Report of the Private Sector Consultative Board on the meeting of 21 September 2009

1. The Private Sector Consultative Board (PSCB), chaired by Ms Florence Rossillion of the ECF, met on 21 September 2009.

Item 1: Adoption of the Agenda

2. The PSCB adopted the draft Agenda contained in document PSCB-116/09 Rev. 2.

Item 2: Report on the meeting of 16 March 2009

3. The Chairperson asked the Board for any comments on the Report of the meeting of 16 March 2009 contained in document PSCB-115/09. The delegate from the AJCA had notified the Secretariat that the word “ban” in paragraph 15 under Item 7 of the Report relating to the import of coffee from Ethiopia into Japan was incorrect. It was agreed that the sentence should be amended to read: “On the issue of the new sanitary inspection arrangements instituted by Japan on imports of coffee from Ethiopia in May 2008, the Executive Director reported that he had written to the AJCA to establish whether the new arrangements were sufficient to enable the coffee trade to return to normality.” With this amendment, the PSCB approved the report on the meeting of 16 March 2009 contained in document PSCB-115/09.

Item 3: Coffee market situation

4. The Executive Director introduced the Letter from the Executive Director for August 2009: despite an increase in the composite indicator price of 4% in August, the daily indicator prices of the four groups of coffee fell during the last two weeks of August and the first week of September. He drew the Board’s attention to the issue of differentials: the greatest price differential was in Colombia where a shortfall in production had been caused by
unseasonable weather and a reduction in use of fertilizers due to their increased cost. High levels of production of Robusta had been recorded and high coffee prices had been partially offset by differences in the exchange rates caused by the depreciation of the US$ against local currencies. Broadly speaking, the coffee sector had weathered the financial crisis comparatively well.

5. The delegate from the ECF observed that a shift in the market had taken place: consumers in Europe had less money to spend, which resulted in less consumption in offices, cafés and vending machines, but this was offset by extremely aggressive pricing by supermarkets. Thus a shift from higher to lower margins had been experienced. He noted further that consumption statistics were heavily dependent on import and re-export figures. There had been a significant increase in imports into Belgium and a comparable decrease in the Netherlands and France per the statistics of EUROSTAT, whose accuracy he had questioned.

6. The delegate from ASOEXPORT agreed with the Executive Director’s analysis of the situation in Colombia: last year they had experienced unusual climatic conditions with excessive rainfall. There had also been a significant rise in the price of fertilizers which had more than doubled in local currency terms. Combined with the renovation of over 240,000 hectares of coffee plantations, these factors had had significant effects on the volume of coffee produced.

7. The delegate from AMECAFE highlighted the increase in consumption at home rather than in cafés and other external locations which had been highlighted by the delegate from the ECF: he wondered what the implications for quality were. Several delegates underlined the issue of quality: on the one hand the increase in Robusta production gave grounds for concern, while on the other hand a new wave of micro roasters was entering the business, which was an encouraging trend; once consumers were introduced to better quality coffee, they tended to stay with it. Delegates from AEKI and CeCafé also noted the encouraging trend in domestic consumption in their countries, which was due to a variety of factors, including education on health, the improvement of quality, and marketing.

8. The Board took note of this report.

**Item 4: Coffee and health**

9. The Programme Manager gave a presentation on the Positively Coffee Programme and the Healthcare Professions – Coffee Education Programme (HCP-CEP).

10. The HCP-CEP Programme was progressing well: eight countries were currently participating. Its central message was “the role of coffee in a healthy, balanced diet” and its key audience was GP’s, nutritionists, medical journalists and other healthcare professionals.
Leaflets and brochures had been produced and disseminated among many thousands of people in Europe, including two issues of the UK newsletter (over 110,000 copies) and a Medicina Clinica monograph in Spain (10,000 copies). Six countries also had websites dedicated to coffee and health.

11. The Positively Coffee website had been completely revised to bring it up to date with the latest scientific data and the English version had been posted to the website on time. Translation into French, Portuguese and Spanish had been completed and, after final editing work had been carried out, would be posted to the website imminently. In the meantime four new topics for development had been included in the programme for future work: coffee and pregnancy, coffee and heart disease, coffee and Alzheimer’s, and coffee and antioxidants. ISIC had reviewed the future financing of the Programme at its Board meeting on 24 March in Amsterdam, had emphasized its continuing commitment to the Programme, and would review future funding again at its next meeting on 5 November 2009.

12. Mr Nathan Herszkowicz of ABIC showed a short video about coffee and health which had been screened on Brazilian television on 7 August.

13. The Board took note of these reports.

Item 5: Food safety aspects

14. The delegate from the ECF gave the Board an update on the latest situation regarding OTA: a draft proposal had been submitted regarding amendments to EC legislation which removed many of the problem areas for green coffee. This was encouraging news, but he stressed that there was no room for complacency and preventative measures to reduce the formation of OTA in green coffee remained essential to maintain the confidence of the food safety authorities. He reported that there were no further developments with relation to furan and acrylamide.

