



Organización Internacional del Café  
Organização Internacional do Café  
Organisation Internationale du Café

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## Coffee development strategy

1. The Executive Director presents his compliments and wishes to inform Members that the Common Fund for Commodities (CFC) requires a clear development strategy for each International Commodity Body, subject to review every five years and updated if required by changing circumstances (see Annex VIII of the CFC Manual for the preparation and management of projects to be financed by the CFC). The current Development strategy for coffee was last revised and approved by the Council in May 2004.
2. Members are invited to send their suggestions for updating the strategy to the Executive Director by **19 December 2008**, to assist him in preparing a revised document for consideration by the Council at its 102<sup>nd</sup> Session from 16 to 20 March 2008.
3. Copies of both the Development strategy for coffee (document EB-3768/01 Rev. 3) and the conclusions of the CFC/ICO workshop on coffee development priorities (document CFC/ICO-8/06) are attached for information. Copies of the International Coffee Agreement 2007 can be downloaded from the ICO website.



International Coffee Organization  
Organización Internacional del Café  
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Development strategy

Executive Board  
254<sup>th</sup> Meeting  
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**Development strategy for coffee**

## Background

1. The International Coffee Organization is the designated International Commodity Body (ICB) for coffee and has responsibility for formally submitting projects to the Common Fund for Commodities (CFC). As an ICB, it is also responsible for prioritization, formulation and supervision of projects and for seeking stakeholder, and most particularly target beneficiary participation.

2. The Manual for the preparation and management of projects to be financed by the Common Fund for Commodities states that the process of project formulation starts with the definition of a clear development strategy for the commodity concerned by the designated ICB. *This document contains an update of the development strategy for coffee which was approved by the International Coffee Council in September 2001, contained in document EB-3768/01 Rev. 2. Changes are shown in italics. The order of items in Section V has also been changed.* It identifies and prioritizes coffee development issues, and indicates measures to address them, in order to assist the process of formulating projects for consideration by the CFC. However, it may also be seen as a general statement of strategic priorities independent of its specific role as a reference for projects. The strategy document contains the following sections:

- I. Brief profile of coffee
- II. International cooperation on coffee
- III. Prospects and potential
- IV. Problems encountered by coffee
- V. Development strategy and action programme
- VI. Identification of beneficiaries

### Annexes

- I. Statistics
- II. List of coffee-producing LDCs
- III. List of project ideas raised at the CFC round table in Guatemala
- IV. List of project ideas raised at the CFC round table in Africa

## Action

The Executive Board is requested to review the revised development strategy and, if appropriate, to recommend it for approval by the Council in May 2004.

## DEVELOPMENT STRATEGY FOR COFFEE

### I. BRIEF PROFILE OF COFFEE

1. Coffee is remarkable for being produced in almost all non-arid countries in the tropics. There are over 50 countries producing significant amounts of coffee; in many of these, earnings from coffee exports are of vital importance to the country's balance of payments. *In 1999, before the current collapse in prices, coffee accounted for over 20 percent of total export earnings in at least nine countries and, in several cases, represented over 50 percent of such earnings.* A further characteristic is that, with minimal exceptions, coffee is produced in developing countries, including a significant number of least developed countries (LDCs). Apart from Brazil, the second largest coffee consuming country in the world behind the USA, the bulk of consumption, on the other hand, takes place in industrialized countries. Coffee is an important agent of development, providing a livelihood for some 120 million people around the world, generating cash returns in subsistence economies and, since coffee production and harvesting are labour-intensive, providing an important source of rural employment, both for men and women.

2. The coffee tree is grown for its fruits, which contains one or more usually two "coffee beans". After various stages of processing, these beans are roasted and used primarily in the preparation of a beverage known throughout the world. Of the numerous botanical varieties of coffee trees, only two are cultivated and utilized commercially to any large extent worldwide. One is *Coffea arabica*, usually known as Arabica, accounting for some 70 percent of world production. The other one is the Robusta coffee tree, derived from the *Coffea canephora* species and usually known as Robusta. After the ripe berries have been harvested two methods are used to remove the envelope or husk from the beans so as to obtain the marketable green coffee: the wet and the dry methods.

3. In the wet method the beans are separated from the cherries by consecutive operations involving considerable quantities of water, consisting of pulping, fermentation to remove mucilage, drying and hulling. In the dry method the harvested berries are placed on racks to dry in the sun for some three weeks, following which hulling can take place. The harvest time (crop year) depends on the geographical zone and climate. In some countries the harvest starts on 1 April, whereas in other countries it starts on 1 July or 1 October (See Annex I, Table 1: Total production of exporting countries, crop years 1998/99 to 2002/03).

4. Although there is a multiplicity of specific grades traded worldwide the International Coffee Organization recognizes four main groups (See Annex I, Table 3: Exports by exporting countries, 1998/99 to 2002/03):

- (a) *Colombian Mild Arabicas*, exported by Colombia, Kenya and Tanzania;
- (b) *Other Mild Arabicas*, exported by other Arabica producing countries;
- (c) *Brazilian and other Natural Arabicas* exported by Brazil, Ethiopia and Paraguay; and
- (d) *Robustas*, generally produced in Africa, in some countries in Asia and also in Brazil.

5. Excellent coffees in terms of their organoleptic characteristics can be produced in all these groups. However, these characteristics do vary and certain groups of coffee are favoured above others with respect to their use in particular preparations or brewing methods. Data on the prices obtained by the various groups are shown in Annex I, Table 6: ICO group and composite indicator prices, monthly and annual averages, *1999 to 2003*.

## II. INTERNATIONAL COOPERATION ON COFFEE

6. The principal issues with respect to coffee are summarized clearly in the Preamble to the International Coffee Agreement 2001, in which participating Governments recognize:

- the exceptional importance of coffee to the economies of many countries which are largely dependent upon this commodity for their export earnings and thus for the continuation of their development programmes in the social and economic fields;
- the importance of the coffee sector to the livelihoods of millions of people, particularly in developing countries, in many of which production is on small-scale family farms;
- the need to foster the development of productive resources and the promotion and maintenance of employment and income in the coffee industry in Member countries, thereby bringing about fair wages, higher living standards and better working conditions;
- that close international cooperation on trade in coffee will foster the economic diversification and development of coffee-producing countries, will contribute to the improvement of political and economic relations between coffee exporting and importing countries, and will provide for increasing consumption of coffee;
- the desirability of avoiding disequilibrium between production and consumption which can give rise to pronounced fluctuations in prices harmful both to producers and to consumers.

7. The 2001 Agreement represents the main instrument for international cooperation on coffee and hence provides the most appropriate framework for the establishment of a development strategy for coffee. For this reason it is worth recalling the specific objectives of the Agreement, established in Article 1, which have clear strategic implications:

- (1) to promote international cooperation on coffee matters;
- (2) to provide a forum for intergovernmental consultations, and negotiations when appropriate, on coffee matters and on ways to achieve a reasonable balance between world supply and demand on a basis which will assure adequate supplies of coffee at fair prices to consumers and markets for coffee at remunerative prices to producers, and which will be conducive to long-term equilibrium between production and consumption;
- (3) to provide a forum for consultations on coffee matters with the private sector;
- (4) to facilitate the expansion and transparency of international trade in coffee;
- (5) to act as a centre for and promote the collection, dissemination and publication of economic and technical information, statistics and studies, as well as research and development, in coffee matters;
- (6) to encourage Members to develop a sustainable coffee economy;
- (7) to promote, encourage and increase the consumption of coffee;
- (8) to analyse and advise on the preparation of projects for the benefit of the world coffee economy, for their subsequent submission to donor or financing organizations, as appropriate;
- (9) to promote quality; and
- (10) to promote training and information programmes designed to assist the transfer to Members of technology relevant to coffee.

