offices in producing countries. However, it was more difficult for small producers. The new system sounded sensible, but it needed to be better understood. He had one concern about the difference between foreign matter and defects: were these consistent with ISO standards?

20. The Executive Director commented that this system was more flexible in the sense that coffee which had previously not been graded could now be graded. However, he questioned how this fitted the Organization's efforts to improve quality. Mr Kotecha replied

that, in essence, a larger volume was failing, often because of foreign matter, but also because of moisture tests. In general, the system would allow lower quality coffee to be graded and sold. The Executive Director observed that the Organization talked to NYSE Liffe on a regular basis; however, NYSE Liffe had different priorities because they wanted higher volume which meant higher revenues. The delegate from the SCAE was concerned that Robusta producers did not wish to participate in the quality programme. There had been a recent article in *The Economist* relating to the production of biodiesel from spent coffee grounds. He felt that the subject should be explored further.

21. The Board took note of this report.

Item 9: World Coffee Conference

22. The representative from ANACAFE made a presentation on preparations for the World Coffee Conference which would take place in Guatemala from 26 to 28 February 2010. This would be followed by the Council's Session at ANACAFE's headquarters from 1 to 4 March. He noted that ANACAFE would host a gala dinner which would also celebrate ANACAFE's 50th anniversary. He extended a warm welcome to all delegates.

23. The Chairperson thanked the delegate from ANACAFE for this information and invited the Board to make any comments concerning the form and subject matter of the Conference. The delegate from the ECF observed that their suggestions on themes included climate change, which would be a huge challenge and he noted that the German organization GTZ had undertaken a number of projects in this area. He suggested that the Conference might consider the subjects of carbon footprint and water footprint, both of which were difficult subjects, but which were likely to be important for coffee.

24. The Board took note of this information.

**Item 10: International Coffee Agreement (ICA) 2007
and**

Item 10.1: Preparations for implementation of the ICA 2007

25. The Executive Director gave the Board an update on the status of the ICA 2007: it was important for the Organization to make ready for the ICA 2007 to come into effect. With this objective, the Council would decide upon new Rules and Regulations, and terms of reference for the various new committees and subsidiary bodies later in the week. He reported that Japan had informed the Organization that it did not intend to accede to the 2007 Agreement. Numerous representations had been made by the Organization and by its Members, but Japan had decided on this course of action because of financial constraints.

26. The delegate from the AJCA said that his Association regretted very much that the Japanese Government had decided not to join. They had made representations to the Government, but this was beyond the control of the private sector. He emphasized that they did not adopt the same stance as the Japanese Government and expressed the desire to remain a member of the PSCB. The Executive Director observed that such a decision would be made by the Council in September, but he expressed the desire that the AJCA should remain a member. The delegate from the ECF reminded the Board that they had been a member of the NCA and he said that he would not like to see the PSCB without such an important consumer. Several other delegates endorsed this view.

Item 10.2: Article 2 of the ICA 2007: Conversion factors for roasted, decaffeinated, liquid and soluble coffee

27. The Executive Director drew the Board's attention to Article 2 of the ICA 2007 and to document WP-Statistics 131/08 concerning conversion factors for roasted, decaffeinated, liquid and soluble coffee. He recommended that the factors should remain the same and asked the Board to confirm this. The delegate from the SCAE, speaking on behalf of the decaffeinated sector, suggested a factor of 5% and said he would refer this to the Statistics Committee. The Executive Director noted that there was no urgency to the issue; a decision would only need to be made after the new Agreement came into force.

28. The Board took note of this information.

Item 11: International Coffee Genome Network (ICGN)

29. The Chairperson invited Dr Philippe Lashermes, Chairman of the ICGN Steering Committee and Dr Marcela Yepes, Executive Secretary of the ICGN, to address the Board. Dr Lashermes gave a presentation on the ICGN's work; he pointed out that research on coffee did not correspond to its commercial importance, but that studying the complete genetic composition of the coffee plant had significant advantages which would be to the benefit of both producers and consumers, helping to ensure higher yields, less disease and higher quality. He asked for support from the PSCB since it was important for both private companies and public resources to join forces to raise the necessary investment of US\$2 million. Copies of his presentation were made available at the meeting and are also available on the technical presentation area of the ICO website. A summary of the work of the ICGN is given in document PSCB-113/09.

30. The Executive Director thanked Dr Lashermes and Dr Yepes for their contribution and reported that he had attended a meeting of the ICGN in San Diego in January 2009. The delegate from the SCAA added his support for the initiative; he noted that there was a narrow

band of genetic diversity in Arabica which meant that it was highly susceptible to pathogens. This was connected to climate change and water issues and gave a unique opportunity to mitigate future problems.

31. The Board took note of this information.

Item 12: Geographical Indications

32. The Chairperson invited comment from the Board on the subject of Geographical Indications. There was none at this time.

Item 13: ICO CoffeeClub Network

33. The consultant, Mr Carlos Brando, gave a presentation on the status of the network which can be downloaded from the technical presentations area of the ICO website. The Network now had 500 members, but the major problem was the shortage of mediators who fulfilled a critical function in the network. The Executive Director thanked Mr Brando for his report, but stressed that it was important for members of the PSCB and the Organization to be actively involved; its success would depend on the participation of its members.

34. The Board took note of this information.

Item 14: PSCB representatives and officeholders

35. The Chairperson reminded members that the ECF had reduced its number of seats from three to one at 1 October 2008; one vacancy had been filled by the Coffee Association of Canada, but the other remained vacant. She requested nominations for the vacant seat which could be discussed at the meeting of the Council in September 2009. She also reminded members that proposals for representation on the PSCB for 2009/10 and 2010/11 would be considered by the Council in September 2009. The Secretariat would issue a document inviting Members to consult their current PSCB representatives to see if they would be willing to be nominated for a further two years, or to suggest alternative representatives, as appropriate. She asked delegates to advise their Member Governments accordingly, in good time for the meetings in September 2009.

Item 15: Other business

36. The delegate from the CNC read a statement from the President of the National Coffee Council of Brazil. This was subsequently circulated as document PSCB-114/09.

Item 16: Future meeting

37. The PSCB noted that the date of the next meeting would be confirmed by the Secretariat in due course.

List of acronyms used in this report:

AEKI	Association of Indonesian Coffee Exporters
AJCA	All Japan Coffee Association
ANACAFE	National Coffee Association of Guatemala
CNC	National Coffee Council of Brazil
EAFCFA	Eastern African Fine Coffees Association
EFC	European Coffee Federation
GTZ	Federal Ministry for Economic Co-operation and Development
HCP-CEP	Healthcare Professions – Coffee Education Programme
ICGN	International Coffee Genome Network
ICO	International Coffee Organization
ISIC	Institute for Scientific Information on Coffee
NCA	National Coffee Association of the USA
OTA	ochratoxin A
PSCB	Private Sector Consultative Board
SCAA	Specialty Coffee Association of America
SCAE	Speciality Coffee Association of Europe