



## PRESS RELEASE

### Withdrawal of Uganda from the International Coffee Agreement 2007

*ICO clarifies statements by Uganda Coffee Development Authority on withdrawal*

**London, 22 February 2022** – On 2 February 2022 the International Coffee Organization (ICO) announced the withdrawal of Uganda from the International Coffee Agreement 2007 (ICA 2007), as per the Depository Notification [DN-144/22/ICA 2007](#).

In September 2021, the ICO received a notification from the Uganda Coffee Development Authority (UCDA), on behalf of the Government of Uganda, of the decision to not participate in the extension of the ICA 2007, effectively ending the participation of Uganda in the ICO as of 1 February 2022.

The extension of the ICA 2007 has been approved by **all ICO members except Uganda**. As of 2 February 2022, the exporting members of the ICO still represent **93% of world coffee production and 64% of consumption**. Since receiving the notification from the UCDA, the ICO and the Chair of the International Coffee Council (ICC) have made several attempts to engage with Ugandan authorities, including President Museveni, without any response or receiving the reason for the decision of the UCDA. Only on 9 February, the UCDA issued a public statement putting forward seven reasons for not agreeing with the extension of the ICA 2007. The note attached herewith provides a clear response and explanation on the issues identified by the UCDA, showing that the Ugandan authorities had abundant opportunities but decided not to address these issues within the established negotiation and decision-making mechanisms of the ICA 2007 and the ICO.

In March 2019, the ICC, the highest decision-making body in the Organization, established a Working Group on the Future of the International Coffee Agreement (WGFA) to update and reform the current Agreement. Participation in the WGFA is open to all ICO Members. Nevertheless, Ugandan representatives have not been actively participating in this process and have never submitted any proposal for change based on their vision and interest, nor on the issues raised in the UCDA statement of 9 February.

The reform process of the International Coffee Agreement is progressing successfully and the new ICA is expected to become even more relevant in supporting the sustainable development of the coffee sector in line with the United Nations Sustainable Development Goals, including the integration of the private sector.

In its statement, the Uganda Coffee Development Authority expresses concern about various aspects of the International Coffee Agreement and its renegotiation. Three of the seven concerns raised by Uganda have no actual linkage with the Agreement itself and UCDA nor Ugandan authorities have never addressed them within ICO Sessions of the Council or in any other meetings of its subsidiary bodies, such as the Statistical Committee. With regard to the other four concerns, the ICO has never received any proposals for change in any of its forums from Uganda.

These four issues raised by UCDA are already addressed in the current ICA and are being revised by ICO Members as part of the WGFA process. Therefore, the ICO Secretariat is of the opinion that the Ugandan coffee sector would be better served by staying in the current ICA, and together with all other ICO exporting and importing Members, participating in the drafting of the new Agreement based on its interest, in a true spirit of multilateralism that has always guided the participation of Uganda in international forums.

All ICO Members, as indicated on different occasions, would have welcomed the contributions of Uganda to the WGFA, however, as an old African proverb says "You cannot claim your share of the meal while you are not at the dinner table". The doors of the ICO will always be open if and when Uganda decides to rejoin the International Coffee Agreement and the ICO.

The ICO is the only international inter-governmental organization that includes both exporting and importing countries supporting the global coffee sector and has now become even stronger with the mobilisation and engagement of the leading coffee industry, international NGOs and development partners through the Coffee Public-Private Task Force (CPPTF).

**END**

## **NOTES TO EDITORS**

### **The International Coffee Organization (ICO)**

The International Coffee Organization (ICO) is a multilateral organization supporting exporting and importing countries to improve the sustainability of the coffee sector. It provides a high-level forum for all public and private stakeholders in the sector; official statistics on coffee production, trade and consumption; and support for the development and funding of technical cooperation projects and public-private partnerships.

### **More information**

[press@ico.org](mailto:press@ico.org) and/or follow our social media: [Facebook](#), [Instagram](#), [Linkedin](#), and [Twitter](#).

## NOTE

For purposes of clarification, here below are ICO Secretariat comments on each of the seven points raised by the UCDA.