8. In addition to these objectives a number of functions and activities are required by specific Articles of the Agreement.

### **III. PROSPECTS AND POTENTIAL**

9. In order to meet the demands of a changing and in many ways hostile external economic environment most commodity-dependent countries must face a restructuring of their economies. It is commonly agreed (see, for example, Resolution Number 93 (IV) of the UNCTAD) that the longer-term objective of this process should be diversification away from excessive dependence on primary commodities towards industrial development. Nevertheless, the achievement of this objective has been made much more difficult by the prolonged period of depressed commodity prices, mainly arising from an excess of supply over demand, which has been particularly severe in the case of coffee. In early 2004 the ICO composite indicator price was around 56.00 US cents/lb. of green coffee compared with a range of 120 – 140 US cents maintained during most of the 1980s, representing a drop of around 57 percent in nominal and over 70 percent in real terms.

10. Nevertheless coffee has a number of long-term strengths. Firstly, it generates substantial employment in rural areas; secondly, it is in the main a crop which is beneficial to the environment; thirdly, it is often one of the few tropical agricultural products which can generate both cash income to growers and hard currency export earnings, and lastly, it is very

widely consumed throughout the world, with a considerable range of differing product preparations and qualities reaching up to high-value “gourmet coffee”. Awareness of these factors is uneven and there remains considerable potential to expand consumption in a number of countries with large populations.

#### **IV. PROBLEMS ENCOUNTERED BY COFFEE**

11. Coffee is subject to a number of pests and diseases, which need to be fought since they may reduce, both yields and quality. Moreover, the marketing of coffee has seen many changes over the last 15 years during which many countries have moved towards liberalized trading systems. The challenge is to ensure a healthy and competitive trading environment in which the interests of the stronger commercial sectors of the global industry do not outweigh the needs of the less advantaged developing countries. *Here the low price levels in recent years and the high degree of price volatility are obvious problems, particularly to the millions of smallholders who depend on coffee for their livelihoods.* Finally, the increasing amount of regulatory measures currently being introduced on grounds related to environmental or public health concerns and imposed tariff barriers to added value coffee (or finished goods) need to be carefully monitored in order to avoid effects that may be inappropriate and detrimental to the coffee trade and its products.

##### **Poverty**

12. *The problem of low prices is seen as one of particular concern, resulting in more poverty and lower quality. The Deputy Secretary-General of the U.N., Louise Frechette, in a statement to the General Assembly on 3 November 2003, pointed out that the decline in prices for commodities such as coffee, which now receives roughly a third of the prices that prevailed in the 1990s, contributes to increased poverty and makes it more difficult to reach the millennium development goals. Lower revenue from coffee exports has also endangered the HIPC initiative (for Heavily Indebted Poor Countries). The impact of the crisis on poverty is clearly shown in a number of communications from producing countries published in ICO document ICC-89-5 Rev. 1 of 11 September 2003. This situation necessarily makes measures capable of restoring greater balance between supply and demand to improve prices a matter of priority, given the difficulties of successfully pursuing alternative economic activities in many coffee regions.*

##### **Strategic issues**

13. More specifically, to create a more favourable atmosphere for economic restructuring and to avoid long periods of depressed commodity prices, it is essential to:

- reduce excessive short-term fluctuations in prices and export earnings;
- maintain prices at levels which are remunerative to producers while taking into account the interests of consumers;
- improve market access and reliability of supply;
- diversify production and expand processing in exporting countries;
- improve market structures;
- enhance the participation of producing countries in the marketing, transport and distribution of their commodity exports;
- promote a favourable image for coffee;
- promote the contribution of coffee to poverty alleviation and living conditions of smallholders;
- *encourage increased consumption;*
- *develop an understanding that action may be needed at all points in the supply chain, which should be understood as reaching from the grower to the final consumer, not just from the grower to the importer.*

14. The attainment of such objectives should be at the core of any long-term coffee development strategy.

## **V. DEVELOPMENT STRATEGY AND ACTION PROGRAMME**

15. In the case of coffee the specific objectives listed in Article 1 of the 2001 Agreement identify the main areas for overall consideration. Following from these, seven main strategic areas for action may be identified, listed in approximate order of priority. Although in this document it is not appropriate to identify specific project areas, Annexes III and IV contain a list of project ideas developed at the CFC regional round table meetings on commodity development in Latin American and the Caribbean region, and in Africa, as an example of possible areas of action.

16. *The development strategy starts from the position that the key aim is to develop a sustainable coffee economy, giving due importance to the economic, environmental and social aspects of sustainability as defined at the United Nations Conference on Environment and Development in Rio de Janeiro in 1992. It then addresses a number of issues with an impact on the supply chain for coffee. The concept of chain management requiring analysis of the impact of actions undertaken along the chain is crucial. Because the supply chain is seen as reaching up to the final consumer, marketing aspects, which are also recognized as an important element in the Five-Year Action Plan of the CFC, are given appropriate emphasis.*

## **1. Promotion of a sustainable coffee economy**

17. It is vital that coffee production and processing should *take into account the United Nations Agenda 21 criteria to ensure economic, environmental and social sustainability*. It is particularly necessary that the economic environment should be such as to encourage stability and reasonable living standards for the populations involved with coffee by *securing adequate returns to producers*, ensuring meanwhile that adequate care may be given to maintaining quality rather than the amount of coffee produced. The Organization wishes to encourage the improvement and diversification of old coffee plantations towards more market-oriented and environmental plantations, such as organic, gourmet and shade grown coffee in areas previously natural forest (see also *Point 4* below). It also seeks to promote the use of friendly environmental technologies through the production and processing chain, integrated biological pest control and improved technology for the washing process. *The Organization also recognizes the social importance of established coffee-growing communities and the difficulties of finding alternative sources of income in many coffee areas. The Organization is also establishing partnerships with other bodies promoting sustainability.*

## **2. Encouraging consumption**

18. *To maintain a sustainable coffee economy, it is important to ensure that increases in supply are matched by corresponding growth in demand. In market conditions such as those prevailing since 1999 where supply has consistently exceeded demand, leading to a crisis of low prices, it is particularly important to take action to increase consumption. This can be done through quality improvement (see below) and through promotional and educational projects. The Organization attaches particular importance to programmes targeting new or emerging markets and the producing countries themselves. These are the areas of greatest potential for growth. In the case of the producing countries themselves, increased local consumption also has other benefits: it makes producers more aware of consumer demands and quality factors, it provides an alternative market to the export market and it stimulates small and medium enterprises.*

## **3. Quality enhancement**

19. The maintenance and improvement of quality are crucial to sustain consumption in the long term, add value to the product and protect it against contamination. This can be done through disseminating awareness of marketing and preparation methods appropriate to high quality coffee, improving cultivation, processing, storage and transportation practices, and through protection against pests, diseases and contamination during storage. *In order to maintain high quality coffee, the Organization discourages trading coffee with less than the equivalent of 95 percent of green coffee as the basic raw material. The Organization also promotes a Coffee Quality-Improvement Programme (established by Council Resolution*



number 407) to improve marketable standards and divert undergrades to alternative uses, as a means of raising overall quality to encourage consumption and contribute to a more balanced market.

