

**STATEMENT BY HIS EXCELLENCY MARCUS VINICIUS PRATINI DE MORAES, MINISTER OF AGRICULTURE AND FOOD SUPPLY OF BRAZIL, AT THE INTERNATIONAL COFFEE CONFERENCE. LONDON, MAY 18, 2001.**

IT IS AN HONOUR AND A PRIVILEGE FOR ME TO ADDRESS THIS DISTINGUISHED AUDIENCE IN LIEU OF HIS EXCELLENCY VICE-PRESIDENT MARCO MACIEL, WHO UNFORTUNATELY WAS NOT ABLE TO ATTEND THE INTERNATIONAL COFFEE CONFERENCE HERE IN LONDON.

LET MY FIRST WORDS BE OF PRAISE AND RECOGNITION TO OUR GOOD FRIEND JORGE CARDENAS, A LONG TIME COMPANION IN THE GOOD CAUSE OF PROMOTION OF COFFEE CONSUMPTION AROUND THE WORLD, AS WELL AS A STAUNCH DEFENDER OF COFFEE PRICES IN THE INTERNATIONAL MARKET.

JORGE CARDENAS HAS BEEN INVOLVED WITH COFFEE PROMOTION FOR ALMOST FORTY YEARS NOW AND HAS PARTICIPATED IN EVERY EFFORT MADE BY PRODUCERS TO ENSURE FAIR PRICES TO A PRODUCT WHICH HAS A SIGNIFICANT ROLE IN THE COLOMBIAN ECONOMY. WITHOUT EXAGGERATION, WE CAN STATE THAT JORGE CARDENAS IS THE LIVE SYMBOL OF THIS CONFERENCE, BECAUSE HE HAS SPARED NO EFFORTS TO HAVE US ALL GATHERED HERE TONIGHT.

LADIES AND GENTLEMEN,

THE BRAZILIAN GOVERNMENT AND THE PRIVATE SECTOR - BOTH PRODUCERS AND EXPORTERS OF COFFEE - ATTACH GREAT IMPORTANCE TO THIS CONFERENCE. WE HOPE THIS MEETING WILL ALLOW GOVERNMENTS AND REPRESENTATIVES OF THE PRIVATE SECTOR TO ANALYSE THE PRESENT SITUATION OF THE INTERNATIONAL COFFEE MARKET AND TO EXAMINE POSSIBLE STRATEGIES DESIGNED TO RAISE HOPE OF BETTER TIMES FOR THE PRODUCING COUNTRIES AND, AT THE SAME TIME, TO ENSURE STABILITY IN THE MARKETS FOR THE CONSUMING COUNTRIES.

COFFEE HAS PLAYED A CRUCIAL ROLE IN BRAZIL'S HISTORY. IN THE MID NINETEENTH CENTURY, OUR ECONOMY WAS MAINLY BASED ON

SUGAR PRODUCTION IN THE COASTAL AREAS AND ON THE EXTRACTION OF GOLD. COFFEE PLANTATIONS SPREAD INTO THE HINTERLAND LED TO THE FIRST WESTERN GEARED EXPANSION OF OUR AGRICULTURAL FRONTIER.

THE RAPID GROWTH OF COFFEE PRODUCTION AND EXPORTS BY THE END OF THE 1800S AND DURING THE FIRST QUARTER OF THE TWENTIETH CENTURY COINCIDED WITH IMPORTANT POLITICAL AND ECONOMIC CHANGES IN BRAZIL: THE CONSOLIDATION OF THE REPUBLICAN REGIME AND THE BEGINNING OF THE INDUSTRIALIZATION PROCESS. ALL LEADING BRAZILIAN SCHOLARS AND HISTORIANS COINCIDE IN THEIR ANALYSES THAT INCOME GENERATED BY GROWING COFFEE EXPORTS WAS THE SOURCE OF THE FIRST INDUSTRIALIZATION PROCESS IN BRAZIL. IT ALSO FOSTERED FOREIGN DIRECT INVESTMENT IN INFRASTRUCTURE, WITH THE CONSTRUCTION OF RAILWAYS, PORTS AND POWER PLANTS.

WITH UPS AND DOWNS, COFFEE REMAINED, UNTIL THE EARLY SEVENTIES IN BRAZIL, AS OUR MAJOR AGRICULTURAL EXPORT. GONE ARE THE DAYS, THOUGH, IN WHICH OUR COFFEE EXPORTS REPRESENTED 50% OF OUR TOTAL EXPORTS. THE INTENSIFICATION OF THE INDUSTRIALIZATION PROCESS HAS NATURALLY LED TO A SIGNIFICANT DIVERSIFICATION OF OUR SALES ABROAD, THEREFORE REDUCING THE RELATIVE IMPORTANCE OF COFFEE SALES IN OUR INTERNATIONAL TRADE. THE POSITIVE FEATURE REPRESENTED BY NEW ADDED VALUE EXPORTS, HOWEVER, WAS MITIGATED BY THE TRAGIC FATE OF MOST COMMODITIES EXPORTED BY DEVELOPING COUNTRIES: A SIGNIFICANT REDUCTION IN PRICES, AND IN THE TERMS OF TRADE. NOWADAYS, COFFEE EXPORTS IN BRAZIL REPRESENT LESS THAN 5% OF THE VALUE OF OUR TOTAL EXPORTS.