15. The delegate from the NCA reported that the FDA had requested comments on acrylamide. In relation to pesticides, the EPA had asked for comments on a petition from the American Bird Conservancy which wanted to revoke the tolerances for four different pesticides specific to coffee. Comments were due by 2 November; the NCA had set up a Technical Committee and was working with Guatemala and others on a response.

16. The delegate from the NCA also noted that the US Department of Labor had recently published three reports on the use of child labour in the coffee sector. Collectively, the reports cited 24 countries as using child labour in the coffee sector. The NCA encouraged producers to enforce their respective labour laws and commitments as they relate to the ILO. Pro-active programmes to reduce the incidence of child labour will assist in ensuring that the coffee industry does not experience the magnitude of negative fallout experienced by the

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1 See document ED-2078/09.
cocoa sector several years ago. The NCA wished to work with producing countries to identify programmes that are currently in place to reduce/eliminate the illegal use of child labour. He felt that this was an opportunity for the PSCB to be pro-active and he would like the issue raised with the Council.

17. The delegate from Anacafé noted that they had been working with the ILO, as well as with UNICEF, for the past five years on child labour. It was a difficult issue because it was often a question of tradition in many regions and it was counter-cultural to get rid of these traditions. Nevertheless its elimination was an important long term goal.

18. The Board took note of these reports.

**Item 6: World Coffee Conference**

19. The delegate of Anacafé made a presentation on the World Coffee Conference, including the proposed agenda, speakers, logistics and other arrangements. He advised the Board that information on the Conference was included in their folders and he invited them to spread the word about the Conference as widely as possible within their communities.

20. The Executive Director reported that he and the Secretariat had been working closely with Anacafé over the past six months. A list of speakers and presentations had been assembled and some 80% of speakers had already been designated. All logistical aspects of the Conference had been handled very efficiently by the Guatemalan government and Anacafé. He referred the Board to document ICC-103-3 entitled ‘Preparations for the World Coffee Conference (Guatemala 2010)’ and particularly to Annex I which set out the proposed agenda.

21. Ms Judy Ganes Chase, Vice President of the IWCA, made a presentation on the work of the IWCA and its involvement with the World Coffee Conference. She reported that the IWCA’s main goals were to eradicate poverty, hunger and to promote gender equality. She looked forward to working with the ICO to achieve their mutual goals of improving the social sustainability of coffee.

22. The Board took note of these reports.

**Item 7: Preparation for implementation of the ICA 2007**

**Item 7.1: Strategic documents**

23. The Executive Director reported that sufficient importing countries had ratified the ICA 2007 to enable it to enter into force. A large number of exporting countries had ratified the Agreement and, if one major exporting country were to complete the
procedures, the Agreement would enter into force. In the meantime, he proposed to introduce resolutions to the Council to extend the ICA 2001 for a further year. Arrangements were already in hand to put the ICA 2007 into effect and the necessary infrastructure was in place. He drew the Board’s attention to the draft strategic action plan 2009 – 2014 (document WP-Council 173/08 Rev. 3) and the draft development strategy for coffee (document WP-Council 191/09 Rev. 1), both of which would be discussed in the Council later in the week.

Item 7.2: Consultative Forum for Coffee Sector Finance

24. The delegate from the NCA introduced a concept paper on the Consultative Forum for Coffee Sector Finance, document PSCB-117/09. He drew the Board’s attention to the diagram on the last page of the document which acted as a model for a possible approach to the issue. He felt that the Forum should be a multidimensional entity and should not just be restricted to one meeting a year: its work should be continuous. The model could be used to stimulate discussions on the subject. The Forum represented a tremendous opportunity for the ICO to deliver value to producers throughout the world; the issue of finance had been highlighted by the recent economic crisis: what could be done to mitigate the effects of this, or a future crisis? This was an opportunity for the ICO to act in the forefront of international organizations, as it had done in the creation of the PSCB.

25. The model proposed that the Steering Committee should be composed primarily of individuals with expertise in finance, including representatives from the private sector, the World Bank and government funded organizations; however, the core should be financial experts. Information could be fed from the Steering Committee to a wider group involved with Facilitated Problem Solving/Issues Management. The latter would feed information to entities such as seminars and workshops which in turn would pass information back to the Steering Committee for evaluation and further work. Much of the work of the Steering Committee could be accomplished virtually while the workshops could be held during the ICO Council Sessions. The role of the Secretariat could be to use this rich source of information in order to produce documents which could be disseminated throughout the world. Although this model of the Forum was ambitious, it was achievable if the Council were to endorse it and allow the Secretariat to devote resources. He invited the Council to use the model as a basis for discussion.

26. The delegate from the ECF thanked the NCA for the document which was timely and an extremely useful contribution; the Board should aim to assemble this jigsaw of documents and workshops on finance. None of the proposals would come to anything if the Forum did not add value to the Organization and its Members. He felt that the work done here could also be relevant to other tropical commodities since their problems were very similar.
27. The Executive Director welcomed the paper and its contribution to the development of the mechanics of the Forum. He questioned which came first: projects or finance?