#### **4. Diversification**

20. As part of its efforts to address the current crisis facing coffee producers, the Organization encourages horizontal diversification. Such programmes encompass efforts to undertake specific projects to generate complementary earnings for growers, such as by the introduction of new crops, without eliminating coffee growing itself. However, vertical diversification to address issues such as production of speciality coffees has the potential of creating even bigger benefits for the producers. The CFC, in its Five-Year Plan, has addressed the issue when talking about marketing issues, stressing the need to pay attention to regional markets and value-added by-products.

#### **5. Market improvement**

21. With the transition in many exporting countries to liberalized marketing systems, care is needed to ensure that the benefits of increased market flexibility are not jeopardized by the elimination of necessary functions previously undertaken by marketing boards and similar regulatory bodies, and that there are sound institutions at the domestic and international levels to develop and implement relevant policies and programmes. Besides this the coffee sector in many exporting countries consists of large number of smallholder farmers who need assistance to strengthen grass root organisations, develop their capacity to compete in the market, get access to commercial credit, cope with price volatility through risk management and generate benefits to their communities. In certain importing markets the Organization may also be able to assist, through training and educational programmes, in improving expertise and trading methods and in facilitating contacts with suppliers in exporting Member countries. In the interests of a healthy and competitive trading economy it is important that traders in producing countries have the necessary degree of commercial expertise, access to credit and appropriate legal framework to function effectively.

22. There are considerable differences in countries' ability to assess coffee trade-related issues and subsequently benefit from the results. The Organization also seeks to evaluate and, if appropriate, propose new instruments of international cooperation designed to monitor particular coffee market trends that might be of interest to Members. These could be undertaken in collaboration with the World Bank, the World Trade Organization and regional organizations.

23. In view of the way in which various market factors operate in the process of price determination it is also necessary to study factors affecting the market arising from the nature of futures trading and the complete range of influences on price levels and fluctuations, including the mode of operation of the various players in the markets.

## **6. Research and development of new technologies**

24. New technologies are under development in a number of areas and include: ecologically more beneficial wet processing, plant breeding, genetically modified plant material, improved soluble coffee manufacturing processes, and Internet trading. It is important that appropriate technological advances be developed, evaluated and disseminated to the benefit of the world coffee community, and that increased exchanges of information amongst producers be promoted.

## **7. Protection against pests and diseases**

25. Action against pests and diseases is important not only to protect the economies of producing countries and the livelihood of farming populations but also to protect the quality of the product. Care is needed when developing protection programmes to ensure that these are as environmentally friendly as possible. Such programmes could include the conservation of germplasm of wild coffee species threatened by the rapid destruction of natural forests as well as key features such as resistance to pests and diseases, tolerance to adverse growing conditions, yield potential, and cup and technological quality.

## **8. Emergency assistance**

26. In cases where producing countries have suffered large decrease in production for reasons of "*force majeure*", it may *sometimes* be appropriate to encourage programmes to secure a recovery in production capacity, providing increases are not of a scale to exert an adverse effect on the supply-demand balance. Such action assists in ensuring that characteristic coffees remain available to the market, in safeguarding the exploitation of comparative advantage and, not least, in providing an important source of employment in view of the labour-intensive nature of coffee cultivation. As part of this strategy, emphasis is given to promoting studies/technical assistance on coffee development in countries that have suffered major natural disasters and/or war disruption.

27. In countries under reconstruction, in order to alleviate poverty and help families with resettlement, the Organization promotes rehabilitation of coffee plantations (with special support for the development of disease resistant and high yielding plant varieties) and marketing systems.

## **VI. IDENTIFICATION OF BENEFICIARIES**

28. The target groups of beneficiaries can be identified with reference to populations suffering substantial poverty, populations and economies heavily dependent on coffee, areas where there are few viable economic alternatives to coffee and areas where coffee growing provides stable rural employment where the alternative may be disruptive population movements to urban areas, illegal emigration or cultivation of socially harmful products. Many coffee-producing countries are LDCs, as listed in Annex II, and action in favour of coffee would include targeting this category effectively.

**Annex I – Statistics**

**Annex II – List of coffee producing LDCs**

**Annex III – List of project ideas raised at the CFC Round Table in Guatemala**

**Annex IV – List of project ideas raised at the CFC Round Table in Africa**

## STATISTICS

## Table

- 1 Total production of exporting countries  
Crop years *1998/99 to 2002/03*
- 2-A Domestic consumption of exporting countries  
Coffee years *1998/99 to 2002/03*
- 2-B Consumption in importing countries  
Coffee years *1998/99 to 2002/03*
- 2-C Consumption in non-member countries  
Calendar years *1998 to 2002*
- 3 Exports by exporting countries to all destinations  
Coffee years *1998/99 to 2002/03*
- 4 Imports by importing countries from all sources  
Coffee years *1998/99 to 2002/03*
- 5 Value of exports of all forms of coffee by each exporting country  
to all destinations as a percentage of the value of exports of all commodities  
Calendar years *1998 to 2002*
- 6 Indicator prices  
ICO group and composite indicator prices  
Monthly and annual averages *1999 to 2003*

