



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

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**Report of the Private Sector
Consultative Board on the meeting
of 1 March 2010**

1. The Private Sector Consultative Board (PSCB), chaired by Mr Rodolfo Trampe of the Mexican Association of the Coffee Production Chain (AMECAFE), met for the 30th time on 1 March 2010 in Guatemala City, Guatemala.

Item 1: Adoption of the Agenda

2. The PSCB adopted the draft Agenda contained in document PSCB-119/09 Rev. 2 and noted that a private sector representative from the Republic of Korea was attending the meeting as an observer.

Item 2: Report on the meeting of 21 September 2009

3. The PSCB approved the report of the meeting of 21 September 2009 contained in document PSCB-118/09 Rev. 1 with certain points of clarification and amendments to paragraph 4 (the shortfall of coffee production in Colombia was mainly due to weather and to increased costs of fertilizers, rather than substantial replanting), and paragraph 16 (the first half of the sentence should be deleted).

Item 3: Coffee market situation

4. The Executive Director introduced the report on the coffee market for January 2010. Since the last meeting in September 2009, prices had recovered but the benefits of this rise were mitigated by increased costs of labour and fertilizers, movements in exchange rates and the impact of increased pests and diseases as a result of higher fertilizer costs. He noted that the estimate for production in 2009/10 was between 123 to 126 million bags. During the last few months, the differential between Arabica and Robusta prices had widened significantly and differentials between Colombian Milds and Robustas were the highest seen as a result of

difficulties in supplies. In the case of Colombia, the reduced crop had had an impact on the market in 2008/09. Consumption in 2010 was expected to increase by 1.5 to 2 million bags from 132 million bags in 2009. The increase in consumption in emerging markets was particularly notable. In short, the market should continue to see prices in the range seen at present. The PSCB took note of this document and of document WP-Council 199/10 containing the latest official estimate for the Brazilian coffee crop for 2009/10.

5. In discussions on this item, clarification was provided about the production increase in Indonesia in January which was due to the inclusion of information from reports on statistics. Internal consumption in Indonesia was now over three million bags and production needed to reach at least 10.5 million bags to meet export levels of 6-7 million bags in previous years.

6. Concern was expressed about the substantial differentials between Arabicas and Robustas. The real price of Robustas was derived from the differential against the futures markets. There had been considerable volatility in the last year, and the usual patterns had changed. The new coffee contract in London had lower quality standards than the previous one, and these were not congruent with the Coffee Quality-Improvement Programme (CQP). Concern was also expressed about speculation in the futures markets by funds. In the case of the 'C' Contract in New York, a report showed the position of participants in the exchange, differentiating between commercial and non-commercial actors. Despite requests, the London contract did not provide this information and it was not possible to know the extent of trade and non-trade exposure in the market. There was a need for transparency in the establishment of prices. Volatility in both the New York and London futures markets had increased, which was of great concern. A market with large differentials and premiums caused difficulties for the whole value chain. The futures market did not capture what was happening to all the coffees traded on the market. Markets were increasingly deviating from the physical trade because of the speculative influence of funds, and the same phenomenon was occurring with other commodities. It would be useful to examine this issue as it increased the risks in trading coffee.

7. The point was made that the information on funds came from the Commodity Futures Trading Commission (CFTC). One representative noted that, although the market was a tool for price discovery as well as risk management, it had failed in the former function. A considerable proportion of coffee was traded outside the market and there was a disconnection between supply and demand. It would be useful to carry out some work on this. It was also suggested that the Organization could express concern about the risks the coffee industry had to absorb because of institutional problems with the Exchanges. It could be useful to look at why contracts for other types of coffee in New York had not attracted sufficient interest from the industry. The Executive Director noted that in the past the ICO had compared the 1st and 2nd positions of New York with the ICO Indicator Price and could do this again in a future report.

8. In the case of Colombia, the PSCB noted that the production forecast for the first semester of 2010 was 5.1 million 60-kg bags and it was hoped to see supplies increasing in this country in the coming months.

9. The Chairman proposed that the ICO could carry out a study of the relationship between prices for physical coffee and futures prices, or invite representatives from the London and New York futures markets or the CFTC to make a presentation to the PSCB or the Council in September 2010 to clarify what was happening in the market.

Item 4: World Coffee Conference

10. The Executive Director said that the World Coffee Conference had taken place in Guatemala City from 26 to 28 February 2010, chaired by the President of Guatemala. It had exceeded expectations with over 1,400 participants, and some very interesting ideas and proposals had been put forward by presenters in Sessions on supply, demand and sustainability. A preliminary report would be presented to the Council at its 104th Session. At the next meeting, the Secretariat would present a more detailed analysis of the proposals which had been made and the PSCB and Council would consider how best to take these forward in the context of ICO activities.

