

**STATEMENT BY DR NÉSTOR OSORIO, EXECUTIVE DIRECTOR OF THE  
INTERNATIONAL COFFEE ORGANIZATION  
WORLD COFFEE CONFERENCE  
GUATEMALA  
26 FEBRUARY 2010**

In opening this World Coffee Conference I would like first and foremost to express, on behalf of the International Coffee Organization, my gratitude to His Excellency the President of Guatemala, Mr Álvaro Colom, for having agreed to chair our meetings and for having provided the coffee community with the opportunity to meet in this beautiful country, where we are given a very special welcome by the hospitality of its people. I would also like to acknowledge my gratitude to the management and staff of Anacafé who, in association with the Government, have organized this important event with such exceptional care and professionalism.

I wish to welcome the distinguished Heads of State who have today honoured us with their presence:

- ▶ His Excellency Mr Carlos Mauricio Funes, President of El Salvador
- ▶ His Excellency Mr Porfirio Lobo, President of Honduras

Their presence adds lustre to our Conference and signalizes the importance of coffee in the region's economic and social life.

I would also like to acknowledge the presence of Ministers of State from a number of producing countries, of representatives of the diplomatic corps and this amazing attendance of over 1,000 delegates from every corner of the world. Thank you all for being here with us.

We are also honoured by the presence and support of the Secretary-General of UNCTAD, Supachai Panitchpakdi and the Managing Director of the Common Fund for Commodities, Ali Mchumo, two agencies with whom we have close ties of mutual assistance, and who make a decisive contribution to the achievement of our aims.

A warm welcome to the Executive Director of UNICEF, Ms Ann Veneman, who has shown special interest in coffee matters and their social impact.

Five years ago, Mr Chairman, this Conference met in Salvador Bahía, in Brazil. The coffee producing sector had only just begun to emerge from the unprecedented price crisis that dominated the first five years of this century. Price levels, which had fallen to averages of

45 US cents per lb in 2001 and 2002, had recovered to levels of around 90 US cents per lb in 2005. This upward trend has continued since then without any serious setbacks and averages of around US\$1.20 per lb are now being recorded.

The origin of this price recovery is attributable mainly to two basic factors:

- In the producing sector: a significant reduction in supply as a result of the cycle of low prices; despite a recovery in some instances, supply has remained tight, as in the case of Central America and Africa.
- In the consuming sector: a considerable increase in consumption, as a result of the dynamic performance and innovation of the industry; booming demand for coffee in the emerging economies, and the growth of the domestic market in producing countries.

It is really impressive to record that in 2000 world consumption was 104 million (60-kilo) bags, in 2005 it was 115 million bags and in 2009 it was 132 million bags.

In other words, there was a steady growth in consumption of 2.6% annually. One of the sessions of this Conference will examine these changes and trends and we will then see whether experts and representatives of the industry can foresee the sustainability of this growth.

With production levels at around 123 million bags in the last five years and production estimated at between 123 and 125 million bags in 2009/2010, the balance between supply and demand will remain tight. This explains the behaviour of prices and is even more evident when we bear in mind that stocks in producing countries are practically exhausted while in importing countries they total 25.5 million bags. As the volume of exports falls, as is already happening, it will be necessary to use these reserves.

While it is certain that current prices can be considered reasonable, it should be pointed out that a number of external factors have decreased the real value of coffee incomes. These are:

- Increased labour costs
- High fertilizer prices
- Credit and financing difficulties
- Spread of pests and diseases
- Depreciation of the US dollar

This theme will be dealt with in the Conference by experts who can provide guidance on how to achieve sustainable production and overcome the problems that affect it.

In addition to the importance of economic factors, social and environmental aspects are an integral part of the concept of sustainability promoted by the ICO and are now of particular relevance in current consumer attitudes. The share of arable land and the quantities of water available in the world are shrinking at an alarming rate and there is a dilemma as to their use, whether as a source of food production or as a source of energy. In this context, the possibility of opening up new coffee farms does not seem an attractive option in terms of cost and profitability. This makes the renovation of coffee plantations an imperative option as an appropriate means of achieving greater productivity and improvements in quality. The problems inherent in climate change are beginning to manifest themselves in lands dedicated to coffee, and the living conditions of coffee families are under threat, diminishing the possibilities of achieving the Millennium Development Goals and poverty eradication.

In performing our mission as a development agency, the ICO has, over the past decade, channelled around US\$100 million for specific projects in coffee producing regions throughout the world, having as its basic criterion for allocating funds the broad concept of sustainability, thereby helping to improve the living conditions of small-scale farmers.

This Conference will focus on problems concerning environmental conservation and protection, as well as on the importance of social development and the contribution of women and future coffee generations.

At the World Coffee Conference held in Brazil in 2005 the international coffee community renewed its support for the International Coffee Organization and Governments of producing and consuming countries, 77 in total, decided to ensure its continued existence, recognizing the importance of this institution as a forum for international cooperation on coffee matters with a mission to promote sustainable development of the sector.

For this purpose it was agreed to prepare for the negotiation of a new Coffee Agreement that would take into account the progress made under previous Agreements and the need to strengthen cooperation and its bases.

This was duly done, and, in compliance with the agreed timetable, the negotiation of a new Agreement was completed in September 2007. The new Agreement consolidates the principles of cooperation, sustainability and expansion of the sector in a market-based environment for the betterment of all participants in the sector.

Entry into force of the Agreement requires the deposit of instruments of ratification, acceptance or approval by countries holding at least two-thirds of the votes of exporting Members and the same proportion of votes of the importing Members. These requirements have been amply met

in the case of the importing sector, but in the case of the exporting sector only 51.4% of the stipulated 66.6% requirement has been met. We are very close, and for this reason, Mr Chairman, I would like to make an urgent appeal for a redoubling of efforts in those countries that have not yet completed the procedures required, thereby facilitating the entry into force of the new Agreement.

As was the case in London at the First World Conference in 2001 and then in Brazil in 2005, this Conference in Guatemala will also produce conclusions and recommendations that will provide guidance for the work of the Organization and the implementation and achievement of its objectives.

During these two days distinguished coffee leaders and experts will contribute with their presentations to a better understanding of the conditions of the sector and the formulation of guidance on the means of ensuring a prosperous and sustainable future for coffee.

Thank you, Mr Chairman.