TABLE 1

**TOTAL PRODUCTION OF EXPORTING COUNTRIES  
CROP YEARS 1998/99 TO 2002/03**

| <b>(000 bags)</b>           |                  |                |                |                |                |                |
|-----------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Crop year commencing</b> |                  | <b>1998</b>    | <b>1999</b>    | <b>2000</b>    | <b>2001</b>    | <b>2002</b>    |
| <b>TOTAL</b>                |                  | <b>106 123</b> | <b>114 523</b> | <b>112 334</b> | <b>109 483</b> | <b>119 947</b> |
|                             | <i>1 April</i>   | <i>49 737</i>  | <i>44 776</i>  | <i>44 850</i>  | <i>46 429</i>  | <i>60 405</i>  |
| Angola                      | (R)              | 85             | 55             | 50             | 21             | 56             |
| Bolivia                     | (A)              | 150            | 184            | 173            | 124            | 149 1/         |
| Brazil                      | (A/R)            | 34 650         | 32 345         | 32 005         | 33 950         | 48 480         |
| Burundi                     | (A/R)            | 356            | 501            | 337            | 257            | 433 1/         |
| Ecuador                     | (A/R)            | 1 206          | 1 198          | 871            | 893            | 731            |
| Indonesia                   | (R/A)            | 8 458          | 5 499          | 6 947          | 6 731          | 5 668 1/       |
| Madagascar @                | (R/A)            | 992            | 427            | 366            | 147            | 445            |
| Malawi                      | (A)              | 64             | 59             | 63             | 60             | 44 1/          |
| Papua New Guinea            | (A/R)            | 1 351          | 1 387          | 1 041          | 1 041          | 1 108          |
| Paraguay                    | (A)              | 34             | 28             | 31             | 31             | 30 1/          |
| Peru                        | (A)              | 2 022          | 2 663          | 2 596          | 2 749          | 2 900          |
| Rwanda                      | (A)              | 222            | 308            | 273            | 307            | 280 1/         |
| Zimbabwe                    | (A)              | 147            | 122            | 97             | 118            | 81 1/          |
|                             | <i>1 July</i>    | <i>2 633</i>   | <i>3 061</i>   | <i>2 861</i>   | <i>2 601</i>   | <i>2 734</i>   |
| Congo, Rep. of @            | (R)              | 3              | 3              | 3              | 3              | 3              |
| Cuba                        | (A)              | 280            | 328            | 313            | 285            | 239 1/         |
| Dominican Republic          | (A)              | 422            | 694            | 437            | 432            | 426            |
| Haiti                       | (A)              | 442            | 402            | 422            | 402            | 413 1/         |
| Philippines                 | (R/A)            | 685            | 739            | 775            | 759            | 721            |
| Tanzania                    | (A/R)            | 739            | 837            | 821            | 624            | 824            |
| Zambia                      | (A)              | 62             | 58             | 90             | 96             | 108            |
|                             | <i>1 October</i> | <i>53 753</i>  | <i>66 686</i>  | <i>64 623</i>  | <i>60 453</i>  | <i>56 808</i>  |
| Benin @                     | (R)              | 0              | 0              | 0              | 0              | 0              |
| Cameroon @                  | (R/A)            | 1 114          | 1 370          | 1 113          | 686            | 801 1/         |
| Central African Rep. @      | (R)              | 214            | 241            | 122            | 75             | 92 1/          |
| Colombia                    | (A)              | 11 024         | 9 398          | 10 532         | 11 999         | 11 714 1/      |
| Congo, Dem. Rep. of         | (R/A)            | 644            | 457            | 433            | 430            | 392 1/         |
| Costa Rica                  | (A)              | 2 350          | 2 404          | 2 253          | 2 166          | 1 976          |
| Cote d'Ivoire @             | (R)              | 1 991          | 6 321          | 4 846          | 3 492          | 2 680 1/       |
| El Salvador                 | (A)              | 2 056          | 2 599          | 1 706          | 1 667          | 1 442          |
| Equatorial Guinea @         | (R)              | 1              | 0              | 0              | 0              | 0              |
| Ethiopia                    | (A)              | 2 745          | 3 505          | 2 768          | 3 756          | 3 693          |
| Gabon @                     | (R)              | 4              | 2              | 0              | 1              | 1              |
| Ghana                       | (R)              | 45             | 44             | 38             | 17             | 25 1/          |
| Guatemala                   | (A/R)            | 4 893          | 5 120          | 4 940          | 3 669          | 4 265 1/       |
| Guinea                      | (R)              | 140            | 112            | 114            | 101            | 109 1/         |
| Honduras                    | (A)              | 2 195          | 2 985          | 2 667          | 3 036          | 2 497          |
| India                       | (A/R)            | 4 434          | 5 495          | 4 526          | 4 970          | 4 588 1/       |
| Jamaica                     | (A)              | 29             | 39             | 37             | 30             | 45 1/          |
| Kenya                       | (A)              | 1 173          | 1 502          | 988            | 992            | 899 1/         |
| Liberia                     | (R)              | 5              | 5              | 5              | 5              | 5              |
| Mexico                      | (A)              | 4 801          | 6 219          | 4 815          | 4 200          | 4 000 1/       |
| Nicaragua                   | (A)              | 1 073          | 1 532          | 1 595          | 1 116          | 1 124          |
| Nigeria                     | (R)              | 46             | 43             | 45             | 41             | 48 1/          |
| Panama                      | (A)              | 192            | 167            | 170            | 160            | 140            |
| Sierra Leone                | (R)              | 24             | 76             | 28             | 15             | 13             |
| Sri Lanka                   | (R/A)            | 35             | 38             | 43             | 31             | 32             |
| Thailand                    | (R)              | 916            | 1 271          | 1 692          | 548            | 707 1/         |
| Togo @                      | (R)              | 321            | 263            | 197            | 116            | 80 1/          |
| Trinidad and Tobago         | (R)              | 17             | 16             | 14             | 14             | 14             |
| Uganda                      | (R/A)            | 3 298          | 3 097          | 3 205          | 3 166          | 2 910          |
| Venezuela                   | (A)              | 1 001          | 717            | 956            | 821            | 961 1/         |
| Vietnam                     | (R)              | 6 972          | 11 648         | 14 775         | 13 133         | 11 555         |