28. The Board took note of this information.

**Item 8: Coffee Issues Management Forum**

29. The delegate from Anacafé reported that the Coffee Issues Management Forum had been initiated by Anacafé and the NCA in order to identify issues affecting the coffee sector. The Forum was extremely diverse and there was no pre-set agenda: individuals were encouraged to bring before the Forum any issues which they felt were important to the sector, whether producers, roasters, importers or consumers. Twenty-eight leaders representing six continents had participated and they had identified 24 emerging issues. The meeting in December 2008 had followed up on an on-line session held in August 2007 to discuss priorities.

30. The highest priority was judged to be producer sustainability. Six sub-issues had been identified: adaptation to climate change; finance and risk management; good agronomic practices; economic and social practices; market practices; and good environmental practices. The Forum had volunteers who could execute the strategy, but it was lacking a project manager, without whom nothing would happen: they would be looking for funding of US$65,000 to recruit this person and the NCA and Anacafé will post this on their websites. It was felt that the ICO could play a significant role in the Forum.

31. The delegate from the ECF said that he had found the Forum an intriguing and positive experience and what had emerged was highly relevant: all the participants wished to avoid over-production and prevent another coffee crisis. The Executive Director concurred with this view and hoped that the subject would be included in the agenda of the World Coffee Conference.

**Item 9: Items under continued review**

32. The Chairperson emphasized that it was not intended that items under this heading should receive lesser priority. Quite the reverse, the items had been highlighted by the Board in previous meetings as deserving continuous review and attention: they would therefore remain as permanent items on the agenda unless the Board decided to remove them.

*The supply of private sector statistical data*

33. The delegate from Anacafé wished to encourage members to share private, unofficial data within the PSCB; it was particularly important to receive information on differentials. The delegate from AMECAFÉ agreed that this was important, but at the same time it was
beset with difficulties because the Board had heard many times from the Executive Director that the ICO could only deal with official data supplied by governments. The PSCB was aware that these numbers might be inadequate. He felt that it might be possible to manage this process through the private sectors of Member countries: it was an issue of transparency. The Executive Director agreed that one needed to be very careful about the provision of parallel information; he had been working closely with analysts in the private sector and it was important for government agencies which provided this information to communicate with the private sector in their countries.

The Coffee Quality-Improvement Programme (CQP)

34. The Executive Director referred the Board to two documents, EB-3963/09 and EB-3964/09, both of which analysed this subject at length. The delegate from the SCAE related this issue back to the question of statistics; one of the major issues faced by the sector would relate to niche markets, and statistics would be enhanced by the inclusion of this information.

The International Coffee Genome Network (ICGN)

35. The Executive Director noted that work on the genome could be of enormous importance to the coffee world. He had held many discussions with agencies in a variety of countries, but he needed to meet the scientific organizations in those countries to ascertain what was possible. Studies were continuing; a strategy and a proposal were needed. The CFC would not fund research in this area; therefore one should seek other sources.

Geographical Indications

36. There was nothing new to report on this subject.

ICO CoffeeClub Network

37. The consultant reported that the Network now had over 25,000 visitors from 155 countries. He referred the Board to a presentation he would make to the Promotion Committee the following day.

Promotion Fund

38. The delegate from ASOEXPORT requested that the question of the resources of the Promotion Fund be added to this Item 9 for continuing review. This was agreed.
Item 10: PSCB representative and officeholders

39. The Secretary referred the Board to document WP-Council 197/09 for nominations received up to 15 September 2009 for membership of the PSCB for coffee years 2009/10 and 2010/11. Additional nominations had been received from several organizations which would be raised with the Council.

40. The Chairperson informed the Board that she had decided to leave the coffee sector and would therefore stand down as Chairperson. In accordance with the practice of the PSCB, the office of Chairperson would pass automatically to the Vice-Chairman, Mr Rodolfo Trampe Taubert of AMECAFE. This was agreed unanimously.

41. The Executive Director thanked Ms Rossillion for her diligence and skill in chairing the Board and wished her well in her new position.

42. The Board took note of this information.

Item 11: Other Business

43. The delegate from the AJCA made a presentation concerning coffee consumption trends in Japan and supplied members with a CD-Rom detailing the data.

44. The delegate from AMECAFE requested that consideration be given to having interpretation in the official languages of the ICO for the PSCB meeting in Guatemala since this was a unique opportunity for the Board to present its work to producers and reach a wider audience than was normally the case. Understandably this did have financial implications. The Executive Director reported that he would take up this question with the relevant authorities in Guatemala.

Item 12: Future meeting

45. The PSCB noted that it was likely that the next meeting would take place on Monday 1 March 2010 in Guatemala, but that this would be confirmed by the Secretariat in due course.
List of acronyms used in this report:

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<th>Acronym</th>
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<tr>
<td>ABIC</td>
<td>Brazilian Coffee Industry Association</td>
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<td>AJCA</td>
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