11. The PSCB recorded its great appreciation to the Government of Guatemala and Anacafé for hosting the Conference and the outstanding preparations and arrangements which had been made for the event.

Item 5: Coffee and health

12. The Executive Director said that in the case of the Healthcare Professions – Coffee Education Programme (HCP-CEP), eight countries were participating in 2010 (Finland, Germany, Italy, Netherlands, Portugal, the Russian Federation, Spain, and the United Kingdom). Denmark had been invited to submit a proposal to commence a three year programme. The overall message of the 2010 programme was the role of coffee in a health-balanced diet. Cardiovascular disease, cancer, hydration, sport and Alzheimers were among the topics covered. Communication tools included leaflets and brochures for key health professional groups and consumers/patient information, aimed at Health Care Professionals; and websites had been established targeted to health care audiences in each country. In 2009 the EU Nutrition and Health Claims Regulation came into force. It applied to anything that implied a relationship between a food or food component and health, including statements on labels, advertising, internet and leaflets relating to brands and products. It did not relate to communications aimed at audiences in the health professions. Communications on coffee and health needed to be carefully developed in terms of content and target audience. A workshop had taken place at the ICO in January 2010 to update European association managers about the Regulation. They were advised that all materials targeted at health

audiences should be signposted as developed for healthcare/medical media audiences and not consumers. Communications should be scientifically accurate and avoid overstating the science or making claims which suggested 'prevention' or 'cure'.

13. In the case of the Positively Coffee Programme, the website had been relaunched in the four languages, and updated information was now available in all languages. Exporting Members had previously committed financing for the Programme from the Promotion Fund but resources in the Fund were almost exhausted. The Executive Director was in contact with the Institute for Scientific Information on Coffee (ISIC) about how best to continue collaboration between both organizations and the possible future structure of the Programme.

14. In discussions on this item, the importance of coffee and health programmes in both producing and consuming countries was noted. In Germany, 10% of doctors still recommended that coffee should not be drunk, and coffee and health programmes could have a positive impact on consumption. The EU regulation restricted what could be claimed about coffee. Associations might be able to use third parties such as medical-related associations to communicate messages about coffee and health. Regulations on statements about coffee and health in the USA were also restrictive and messages on packaging or websites had to be cleared by the appropriate authorities. The 'Coffee Delivers Programme' had focussed on using third party speakers who had greater flexibility in what they could say. In Africa there was also a need to inform the health professions about coffee. El Salvador had undertaken research about the use of coffee pulp/by-products as a protein supplement which could benefit populations suffering from nutrient deficiency, and would share this with Members in due course. The PSCB took note of this information.

Item 6: Food safety aspects

15. The PSCB noted that the Executive Director had circulated ED-2078/09 concerning the Environmental Protection Agency of the United States and a notice of availability of petition to revoke tolerances for certain pesticides relevant to coffee.

16. The representative of the All Japan Coffee Association (AJCA) made a presentation on coffee imports and residual agrochemicals, noting that it would be beneficial to have a common global standard rather than different standards in each country. A copy of the presentation was circulated at the meeting and is available on request from the Secretariat. In response to a question about lower Maximum Residue Levels (MRLs) in Japan, he said that this was because the Government based them on levels used for agricultural products which were grown in Japan. As Japan did not grow coffee, it did not have specific experience in this area and he would welcome information from the EU and the USA on the data and basis used to set MRLs, which could be helpful in reviewing those in Japan.

17. In discussions on this item, the point was made that it was important for MRLs to be correct, consistent and reasonable for both producing and consuming countries. It would be useful to have common standards for testing, so that tests were carried out in a consistent manner. Another delegate noted that individual countries set their own standards and changes to levels were notified through the World Trade Organization. It would be difficult to agree on an international standard that every country would abide by. PSCB members were invited to make available copies of studies and scientific information on this topic to assist the AJCA in bringing these to the attention of its Government.

18. The PSCB noted that in the case of Ochratoxin A (OTA) and EU legislation, in mid 2009, DG SANCO had issued a draft amendment to Regulation 1881/2006 of 19 December 2006 setting maximum levels for certain contaminants in foodstuffs. The reference to green coffee had been deleted as finished coffee products were already regulated with maximum limits. The draft had been adopted by the Standing Committee in September 2009 and had been submitted to Parliament for scrutiny and publication in the Official Journal. The 72nd Joint FAO/WHO Expert Committee on Food Additives (JECFA) meeting in February 2010 had continued to evaluate contaminants including acrylamide and furan. A study (Furan in coffee: pilot studies on formation during roasting and losses during production steps and consumer handling) had been published. The main message was that furan diminished at each step. Analyses during the early stages of the process could therefore not be equated to actual intake. There was a need for a consensus on how furan was measured since levels in roast and ground coffee differed from those in a cup of coffee.