1/ Derived on the basis of estimated gross opening stocks in crop year 2003/04

2/ Estimate to be confirmed by the Member

3/ Estimated

TABLE 2-A

**DOMESTIC CONSUMPTION OF EXPORTING COUNTRIES**  
**CROP YEARS 1998/99 TO 2002/03**

| <b>(000 bags)</b>           |                  |               |               |               |               |               |
|-----------------------------|------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Crop year commencing</b> |                  | <b>1998</b>   | <b>1999</b>   | <b>2000</b>   | <b>2001</b>   | <b>2002</b>   |
| <b>TOTAL</b>                |                  | <b>24 841</b> | <b>24 620</b> | <b>25 940</b> | <b>26 873</b> | <b>27 196</b> |
|                             | <i>1 April</i>   | <i>14 894</i> | <i>14 517</i> | <i>15 188</i> | <i>15 476</i> | <i>15 763</i> |
| Angola                      | (R)              | 30            | 20            | 20            | 20            | 20            |
| Bolivia                     | (A)              | 45            | 60            | 60            | 60            | 60            |
| Brazil                      | (A/R)            | 12 200        | 12 750        | 13 000        | 13 250        | 13 500        |
| Burundi                     | (A/R)            | 2             | 2             | 2             | 2             | 2             |
| Ecuador                     | (A/R)            | 300           | 230           | 200           | 200           | 150           |
| Indonesia                   | (R/A)            | 2 000         | 1 250         | 1 667         | 1 667         | 1 667         |
| Madagascar @                | (R/A)            | 167           | 56            | 90            | 128           | 217           |
| Malawi                      | (A)              | 2             | 1             | 1             | 1             | 1             |
| Papua New Guinea            | (A/R)            | 1             | 2             | 2             | 2             | 2             |
| Paraguay                    | (A)              | 20            | 20            | 20            | 20            | 20            |
| Peru                        | (A)              | 120           | 120           | 120           | 120           | 120           |
| Rwanda                      | (A)              | 3             | 2             | 2             | 2             | 0             |
| Zimbabwe                    | (A)              | 4             | 4             | 4             | 4             | 4             |
|                             | <i>1 July</i>    | <i>1 686</i>  | <i>1 745</i>  | <i>1 717</i>  | <i>1 740</i>  | <i>1 752</i>  |
| Congo, Rep. of @            | (R)              | 3             | 3             | 3             | 3             | 3             |
| Cuba                        | (A)              | 200           | 200           | 213           | 220           | 224           |
| Dominican Republic          | (A)              | 325           | 325           | 325           | 340           | 340           |
| Haiti                       | (A)              | 330           | 340           | 340           | 340           | 340           |
| Philippines                 | (R/A)            | 810           | 862           | 820           | 821           | 829           |
| Tanzania                    | (A/R)            | 17            | 14            | 15            | 15            | 15            |
| Zambia                      | (A)              | 1             | 1             | 1             | 1             | 1             |
|                             | <i>1 October</i> | <i>8 261</i>  | <i>8 358</i>  | <i>9 035</i>  | <i>9 657</i>  | <i>9 681</i>  |
| Benin @                     | (R)              | 0             | 0             | 0             | 0             | 0             |
| Cameroon @                  | (R/A)            | 100           | 100           | 75            | 69            | 69            |
| Central African Republic @  | (R)              | 19            | 21            | 12            | 10            | 4             |
| Colombia                    | (A)              | 1 600         | 1 400         | 1 400         | 1 400         | 1 400         |
| Congo, Democratic Rep. of   | (R/A)            | 200           | 200           | 200           | 200           | 200           |
| Costa Rica                  | (A)              | 223           | 299           | 249           | 255           | 263           |
| Côte d'Ivoire @             | (R)              | 50            | 50            | 317           | 317           | 317           |
| El Salvador                 | (A)              | 192           | 153           | 101           | 144           | 153           |
| Equatorial Guinea @         | (R)              | 0             | 0             | 0             | 0             | 0             |
| Ethiopia                    | (A)              | 1 633         | 1 633         | 1 667         | 1 833         | 1 833         |
| Gabon @                     | (R)              | 1             | 1             | 0             | 0             | 0             |
| Ghana                       | (R)              | 1             | 1             | 1             | 1             | 1             |
| Guatemala                   | (A/R)            | 300           | 300           | 300           | 300           | 300           |
| Guinea                      | (R)              | 50            | 50            | 50            | 50            | 50            |
| Honduras                    | (A)              | 138           | 168           | 230           | 200           | 200           |
| India                       | (A/R)            | 895           | 954           | 917           | 1 134         | 1 134         |
| Jamaica                     | (A)              | 15            | 11            | 12            | 10            | 9             |
| Kenya                       | (A)              | 50            | 50            | 50            | 50            | 50            |
| Liberia                     | (R)              | 5             | 5             | 5             | 5             | 5             |
| Mexico                      | (A)              | 1 108         | 1 150         | 1 305         | 1 500         | 1 500         |
| Nicaragua                   | (A)              | 127           | 130           | 176           | 181           | 185           |
| Nigeria                     | (R)              | 40            | 40            | 40            | 40            | 40            |
| Panama                      | (A)              | 67            | 67            | 67            | 67            | 67            |
| Sierra Leone                | (R)              | 5             | 5             | 5             | 5             | 5             |
| Sri Lanka                   | (R/A)            | 30            | 30            | 30            | 30            | 30            |
| Thailand                    | (R)              | 433           | 433           | 500           | 500           | 500           |
| Togo @                      | (R)              | 2             | 2             | 2             | 2             | 2             |
| Trinidad and Tobago         | (R)              | 14            | 14            | 14            | 14            | 14            |
| Uganda                      | (R/A)            | 100           | 120           | 120           | 150           | 160           |
| Venezuela                   | (A)              | 613           | 621           | 690           | 690           | 690           |
| Vietnam                     | (R)              | 250           | 350           | 500           | 500           | 500           |

TABLE 2-B

DISAPPEARANCE IN IMPORTING COUNTRIES  
COFFEE YEARS 1998/99 TO 2002/03

(000 bags)

|                                  | October-September |               |               |               |               |
|----------------------------------|-------------------|---------------|---------------|---------------|---------------|
|                                  | 1998/99           | 1999/00       | 2000/01       | 2001/02       | 2002/03       |
| <b>TOTAL 1/</b>                  | <b>62 143</b>     | <b>60 562</b> | <b>62 183</b> | <b>60 611</b> | <b>62 918</b> |
| <i>All Importing Members</i>     | <i>43 086</i>     | <i>41 881</i> | <i>42 767</i> | <i>41 907</i> | <i>42 710</i> |
| U.S.A.                           | 19 057            | 18 681        | 19 416        | 18 704        | 20 208        |
| <i>European Community</i>        | <i>35 164</i>     | <i>33 612</i> | <i>34 336</i> | <i>33 419</i> | <i>34 258</i> |
| Austria                          | 1 105             | 905           | 1 123         | 1 002         | 855 2/        |
| Belgium/Luxembourg               | 1 099             | 1 054         | 1 358         | 1 271         | 1 714         |
| Denmark                          | 841               | 826           | 833           | 827           | 790           |
| Finland                          | 988               | 969           | 961           | 961           | 979 2/        |
| France                           | 5 434             | 5 365         | 5 358         | 5 394         | 5 162         |
| Germany                          | 10 513            | 9 410         | 9 651         | 9 141         | 9 468         |
| Greece                           | 594               | 767           | 688           | 699           | 886 2/        |
| Ireland                          | 119               | 97            | 128           | 134           | 149           |
| Italy                            | 4 977             | 5 122         | 5 221         | 5 212         | 5 402         |
| Netherlands                      | 1 771             | 1 677         | 1 862         | 1 567         | 1 834 2/      |
| Portugal                         | 737               | 769           | 716           | 782           | 738           |
| Spain                            | 3 354             | 3 131         | 2 921         | 2 972         | 2 812         |
| Sweden                           | 1 267             | 1 217         | 1 214         | 1 253         | 1 349         |
| United Kingdom                   | 2 365             | 2 303         | 2 302         | 2 204         | 2 120 2/      |
| <i>Other importing countries</i> | <i>7 922</i>      | <i>8 269</i>  | <i>8 431</i>  | <i>8 488</i>  | <i>8 452</i>  |
| Cyprus                           | 56                | 51            | 71            | 49            | 51 2/         |
| Japan                            | 6 261             | 6 732         | 6 826         | 6 958         | 6 764         |
| Norway                           | 767               | 660           | 687           | 683           | 700           |
| Singapore 3/                     | 0                 | 0             | 0             | 0             | 0 2/          |
| Switzerland                      | 838               | 826           | 847           | 798           | 937           |