### **1. Barriers to trade through high tariffs on processed coffee by developed/importing countries which disadvantage coffee producing countries like Uganda resulting in farmers getting low prices**

The International Coffee Agreement of 2007 (ICA 2007), which was ratified by Uganda in March 2010, already addresses the issues of barriers to trade under **ARTICLE 24 – Removal of obstacles to trade and consumption**, which reads as follows:

*“(1) Members recognize the importance of the sustainable development of the coffee sector and of the removal of current obstacles and avoidance of new obstacles which may hinder trade and consumption, while recognizing at the same time the right of Members to regulate, and to introduce new regulations, in order to meet national health and environmental policy objectives, consistent with their commitments and obligations under international agreements, including those related to international trade.*

*(2) Members recognize that there are at present in effect measures which may to a greater or lesser extent hinder the increase in consumption of coffee, in particular:*

*(a) import arrangements applicable to coffee, including preferential and other tariffs, quotas, operations of government monopolies and official purchasing agencies, and other administrative rules and commercial practices.*

*(b) export arrangements as regards direct or indirect subsidies and other administrative rules and commercial practices; and*

*(c) internal trade conditions and domestic and regional legal and administrative provisions which may affect consumption.*

*(3) Having regard to the objectives stated above and to the provisions of paragraph (4) of this Article, Members shall endeavour to pursue tariff reductions on coffee or to take other action to remove obstacles to increased consumption.*

*(4) Considering their mutual interest, Members undertake to seek ways and means by which the obstacles to increased trade and consumption referred to in paragraph (2) of this Article may be progressively reduced and eventually, wherever possible, eliminated, or by which the effects of such obstacles may be substantially diminished.*

*(5) Considering any commitments undertaken under the provisions of paragraph (4) of this Article, Members shall inform the Council annually of all measures adopted with a view to implementing the provisions of this Article.*

*(6) The Executive Director shall prepare periodically a survey of the obstacles to consumption to be reviewed by the Council.*

*(7) The Council may, in order to further the purposes of this Article, make recommendations to Members, which shall report as soon as possible to the Council on the measures adopted with a view to implementing such recommendations”*

Within this framework, the Secretariat prepares regular reports on obstacles to consumption, including import tariffs. The latest report was presented to the International Coffee Council at its 126<sup>th</sup> session held in June 2020 ([document ICC 126-2](#)). The report indicates that tariffs in importing countries have been substantially reduced over time, to as low as zero in many of these countries, including the European Union, Norway and Japan, among others. However, import tariffs remain high in coffee-producing countries. For example, the import tariff in Uganda is reported to be 60% on all processed coffee. Within the ICO Private Sector Consultative Board (PSCB) and the ICO Coffee Public-Private Task Force (CPPTF) discussions

on regulations affecting production, trade, processing, and consumption of coffee are regularly held to inform ICO members and find common positions and solutions.

Within the multilateral trade system, the issue of tariffs lies under the jurisdiction of the World Trade Organization and not of the ICO. Free trade agreements, whether multilateral (for example, the African Continental Free Trade Area) or bilateral (for example, the recently concluded agreement between the European Union and Viet Nam), are another way to overcome tariff barriers. The reports prepared by the ICO Secretariat are a valuable auxiliary tool in the negotiation of these agreements.

Uganda has made no proposals for amendment of Article 24 in the meetings of the WGFA, which is currently studying proposals for amendment to this Article.

**2. Promotion of value addition: Uganda needs unconditional market access that allows for export of value-added coffee not only green coffee. The ICA should have increased focus on value addition with protracted programs that aim at transferring value to the farm gate prices**

The present ICA 2007 already addresses the concern raised by Uganda in **ARTICLE 26 –Measures related to processed coffee**, which reads as follows:

*“Members recognize the need of developing countries to broaden the base of their economies through, inter alia, industrialization and the export of manufactured products, including the processing of coffee and the export of processed coffee, as referred to in sub-paragraphs (d), (e), (f) and (g) of paragraph (1) of Article 2. In this connection, Members should avoid the adoption of governmental measures which could cause disruption to the coffee sector of other Members”*

Uganda has made no proposals for the revision of Article 26 in the meetings of the WGFA, which is currently studying proposals for amendment to this Article. Kindly refer to the reply to point 1 for further details.