DESPITE THE DIMINISHING PARTICIPATION OF COFFEE IN OUR TOTAL EXPORTS, COFFEE PRODUCTION STILL PLAYS A CRUCIAL ROLE IN THE BRAZILIAN ECONOMY, IN WHICH A LABOUR FORCE OF 3 MILLION

PEOPLE DEPEND DIRECTLY ON THIS COMMODITY. THEREFORE, THE COFFEE SECTOR HAS A SOCIAL DIMENSION WHICH TRANSCENDS ITS CURRENT EXPORT PERFORMANCE IN BRAZIL.

LADIES AND GENTLEMEN,

THE IMPORTANCE OF THIS SECTOR HAS LED BRAZIL TO JOIN ALL INITIATIVES DESIGNED TO ENHANCE THE PROMOTION OF COFFEE IN THE INTERNATIONAL MARKET. BACK IN THE EARLY SIXTIES, BRAZIL HAS BEEN A KEY PLAYER AT THE VERY INCEPTION OF THE INTERNATIONAL COFFEE ORGANIZATION. WE HAVE ALSO PARTICIPATED ACTIVELY IN THE NEGOTIATIONS THAT LED TO THE ADOPTION OF UNCTAD'S INTEGRATED COMMODITY PROGRAMME, AS WELL AS IN THE NEGOTIATION OF THE AGREEMENT ON AGRICULTURE AT THE URUGUAY ROUND. BRAZIL HAS ALSO BEEN A KEY PLAYER IN THE REFORMULATION OF THE INTERNATIONAL COFFEE AGREEMENT, AND IN THE CREATION OF THE ASSOCIATION OF COFFEE PRODUCING COUNTRIES. IN ALL SUCH ENDEAVOURS, OUR COMMON OBJECTIVE HAS BEEN TO EXPLORE, IN LIGHT OF THE PREVAILING POLITICAL AND ECONOMIC CIRCUMSTANCES, ALL OPPORTUNITIES TO INCREASE EXPORTS, AND TO PROMOTE HIGH QUALITY PRODUCTS.

WE HAVE ALSO ADDRESSED THE ISSUE OF DEVELOPING SECTORAL POLICIES DESIGNED TO FOSTER DOMESTIC CONSUMPTION. BRAZIL'S INTERNAL CONSUMPTION OF COFFEE HAS INCREASED SUBSTANTIALLY OVER THE LAST FEW YEARS, AND LET ME STRESS THAT THIS WAS ACHIEVED WITHOUT ANY SORT OF GRANTS OR SUBSIDIES TO PRODUCERS. WE HAVE NOW REACHED THE LEVEL OF 13 MILLION BAGS ACTUALLY CONSUMED IN THE COUNTRY, WHICH GIVES US A CERTAIN COMFORT IN THE TOUGH TIMES WE ARE GOING THROUGH IN THE EXTERNAL COFFEE MARKET.

DEAR FRIENDS,

THE PRESENT SCENARIO IN THE COFFEE MARKET IS A SOURCE OF GREAT CONCERN TO US ALL. NOT ONLY ARE WE CONFRONTED WITH A

STRONG IMBALANCE BETWEEN AN INCREASED INTERNATIONAL OFFER OF THE PRODUCT, AND A VERY UNSATISFACTORY GROWTH IN TERMS OF DEMAND, BUT WE ALSO FACE THE PERSPECTIVE THAT THIS DRAMATIC SITUATION MAY LINGER LONGER THAN OUR ECONOMIES CAN TOLERATE, RESULTING IN A TREMENDOUS SOCIAL COST TO ALL PRODUCERS. COFFEE MARKET ANALYSES FORESEE A TENDENCY TOWARDS THE MAINTENANCE OF A HIGHER GROWTH IN OUTPUT THAN IN DEMAND. ON TOP OF THAT, HIGH STOCKS IN THE IMPORTING CONSUMER COUNTRIES TEND TO DRAMATISE THE GRIM SCENARIO OF INDEFINITE LOW EXPORT REVENUES FOR PRODUCERS.

BRAZIL IS FIRMLY DETERMINED TO PREVENT SUCH A SCENARIO FROM COMING TRUE. OUR COMMITMENT TO THE COFFEE RETENTION SCHEME, ADOPTED BY THE ASSOCIATION OF COFFEE PRODUCING COUNTRIES, IS A FIRM RESPONSE TO THE CONTINUED DETERIORATION OF PRICES. WE EXPECT AN EQUALLY FIRM COMMITMENT FROM ALL OTHER COFFEE PRODUCERS, IN ORDER TO AVOID THE LONG-TERM NEGATIVE EFFECT OF UNCONTROLLED EXPANSION OF THE COFFEE OFFER.