1/ Includes USA and Singapore as monthly information is available

2/ Estimated

3/ Adjusted for net exports when necessary

TABLE 2-C

**CONSUMPTION IN NON-MEMBER COUNTRIES  
(NET IMPORTS OF ALL FORMS OF COFFEE FROM ALL SOURCES)  
CALENDAR YEARS 1998 TO 2002**

| <b>(000 bags)</b>            |               |               |               |               |                  |
|------------------------------|---------------|---------------|---------------|---------------|------------------|
|                              | <b>1998</b>   | <b>1999</b>   | <b>2000</b>   | <b>2001</b>   | <b>2002</b>      |
| <b>TOTAL</b>                 | <b>17 880</b> | <b>17 714</b> | <b>18 686</b> | <b>20 773</b> | <b>21 000 1/</b> |
| <b>Importing non-members</b> | <b>17 957</b> | <b>17 974</b> | <b>19 235</b> | <b>21 534</b> |                  |
| <b>Europe</b>                | <b>7 396</b>  | <b>7 072</b>  | <b>7 648</b>  | <b>9 485</b>  |                  |
| Bosnia and Herzegovina       | 314           | 84            | 63            | 112           | 179              |
| Bulgaria                     | 294           | 357           | 271           | 349           | 338              |
| Croatia                      | 320           | 337           | 327           | 337           | 356              |
| Czech Republic               | 523           | 623           | 550           | 655           | 646              |
| Estonia                      | 90            | 97            | 99            | 110           |                  |
| Hungary                      | 652           | 730           | 733           | 740           | 709              |
| Latvia                       | 133           | 121           | 112           | 158           |                  |
| Lithuania                    | 146           | 157           | 172           | 203           |                  |
| Poland                       | 1 797         | 1 768         | 1 765         | 1 958         | 1 952            |
| Romania                      | 584           | 506           | 551           | 631           | 737              |
| Russian Federation           | 1 523         | 1 228         | 1 729         | 2 801         | 3 301            |
| Serbia and Montenegro        | 460           | 451           | 644           | 671           | 731              |
| Slovakia                     | 240           | 266           | 262           | 308           | 298              |
| Slovenia                     | 162           | 174           | 177           | 193           | 201              |
| Others                       | 156           | 172           | 192           | 261           |                  |
| <b>Africa</b>                | <b>2 614</b>  | <b>2 797</b>  | <b>3 191</b>  | <b>2 828</b>  |                  |
| Algeria                      | 1 407         | 1 518         | 1 778         | 1 456         |                  |
| Egypt                        | 116           | 140           | 95            | 79            | 112              |
| Morocco                      | 445           | 373           | 503           | 490           | 505              |
| South Africa, Rep. of        | 236           | 289           | 366           | 298           | 322              |
| Tunisia                      | 147           | 164           | 174           | 233           | 230              |
| Others                       | 263           | 314           | 275           | 271           |                  |
| <b>Asia</b>                  | <b>3 614</b>  | <b>3 665</b>  | <b>3 903</b>  | <b>4 609</b>  |                  |
| Armenia                      | 104           | 115           | 135           | 180           | 172              |
| China                        | 95            | 83            | 105           | 32            | 25               |
| Israel                       | 457           | 395           | 287           | 358           |                  |
| Jordan                       | 110           | 101           | 157           | 126           | 191              |
| Korea, Rep. of               | 988           | 1 087         | 1 246         | 1 258         | 1 306            |
| Lebanon                      | 337           | 315           | 310           | 462           |                  |
| Saudi Arabia                 | 338           | 358           | 403           | 372           | 446              |
| Syrian Arab Republic         | 268           | 277           | 221           | 641           |                  |
| Taiwan                       | 260           | 303           | 376           | 417           | 446              |
| Turkey                       | 286           | 265           | 291           | 299           | 408              |
| United Arab Emirates         | 139           | 136           | 95            | 151           |                  |
| Others                       | 231           | 230           | 275           | 312           |                  |
| <b>Latin America</b>         | <b>869</b>    | <b>885</b>    | <b>945</b>    | <b>974</b>    |                  |
| Argentina                    | 640           | 642           | 623           | 636           | 522              |
| Chile                        | 127           | 155           | 218           | 214           |                  |
| Others                       | 103           | 88            | 105           | 124           |                  |
| <b>North America</b>         | <b>2 427</b>  | <b>2 480</b>  | <b>2 526</b>  | <b>2 614</b>  |                  |
| Canada                       | 2 317         | 2 303         | 2 377         | 2 535         | 2 302            |
| Puerto Rico                  | 95            | 165           | 131           | 66            |                  |
| Others                       | 15            | 12            | 18            | 14            |                  |
| <b>Oceania</b>               | <b>1 038</b>  | <b>1 074</b>  | <b>1 021</b>  | <b>1 024</b>  |                  |
| Australia                    | 856           | 906           | 832           | 765           | 976              |
| New Zealand                  | 183           | 168           | 186           | 257           | 275              |
| Others                       | -1            | 1             | 2             | 2             |                  |
| <b>Producing non-members</b> | <b>-77</b>    | <b>-260</b>   | <b>-549</b>   | <b>-761</b>   |                  |
| Malaysia                     | 101           | -9            | -244          | -489          | -508             |
| Others                       | -178          | -251          | -305          | -272          |                  |