19. With respect to acrylamide, the EU was looking into the first results of the monitoring of acrylamide in foodstuffs. In the case of coffee, a distinction needed to be made between roasted and instant coffee and suggestions for a meaningful product categorization had been transmitted to the Commission. An Expert Committee had met in February 2010 to discuss acrylamide guidance levels. The Confederation of Food and Drinks Industries of the EU (CIAA) would organize a workshop on contaminants later this year which would provide an update on acrylamide mitigation tools. The European Chemicals Agency was considering a request to classify acrylamide as a Substance of Very High Concern. This referred to acrylamide as used in an industrial environment, such as plastics manufacture and water treatment. It did not relate to acrylamide in foodstuffs, however confusion might arise. Regarding heavy metals, Member State discussions regarding maximum levels for cadmium were unlikely to address coffee initially; but might be in a second round. Concerning pesticides, the Draft Directive establishing a Framework for Community Action to Achieve the Sustainable Use of Pesticides (COM (2006) 373) was formally adopted by the EU Council in October 2009, and would shortly be published in the Official Journal. The legislation would enter into force 20 days after publication. The Directive introduced rules aimed at reducing the impact of pesticides on human health and the environment. It addressed the EU market, but the underlying ideas might filter through into international activities on pesticides, for instance in Codex Alimentarius. The EU had published

Regulation 901/2009 in the Official Journal concerning a coordinated multiannual Community control programme for 2010-2012 to ensure compliance with MRLs and to assess consumer exposure. Coffee was not targeted.

20. Concerning pesticide residues detected in green coffee beans sent from Ethiopia to Japan in April 2008, the PSCB noted that the situation in Japan was unchanged since the first report of contamination because of some negative analysis reports about contamination of certain imports which exceeded Japanese standards, and it was difficult for importers to continue business as before. The AJCA appreciated the efforts made by the Government of Ethiopia to resolve the issue and hoped that trade could return to normal volumes as soon as possible. The PSCB further noted that the Eastern African Fine Coffee Association (EAFCA) was working with Ethiopia to review the matter.

21. In the case of the US Environmental Protection Agency's notice of availability of petition to revoke tolerances for certain pesticides relevant to coffee, the PSCB noted that copies of materials received were published on the Internet and could be consulted on the website www.regulations.gov.

22. With regard to other issues, a House of Representatives Bill in 2009 had included provisions on traceability which would have significant cost implications for producers. The Senate Bill was more favourable and was due to be considered in the next few weeks, however it was possible that it might be amended to include provisions on traceability. If these were adopted, the legislation would have implications for traders and require them to keep records of where each bag originated from. This would place a considerable burden on producers. Another provision might require importers to verify traceability in order to import coffee. Efforts were being made to avoid this and reach a compromise on wording.

23. In California, two issues involving acrylamide had implications for the industry. In the first case, a lawsuit was underway against the State of California to enforce Proposition 65 (relating to environmental and water issues). If this prevailed, coffee products in California would need to be labelled as carcinogenic. The coffee industry was supporting an appeal against this. Secondly, action was being taken by a bounty-hunter alleging that a number of companies were in violation of Proposition 65. If they did not conform to the interpretation of the law within 60 days, civil litigation would be filed, requiring companies to put labels on ready-to-drink coffee to indicate that it contained acrylamide. The situation was being evaluated by the companies' lawyers. In both cases, the introduction of labels would have significant cost implications for suppliers, as well as having a potentially negative impact on consumption in California and beyond.

24. The PSCB took note of reports under this item.

Item 7: Programmes to eliminate child labour

25. The PSCB noted that the Executive Director had circulated ED-2079/09 inviting exporting Members to provide updated information to the United States Department of Labor (USDL) on efforts to eliminate child labour. Coffee was included among products identified by the USDL as involving child labour, with 12 countries listed.

26. The representative of AMECAFE made a presentation on initiatives to reduce the use of child labour in the Mexican coffee sector, a copy of which was made available at the meeting together with a CD-Rom. The point was made that implementing programmes involved additional costs for producers but this was not reflected in prices.