**3. Coffee price volatility which threatens the incomes of farmers and sustainability of the sector. There is urgent need to address and solve the structural weakness of the coffee sector and to ensure its sustainable growth and prosperity for farmers and all stakeholders**

Coffee prices are characterized by a boom-and-bust cycle. Historically, coffee price volatility was addressed through market intervention under the regulatory mechanism of export quotas. However, since the adoption of the free market in the early 1990s, the ICO encourages and promotes strategies such as expanding domestic coffee consumption to avoid long-lasting surpluses of supply over demand. For instance, the ICO Special Fund is being used as a catalyst to encourage domestic consumption and local processing. As well as adding value, the aim is to expand the national and regional market with the objectives of providing a safety net for coffee farmers in case of falling world prices, making them less vulnerable to external shocks such as declining prices, and ultimately reducing overall price volatility. Uganda, through the Inter-African Coffee Organization, is one of the beneficiary countries of the ICO Special Fund.

Questions related to price volatility, especially the need for market transparency, are also being addressed within the Coffee Public-Private Task Force, established by the ICO in 2018. Within this context, Uganda was recently invited to participate as one of the lead countries in Africa in a project to more accurately measure the cost of (sustainable) production and value distribution efficiencies from farm to FOB. The project would provide the UCDA with ca. €75-80,000 directly to support staff and survey costs while covering all training, analytics, data management and data visualization. The UCDA has not agreed to take part in this project and has since been replaced by another African country.

The Preamble of the ICA 2007 contains the following wording on the subject:

*“Recognizing that increased access to coffee-related information and market-based risk management strategies can help avoid imbalances in the production and consumption of coffee that may give rise to pronounced market volatility which can be harmful to both producers and consumers;”*

Uganda has made no proposals for amendment of the Preamble or the inclusion of text regarding price volatility in the meetings of the WGFA, which is currently studying various proposals on this subject.

**4. The lopsided classification of coffee by the International Coffee Organization (ICO) which only lists Brazilian and Colombian types of coffee and refers to the rest under the category “Others”.**

The statement of Uganda is incorrect. As part of its mission to provide the world coffee sector with neutral and accurate statistics, the ICO has grouped coffee production into four distinct groups:

- **Colombian Milds** (washed Arabica produced by Colombia, Kenya, and Tanzania)
- **Other Milds** (washed Arabica produced by Central America, Rwanda, Burundi, India, etc.)
- **Brazilian and other naturals** (naturally processed Arabicas produced mainly by Brazil and Ethiopia)
- **Robustas** (all Robusta coffee-producing countries)

Prices of representative growths of these four groups of coffee are collected in the main importing markets worldwide and then used to calculate the ICO composite indicator price as a reference for green coffee prices. It should be noted that the division of world coffee statistics into these four groups is a technical exercise that is subject to change. This system is not governed by the International Coffee Agreement and can be changed by ICO Members at any time, so there is no linkage between the ongoing negotiations on a new ICA and this question. The matter can be discussed within the ICO Statistical Committee.

Any suggestions by Uganda to improve the system are welcomed, although none have been received.

**5. ICO indicator prices which are used by coffee buyers as a benchmark, yet their computation may not have sound statistical basis, thereby disadvantaging especially Robusta coffee producers**

Kindly refer to the reply to point 4 above.

The Secretariat is perplexed at the statement that the computation of ICO indicator prices “may not have sound statistical basis”. The growths included and the weights attributed to each growth and to each market are subject to regular review, in order to reflect changing market conditions. The last such review was held as recently as April 2021 (see [document SC-104/21](#) “**ICO composite and group indicator prices: Share of markets and group weightings**”). At the time, Uganda did not express any concern or make any proposal regarding the computation of indicator prices. Furthermore, Uganda has produced no evidence that the computation of ICO indicator prices may be unsound.

