

**STATEMENT BY MR PAULO SOUTO
GOVERNOR OF THE STATE OF BAHIA
AT THE 2nd WORLD COFFEE CONFERENCE**

Salvador, Bahia, 24 September 2005

Your Excellency the President of Brazil, Mr Luiz Inácio Lula da Silva
Your Excellency the President of Colombia, Mr Álvaro Uribe Vélez
Other Heads of State invited
Chairman of the 2nd World coffee Conference, Minister Roberto Rodrigues
Executive Director of the International Coffee Organization, Mr Néstor Osorio

I wish to begin by thanking the Brazilian Ministry of Agriculture, Livestock and Food Supply and the International Coffee Organization, who are responsible for organizing this meeting, for the privilege and honour of having chosen the State of Bahia to host this 2nd World Coffee Conference, the most important event in world coffee growing.

I am sure that there is no better place in which to reflect on “Lessons emerging from the coffee crisis” or “Coffee policies” or “A sustainable coffee economy”, which are the themes of the Conference, than our Bahia!

Bahia, the cradle of Brazil.

Bahia, which helps Brazilian agro-business to be one of the most competitive in the world.

Bahia, which is harvesting the biggest coffee crop in its history, almost 6 million tonnes.

Bahia, the birthplace and inspiration of Jorge Amado.

It is for these reasons that I am absolutely convinced that our land has all the attributes needed to enlighten and inspire us all in finding the best answers for the future of world coffee growing.

But Bahia is not only generous in inspiration, pleasure and hospitality

Bahia is also the land of good coffee.

The natural diversity of our soils and climate and our exceptional water supply permit a remarkable development of both Arabica and Robusta coffees.

Our coffee crop already exceeds two million bags and the coffee business already employs more than 250,000 people, making the sector an important one for our economy.

In Western Bahia we have achieved one of the highest productivity levels in Brazil and in the world.

Bahian coffee is also known for frequently winning well-known national prizes for quality coffee.

And, more importantly, Bahia still has an area of over 250,000 hectares suitable for coffee growing.

While fully aware of this immense potential, I am nevertheless concerned at the findings of the survey carried out recently by Brazil's National Confederation of Agriculture and Livestock, which show that the 570 producers interviewed claim that their incomes have not yet recovered in spite of the improvement in world prices during the last twelve months.

I consider that this forum is the most appropriate place to discuss policies aimed at minimizing the effects of the harmful price fluctuations that are so common in this sector.

In this regard, I must emphasize that Brazil has made a great effort to improve the quality of its coffee production and increase its domestic consumption.

I believe that if the policy of increasing domestic consumption is adopted by other producing countries it would provide greater price stability, even when there are large crops.

But I realize that other mechanisms are needed, especially mechanisms designed to lessen the vulnerability of small coffee growers and those aiming to find new markets.

In the case of the latter, the inclusion of quotations for Brazilian washed coffee in the "C" contract of the New York futures markets would be a healthy demonstration of political maturity and an effective contribution to the development of countries struggling valiantly to reduce persistent social inequalities.

In my capacity as Governor, it is my duty to concern myself with all sectors, but I must also pay special attention to the smallest and most vulnerable.

I consider, therefore, that producing countries need to have a greater influence on the behaviour of the world coffee market.

The use of prices relating almost exclusively to international commodity exchanges, which are nearly always influenced by enormous volumes of speculative capital, should be a matter of constant concern for all those who think that sustainable development does not mean development for only some.

This practice has penalized many producers throughout the world, especially small producers.

In spite of these observations, Bahia believes in coffee growing and its future.

Even in these recent years of low prices, Bahia welcomed and supported investors in its territory, providing energy, roads and other incentives designed to encourage coffee growing.

I am convinced that Bahia is becoming one of the best alternatives for investment in the coffee agro-business, backed by the best available technology.

Meanwhile, if all these efforts – not only on the part of Brazil and Bahia but also of many other countries facing the same challenges – are to succeed, it is urgent that coffee producers, especially smallholders and workers, receive better remuneration from this exceptional business for their endeavours, talent and importance for society.

I must add that apart from having coffee, cocoa and the best carnival in Brazil, Bahia has been endowed by nature with a vast potential to be explored: it has land suited to the cultivation of soya, cotton and maize as well as fruit and livestock production.

In the region of Western Bahia, for example, there are more than a million hectares of fertile soils with an excellent water supply, ideal for investment in large-scale production.

I will conclude by reiterating the invitation of the organizers of this event for 30 September, after the end of the ICO meetings, to visit Western Bahia, a gift of nature and a boon to intelligent investors.

I thank all of you for your presence and wish you every success for this event.