Note: Table excludes data for the USA and Singapore

A negative sign indicates net exports

1/ Estimated



TABLE 3

EXPORTS OF ALL FORMS OF COFFEE BY EXPORTING COUNTRIES TO ALL DESTINATIONS  
COFFEE YEARS 1998/99 TO 2002/03

|                                  | Coffee years  |               |               |               |               |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                  | 1998/99       | 1999/00       | 2000/01       | 2001/02       | 2002/03       |
| <b>TOTAL</b>                     | <b>83 842</b> | <b>89 237</b> | <b>89 965</b> | <b>85 917</b> | <b>87 453</b> |
| <b><i>Colombian Milds</i></b>    | <b>12 071</b> | <b>10 977</b> | <b>11 530</b> | <b>11 998</b> | <b>12 168</b> |
| Colombia                         | 10 292        | 9 035         | 9 437         | 10 625        | 10 478        |
| Kenya                            | 1 096         | 1 196         | 1 220         | 794           | 849           |
| Tanzania                         | 683           | 747           | 874           | 579           | 841           |
| <b><i>Other Milds</i></b>        | <b>25 705</b> | <b>29 083</b> | <b>25 065</b> | <b>22 177</b> | <b>22 621</b> |
| Bolivia                          | 109           | 115           | 73            | 67            | 82            |
| Burundi                          | 391           | 463           | 314           | 250           | 552           |
| Costa Rica                       | 2 092         | 1 984         | 2 111         | 1 881         | 1 676         |
| Cuba                             | 80            | 127           | 90            | 87            | 58            |
| Dominican Republic               | 161           | 189           | 102           | 114           | 141           |
| Ecuador                          | 901           | 834           | 763           | 567           | 667           |
| El Salvador                      | 1 812         | 2 490         | 1 714         | 1 473         | 1 320         |
| Guatemala                        | 4 593         | 4 901         | 4 414         | 3 330         | 3 965         |
| Haiti                            | 98            | 62            | 97            | 49            | 73            |
| Honduras                         | 2 086         | 2 857         | 2 470         | 2 617         | 2 439         |
| India                            | 3 426         | 4 500         | 3 715         | 3 441         | 3 449         |
| Jamaica                          | 21            | 30            | 29            | 28            | 25            |
| Malawi                           | 52            | 55            | 70            | 53            | 39            |
| Mexico                           | 4 136         | 5 164         | 3 637         | 2 893         | 2 561         |
| Nicaragua                        | 955           | 1 302         | 1 445         | 920           | 978           |
| Panama                           | 147           | 78            | 70            | 78            | 84            |
| Papua New Guinea                 | 1 374         | 1 050         | 1 060         | 1 026         | 1 144         |
| Peru                             | 2 204         | 2 311         | 2 418         | 2 689         | 2 664         |
| Rwanda                           | 282           | 304           | 267           | 274           | 275           |
| Venezuela                        | 582           | 96            | 26            | 131           | 271           |
| Zambia                           | 57            | 59            | 88            | 98            | 105           |
| Zimbabwe                         | 146           | 112           | 92            | 112           | 53            |
| <b><i>Brazilian Naturals</i></b> | <b>24 700</b> | <b>20 830</b> | <b>23 041</b> | <b>27 927</b> | <b>29 846</b> |
| Brazil                           | 22 934        | 18 816        | 21 612        | 25 977        | 27 559        |
| Ethiopia                         | 1 757         | 2 005         | 1 418         | 1 939         | 2 277         |
| Paraguay                         | 10            | 9             | 11            | 11            | 10            |
| <b><i>Robustas</i></b>           | <b>21 366</b> | <b>28 347</b> | <b>30 329</b> | <b>23 815</b> | <b>22 818</b> |
| Angola                           | 58            | 30            | 17            | 10            | 15            |
| Congo, Dem. Rep. of              | 448           | 333           | 222           | 171           | 192           |
| Ghana                            | 78            | 35            | 34            | 16            | 24            |
| Guinea                           | 74            | 28            | 64            | 48            | 59            |
| Indonesia                        | 5 430         | 5 204         | 5 372         | 4 118         | 4 529         |
| Nigeria                          | 6             | 3             | 5             | 1             | 8             |
| <b><i>OAMCAF</i></b>             | <b>4 469</b>  | <b>7 851</b>  | <b>5 893</b>  | <b>4 222</b>  | <b>3 400</b>  |
| Benin                            | 0             | 0             | 0             | 0             | 0             |
| Cameroon                         | 1 027         | 1 272         | 1 145         | 617           | 732           |
| Central African Rep.             | 194           | 188           | 104           | 100           | 38            |
| Congo, Rep. of                   | 0             | 0             | 0             | 0             | 0             |
| Cote d'Ivoire                    | 2 264         | 5 834         | 4 270         | 3 284         | 2 363         |
| Equatorial Guinea                | 1             | -             | 0             | 0             | 0             |
| Gabon                            | 3             | -             | 2             | 1             | 1             |
| Madagascar                       | 670           | 277           | 177           | 107           | 188           |
| Togo                             | 310           | 279           | 195           | 114           | 78            |
| Philippines                      | 9             | 4             | 3             | 6             | 9             |
| Sierra Leone                     | 19            | 64            | 13            | 10            | 8             |
| Sri Lanka                        | 16            | 1             | 3             | 1             | 2             |
| Thailand                         | 417           | 960           | 1 184         | 93            | 207           |
| Trinidad and Tobago              | 4             | 2             | -             | -             | -             |
| Uganda                           | 3 648         | 2 917         | 3 075         | 3 153         | 2 810         |
| Vietnam                          | 6 689         | 10 914        | 14 442        | 11 966        | 11 555        |

TABLE 4

IMPORTS BY IMPORTING COUNTRIES FROM ALL SOURCES  
COFFEE YEARS 1998/99 TO 2002/03

(000 bags)

|                                  | October-September |               |               |               |                |
|----------------------------------|-------------------|---------------|---------------|---------------|----------------|
|                                  | 1998/99           | 1999/00       | 2000/01       | 2001/02       | 2002/03        |
| <b>TOTAL 1/</b>                  | <b>79 451</b>     | <b>80 874</b> | <b>81 267</b> | <b>81 075</b> | <b>84 629</b>  |
| <i>All Importing Members</i>     | <i>56 128</i>     | <i>55 417</i> | <i>59 018</i> | <i>59 055</i> | <i>60 336</i>  |
| U.S.A.                           | 22 561            | 24 540        | 21 150        | 20 966        | 23 365         |
| <i>European Community</i>        | <i>47 522</i>     | <i>46 739</i> | <i>49 933</i> | <i>49 808</i> | <i>51 278</i>  |
| Austria                          | 1 525             | 1 251         | 1 578         | 1 520         | 1 444 2/       |
| Belgium/Luxembourg               | 3 344             | 3 443         | 3 722         | 3 783         | 3 988          |
| Denmark                          | 1 088             | 1 054         | 1 074         | 1 088         | 1 044          |
| Finland                          | 1 216             | 1 112         | 1 083         | 1 053         | 1 084 2/       |
| France                           | 6 725             | 6 639         | 6 917         | 6 943         | 6 690          |
| Germany                          | 14 776            | 14 056        | 15 404        | 15 514        | 16 211         |
| Greece                           | 675               | 842           | 895           | 920           | 1 013 2/       |
| Ireland                          | 128               | 150           | 179           | 171           | 214            |
| Italy                            | 5 986             | 6 256         | 6 501         | 6 567         | 6 825          |
| Netherlands                      | 2 802             | 2 787         | 3 025         | 2 718         | 3 143 2/       |
| Portugal                         | 810               | 919           | 828           | 892           | 854            |
| Spain                            | 4 008             | 3 842         | 4 095         | 4 126         | 4 159          |
| Sweden                           | 1 449             | 1 393         | 1 404         | 1 484         | 1 614          |
| United Kingdom                   | 2 990             | 2 995         | 3 228         | 3 029         | 2 995          |
| <i>Other importing countries</i> | <i>9 368</i>      | <i>9 595</i>  | <i>10 184</i> | <i>10 301</i> | <i>9 986 0</i> |
| Cyprus                           | 57                | 52            | 75            | 53            | 54 2/          |
| Japan                            | 6 618             | 6 829         | 7 073         | 7 277         | 6 946          |
| Norway                           | 772               | 664           | 695           | 688           | 708            |
| Singapore                        | 762               | 917           | 1 099         | 1 054         | 928 2/         |
| Switzerland                      | 1 159             | 1 133         | 1 242         | 1 229         | 1 350          |

1/ Includes USA and Singapore as monthly information is available

2/ Estimated

TABLE 5

**VALUE OF EXPORTS OF ALL FORMS OF COFFEE BY EACH EXPORTING COUNTRY  
TO ALL DESTINATIONS AS A PERCENTAGE OF THE VALUE OF EXPORTS OF ALL COMMODITIES  
CALENDAR YEARS 1998 TO 2002**