27. The PSCB noted that Nicaragua had already submitted a report on this issue. Colombia had prepared a report on actions taken which also looked at definitions of child labour, and would submit this shortly to the USDL and the ICO. Uganda and other EAFCA members would send information in due course. PSCB members were urged to send copies of data and reports to the National Coffee Association (NCA) of the USA to assist with this matter. During discussions, one member noted that this was an emotive issue and reports about child labour and coffee in one country could have a negative impact on all countries. Although a number of countries were taking steps to address it, there was a danger that public perception might not be positive. The USDL required significant evidence that child labour was being addressed. Specific programmes such as those being undertaken by Mexico were very useful and could help associations in consuming countries to refute accusations and show that the issue was being addressed. The point was also made that some buyers included penalty clauses in contracts if child labour was found to be involved. The presentations indicated that steps were being taken to reduce child labour which could generate concerns about its existence.

28. The PSCB noted that the item on child labour would remain on its agenda, and producing Members were invited to present updates on actions taken to address this issue at future meetings.

Item 8: Preparations for implementation of the ICA 2007

Item 8.1: Strategic documents

29. The PSCB noted that, at its 104th Session this week, the Council would consider a draft strategic action plan (document WP-Council 173/08 Rev. 4) and the draft development strategy for coffee (document WP-Council 191/09 Rev. 1).

Item 8.2: Consultative Forum on Coffee Sector Finance

30. The Head of Operations said that the Council would continue its discussions on the implementation of the Consultative Forum on Coffee Sector Finance, and would consider the report of a workshop held in September 2009 (document ICC-103-15) and other working papers at its 104th Session this week. The PSCB took note of this information

Item 9: Items under continued review

The supply of private sector statistical data

31. The PSCB noted that Mild Washed Arabica Coffee Producing Countries had established a website www.mildwashedcoffees.org, with information from nine participating countries (Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Peru). The website contained historical and current statistical information on these countries including exchange rates, production, exports, imports, internal consumption and news. Data was supplied by the coffee institutions in these countries. Additional countries might be included in due course. The Executive Director noted that it would be useful for the data providers to work with the Statistics Section of the ICO and to look at issues such as definitions, dates of exports, etc. to enhance statistics and avoid discrepancies in data on the world coffee sector.

The Coffee Quality-Improvement Programme (CQP)

32. The PSCB took note of EB-3969/10 containing a report on gradings for Arabica and Robusta coffees for coffee year 2008/09 and document EB-3970/10 containing a report on the CQP for coffee year 2008/09. The Executive Director was requested to contact the Inter-Continental Exchange (ICE) to obtain further data and analysis with respect to Graph 1 of EB-3969/10 which showed that, while cup quality had increased, grade quality had decreased.

The International Coffee Genome Network (ICGN)

33. The PSCB noted that the Executive Director had circulated ED-2086/10 inviting Members to consider ways of coordinating and cooperating with the ICGN on developing a project or programme of work for the coffee genome with long-term benefits for the coffee industry. The matter would be discussed by the Executive Board at its meeting on 1 March 2010.

Coffee Issues Management Forum

34. The PSCB noted that the Forum had been initiated by the NCA and the Guatemalan National Coffee Association (Anacafé) to identify issues affecting the coffee sector, with producer sustainability considered a high priority. The results had been presented and efforts were continuing to find ways of implementing it over the next year, and the NCA and Anacafé would continue to discuss this.

Geographical Indications

35. There was no additional information to report on this topic.

ICO CoffeeClub Network

36. The PSCB noted that the consultant would report to the Promotion Committee on the CoffeeClub Network (www.coffeeclubnetwork.com).

Resources for the ICO Promotion Fund

37. The PSCB noted the Promotion Fund was now almost exhausted and consideration would need to be given in the future to the possibility of using the Special Fund for promotion activities, as resources were needed for projects. The matter had been discussed at previous meetings and producers were of the view that it should be used for joint activities with consumers.

Item 10: PSCB representatives and officeholders

38. The PSCB decided to appoint Mr Robert Nelson of the NCA as Vice-Chairman for coffee year 2009/10.

39. The Chairman noted that there were only seven consumer associations on the PSCB at present. He invited PSCB Members to consult their Governments so that the Council could in due course designate another representative for coffee years 2009/10 and 2010/11.

Item 11: Recommendations to the Council

40. The PSCB noted that, as the Chairman of the PSCB was also the Chairman of the Council, the Vice-Chairman would report to the 104th Session of the Council on the outcome of the meeting.

Item 12: Other business

41. There was no other business to discuss.

Item 13: Future meetings

42. The PSCB noted that its next meeting would take place during the 105th Session of the Council from 20 to 24 September 2010. The Executive Director would consult Members as to whether future meetings should take place on Mondays or Wednesdays.