IN A LONG-TERM PERSPECTIVE, WE HAVE TO ENVISAGE WAYS AND MEANS TO DEVELOP A COHERENT STRATEGY DESIGNED TO ENSURE, BOTH TO PRODUCERS AND TO EXPORTERS, THE BENEFIT OF FAIR PRICES. WE ALL KNOW THAT THE LOW LEVELS OF COFFEE EXPORT PRICES HAVE NOT LED TO A PRICE REDUCTION, AT A SUPERMARKET OR AT A COFFEE SHOP, TO THE AVERAGE CONSUMER. THEREFORE, THE ONLY POSSIBLE ASSUMPTION IS THAT, IF PRODUCERS ARE NOT BEING REWARDED WITH A FAIR PRICE, INTERMEDIARY AGENTS OR WHOLESALE OPERATORS ARE INCREASING THEIR PROFITS.

THE PRODUCING COUNTRIES MUST FACE THE CHALLENGE OF EXPLORING ALL POSSIBILITIES OFFERED BY THE MARKET TO RESOLVE THE PRESENT CRISIS. WE MUST COMMIT OURSELVES NOT ONLY TO FOSTER AN INCREASE IN OUR DOMESTIC CONSUMPTION, BUT ALSO TO **DEVELOP MARKETING CAMPAIGNS AIMING TO INCREASE CONSUMPTION BY THE TRADITIONAL MARKETS AS WELL AS TO EXERCISE CREATIVITY**

**IN ORDER TO PROMOTE COFFEE DRINKING IN THE NON-TRADITIONAL MARKETS.**

LADIES AND GENTLEMEN,

LET US HOPE THAT THIS INTERNATIONAL COFFEE CONFERENCE WILL BRING OPEN AND FRANK DISCUSSIONS ON NEW IDEAS AND PROPOSALS TO COPE WITH THE PRESENT CRISIS.

LET US ALSO HOPE THAT GOVERNMENTS AND THE PRIVATE SECTORS OF THE IMPORTING COUNTRIES WILL UNDERSTAND OUR EFFORT TO OBTAIN REWARDING PRICES FOR PRODUCERS IN A CONTEXT IN WHICH INTERNATIONAL EXPORT PRICES HAVE REACHED AN UNBEARABLE LOW LEVEL.

LET US EXPECT THAT THE PERCEPTION OF THE SOCIAL COSTS OF SUCH A SITUATION FOR PRODUCING COUNTRIES WILL LEAD IMPORTERS TO JOIN PRODUCERS IN COMMON EFFORTS TO EXPAND INTERNAL CONSUMPTION AND TO OPEN NON-TRADITIONAL MARKETS FOR COFFEE.

DEAR FRIENDS,

IN THE BEGINNING, I HAVE MENTIONED THE IMPORTANCE OF COFFEE PRODUCTION IN FOSTERING THE FIRST CYCLE OF INDUSTRIALIZATION AND MODERNIZATION OF MY COUNTRY. I AM SURE THAT BRAZIL'S EXPERIENCE IN THIS CONTEXT IS NOT UNIQUE. FOR MANY OTHER PRODUCERS, COFFEE IS STILL AN IMPORTANT SOURCE OF INCOME AND OF JOBS TO MILLIONS OF PEOPLE. THEREFORE, WE ALL HAVE A COMMON RESPONSIBILITY TO FIND SOLUTIONS FOR THE PRESENT CRISIS IN ORDER TO AVOID THE DEEPENING OF ECONOMIC STRAINS AND SOCIAL UNREST AMONGST COFFEE PRODUCER COUNTRIES.

IN MY CAPACITY AS MINISTER OF AGRICULTURE AND FOOD SUPPLY OF THE LARGEST PRODUCER OF COFFEE, I WISH TO STRESS TONIGHT THAT BRAZIL WILL NOT RELINQUISH ITS OBLIGATIONS TOWARDS ITS PRODUCERS. WE ARE READY TO PARTICIPATE IN ANY JOINT EFFORT DESIGNED TO PROMOTE REWARDING PRICES FOR THIS COMMODITY AND TO FOSTER CONSUMPTION INCREASES ON A WORLDWIDE BASIS.

LADIES AND GENTLEMEN,

ONCE AGAIN, I WOULD LIKE TO THANK MY GOOD FRIEND JORGE CARDENAS AND THE ORGANIZERS OF THIS CONFERENCE FOR THE KIND INVITATION TO BE HERE TONIGHT. IN THE FUTURE WORK AHEAD OF US, LET US ALL BE INSPIRED BY THE DEDICATION AND PERSEVERANCE WITH WHICH JORGE CARDENAS HAS ALWAYS DEALT WITH COFFEE ISSUES .

ALLOW ME TO RAISE MY GLASS IN A TOAST TO OUR GOOD FRIEND CARDENAS AND TO EXPRESS THE FIRM BELIEF THAT WE SHALL OVERCOME THESE ROUGH TIMES FOR THE INTERNATIONAL COFFEE MARKET.

THANK YOU.