We once again stress that the indicator price system is not governed by the International Coffee Agreement and can be changed by ICO Members at any time, so there is no linkage between the ongoing negotiations on a new ICA and this question.

Any suggestions by Uganda to improve the system are welcomed, although none have been received.

**6. ICO not focusing on programs that could benefit coffee producing countries but spending over 70% of funds contributed by members on staff emoluments and administrative costs which is increasingly making ICO less valuable to its members**

This statement contains a fundamental misunderstanding of the role of the ICO. The ICO is not a development agency or an international financial institution such as the World Bank or the African Development Bank, with capital of its own to support development projects through loans or grants (see point 7 below). Instead, the ICO is an international commodity body (ICB) and a knowledge-based organization with different roles and objectives. In this context and in line with the practice in other ICBs as well as of United Nations agencies, staffing costs are naturally a significant proportion of the budget, since the staff is the greatest asset of the Organization and is responsible to carry out the mandate assigned by ICO Member countries.

The Administrative Budget of the ICO is approved annually by its Members and all elements related to ICO staff are contained in the ICO staff rules and regulations as approved by ICO Members. Therefore, there is no linkage between the ongoing negotiations on a new ICA and this question.

**7. Projects to address challenges in coffee producing countries: Since 2012, when the Common Fund for Commodities stopped funding ICO member countries' projects, member countries have requested for an alternative to aid them to address challenges such as climate change, low production and productivity, pests and diseases and price volatility.**

The project activities of the ICO are covered under **Article 28 – Development and Funding** of the ICA 2007:

*“(1) Members and the Executive Director may submit project proposals which contribute to the achievement of the objectives of this Agreement and one or more of the priority areas for work identified in the strategic action plan approved by the Council pursuant to Article 9.*

*(2) The Council shall establish procedures and mechanisms for submitting, appraising, approving, prioritizing and funding projects, as well as for their implementation, monitoring and evaluation, and wide dissemination of results.*

*(3) At each session of the Council the Executive Director shall report on the status of all projects approved by the Council, including those awaiting financing, under implementation, or completed since the previous Council session.*

*(4) A Committee on Projects shall be established. The Council shall determine its composition and mandate.”*

As can be seen, the ICO is not itself a development agency and does not have funds of its own to loan or grant, but serves as a catalyst to attract resources from a variety of sources for development projects in Member countries.

Uganda has benefitted substantially from coffee sector development projects sponsored and supported by the ICO. During the time in which the Common Fund for Commodities (CFC) provided finance for coffee development projects sponsored by the ICO, Uganda participated in projects with a total value greater than US\$36 million, including grants of US\$19 million.

Since the change in policy of the CFC, the ICO has actively pursued alternative sources of funding now being mobilized in the context of the Coffee Public-Private Task Force and its agreed roadmap. These efforts are starting to bear fruit, as shown by the £1.7 million successfully raised for projects this year. Among them, the design of a Coffee Market Development Toolkit funded by the German development agency GIZ to assist coffee-producing countries in the development of their domestic markets, which plays a crucial role in value addition and reduction of price volatility. In addition to the above, the Coffee Public-Private Task Force is currently engaged in the mobilization of about £15 million (€18 million) over the next four years.

As mentioned in the reply to point 3, within the context of the Task Force Uganda was recently invited to participate as one of the lead countries in Africa in a project to more accurately measure the cost of (sustainable) production and value distribution efficiencies from farm to FOB. The project would provide the UCDA with ca. €75-80,000 directly to support staff and survey costs while covering all training, analytics, data management, and data visualization. The UCDA declined to take part in this project and has since been replaced by another African country. Other project activities of the Task Force in Uganda were under consideration, but it is now unclear whether these will proceed.

Uganda has made no proposals for amendment of Article 28 in the meetings of the Working Group on the Future of the International Coffee Agreement. Furthermore, the rise in coffee project finance under the umbrella of the Task Force shows that this type of funding can be mobilized even under the text of the current Agreement. Despite being invited to nominate their representative to the Task Force and to express interest in receiving technical and financial assistance as all other ICO Members, Uganda has not nominated a Sherpa/representative to the Task Force nor has ever submitted a request for assistance.