

On 29 August 2006 the Executive Director, Mr. Néstor Osorio, gave an opening address to the First Brazilian Coffee Congress held in Belo Horizonte, Minas Gerais, on the subject “The outlook for the global coffee sector as a generator of income and welfare”.

In his address Mr. Osorio reviewed the economic situation of coffee from 1999 to 2006, which included the crisis years of low prices between 2000 and 2004. He detailed losses in foreign exchange earnings in this period, demonstrated how prices to growers had dropped to levels which in many cases were below production costs, and indicated that the present recovery put prices at levels that were quite moderate in the historical context.

Mr. Osorio emphasized that the foreseeable fall in coffee production for the 2007/2008 crop in Brazil would continue to put pressure on world stocks and maintain output close to demand, thus supporting international prices.

There are two factors that will limit increases in planting in spite of a broad return to profitability. The first is the need for many producers to repay debts incurred during the crisis period and the other is rising costs of production, exacerbated by the rise in global petroleum prices. Notwithstanding the overall balance between supply and demand, prices are likely to remain volatile, particularly in view of the activities of investment funds in world commodity markets.

The Executive Director also stressed the importance of continuing to promote coffee consumption so that any increase in production should correspond with increases in demand, and highlighted the importance of disseminating the many positive research findings now emerging in the area of coffee and health.