| (percent)                        | 1998  | 1999  | 2000  | 2001  | 2002  |
|----------------------------------|-------|-------|-------|-------|-------|
| <b><i>Colombian Milds</i></b>    |       |       |       |       |       |
| Colombia                         | 18.84 | 12.29 | 9.17  | 7.10  | 7.28  |
| Kenya                            | 10.84 | 11.03 | 8.52  | 4.97  | 3.61  |
| Tanzania                         | 19.31 | 14.50 | 11.89 | 8.00  | 3.73  |
| <b><i>Other Milds</i></b>        |       |       |       |       |       |
| Bolivia                          | 1.35  | 1.32  | 1.16  | 0.73  | 0.72  |
| Burundi                          | 81.36 | 77.29 | 77.89 | 52.10 | 55.13 |
| Costa Rica                       | 7.11  | 4.95  | 4.43  | 3.40  | 2.99  |
| Cuba                             | 1.66  | 0.77  | 1.10  | 0.68  |       |
| Dominican Republic               | 7.65  | 2.97  | 2.30  | 1.36  | 1.53  |
| Ecuador                          | 2.41  | 1.76  | 0.92  | 0.95  | 0.84  |
| El Salvador                      | 19.72 | 20.80 | 22.70 | 9.58  | 8.52  |
| Guatemala                        | 22.63 | 24.48 | 21.18 | 12.36 | 12.09 |
| Haiti                            | 6.53  | 2.36  | 2.50  | 2.63  | 1.24  |
| Honduras                         | 28.03 | 22.00 | 24.45 | 12.20 | 14.29 |
| India                            | 1.37  | 1.07  | 0.98  | 0.57  | 0.49  |
| Jamaica                          | 1.33  | 1.94  | 2.53  | 2.52  | 2.90  |
| Malawi                           | 1.86  | 1.17  | 1.20  | 0.90  | 0.50  |
| Mexico                           | 0.55  | 0.43  | 0.39  | 0.18  | 0.14  |
| Nicaragua                        | 31.67 | 25.83 | 26.23 | 17.78 | 13.50 |
| Panama                           | 3.13  | 1.85  | 1.09  | 0.80  | 1.18  |
| Papua New Guinea                 | 11.85 | 8.09  | 5.10  | 4.26  | 4.71  |
| Peru                             | 4.98  | 4.33  | 3.16  | 2.54  | 2.45  |
| Rwanda                           | 49.79 | 68.47 | 67.97 | 46.14 | 61.49 |
| Venezuela                        | 0.21  | 0.28  | 0.02  | 0.02  | 0.06  |
| Zambia                           | 0.66  | 0.96  | 1.08  | 1.15  |       |
| Zimbabwe                         | 2.17  | 1.25  | 0.72  | 0.62  |       |
| <b><i>Brazilian Naturals</i></b> |       |       |       |       |       |
| Brazil                           | 5.07  | 5.12  | 3.22  | 2.43  | 2.27  |
| Ethiopia                         | 67.37 | 56.58 | 51.66 | 30.96 | 33.64 |
| Paraguay                         | 0.11  | 0.08  | 0.13  | 0.13  |       |
| <b><i>Robustas</i></b>           |       |       |       |       |       |
| Angola                           | 0.15  | 0.08  | 0.02  | 0.01  | 0.04  |
| Congo, Dem. Rep. of              | 13.72 | 6.03  | 2.75  | 2.05  |       |
| Ghana                            | 0.08  | 0.37  | 0.10  | 0.09  |       |
| Guinea                           | 1.93  | 0.76  | 0.38  | 0.61  |       |
| Indonesia                        | 1.21  | 0.90  | 0.50  | 0.38  | 0.45  |
| Nigeria                          | 0.01  | -     | -     | -     | -     |
| <b><i>OAMCAF</i></b>             |       |       |       |       |       |
| Benin                            | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  |
| Cameroon                         | 3.96  | 5.75  | 4.24  | 2.78  |       |
| Central African Republic         | 5.63  | 9.75  | 5.69  | 1.77  |       |
| Congo, Rep. of                   | 0.00  | 0.00  | 0.00  | 0.00  |       |
| Cote d'Ivoire                    | 8.76  | 4.97  | 9.44  | 4.55  | 2.73  |
| Equatorial Guinea                | 0.03  | 0.01  | -     | 0.00  |       |
| Gabon                            | 0.01  | 0.01  | -     | -     |       |
| Madagascar                       | 26.80 | 13.77 | 3.12  | 0.90  |       |
| Togo                             | 1.39  | 6.44  | 3.72  | 1.77  | 1.44  |
| Philippines                      | 0.01  | -     | -     | -     | -     |
| Sierra Leone                     | 57.44 | 38.15 | 22.93 | 0.23  | 0.71  |
| Sri Lanka                        | 0.04  | 0.03  | -     | 0.01  | -     |
| Thailand                         | 0.12  | 0.07  | 0.07  | 0.05  | 0.01  |
| Trinidad and Tobago              | 0.09  | 0.05  | 0.02  | 0.01  | -     |
| Uganda                           | 59.02 | 52.86 | 27.24 | 21.44 | 22.21 |
| Vietnam                          | 6.42  | 4.89  | 3.18  | 2.27  | 1.83  |

The percentages contained in this table are derived from the value of exports of all forms of coffee as provided by Members and information on the value of exports of all commodities

TABLE 6

**ICO GROUP AND COMPOSITE INDICATOR PRICES**  
**MONTHLY AND ANNUAL AVERAGES**  
**1999 to 2003**

(US cents/lb)

|                                | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep   | Oct    | Nov    | Dec    | Annual average |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|--------|--------|----------------|
| <b>ICO composite indicator</b> |        |        |        |        |        |        |        |        |       |        |        |        |                |
| 1999                           | 97.63  | 92.36  | 89.41  | 85.72  | 89.51  | 86.41  | 78.21  | 77.22  | 71.94 | 76.36  | 88.22  | 95.63  | <b>85.72</b>   |
| 2000                           | 82.15  | 76.15  | 73.49  | 69.53  | 69.23  | 64.56  | 64.09  | 57.59  | 57.31 | 56.40  | 52.18  | 48.27  | <b>64.25</b>   |
| 2001                           | 49.19  | 49.39  | 48.52  | 47.31  | 49.38  | 46.54  | 43.07  | 42.77  | 41.17 | 42.21  | 44.24  | 43.36  | <b>45.60</b>   |
| 2002                           | 43.46  | 44.30  | 49.49  | 50.19  | 47.30  | 45.56  | 44.70  | 42.79  | 47.96 | 50.79  | 54.69  | 51.68  | <b>47.74</b>   |
| 2003                           | 54.04  | 54.07  | 49.61  | 51.87  | 53.19  | 48.90  | 50.89  | 52.22  | 54.10 | 51.72  | 49.81  | 52.44  | <b>51.91</b>   |
| <b>Colombian Milds</b>         |        |        |        |        |        |        |        |        |       |        |        |        |                |
| 1999                           | 123.07 | 116.92 | 117.05 | 114.02 | 123.95 | 121.45 | 107.05 | 105.28 | 97.77 | 103.69 | 126.76 | 140.35 | <b>116.45</b>  |
| 2000                           | 130.13 | 124.73 | 119.51 | 112.67 | 110.31 | 100.30 | 101.67 | 91.87  | 89.98 | 90.25  | 84.01  | 75.81  | <b>102.60</b>  |
| 2001                           | 75.33  | 76.70  | 76.94  | 78.25  | 80.92  | 74.38  | 69.70  | 73.50  | 68.80 | 62.88  | 64.89  | 62.33  | <b>72.05</b>   |
| 2002                           | 62.51  | 62.67  | 68.27  | 69.76  | 65.95  | 62.94  | 60.60  | 58.10  | 64.15 | 67.92  | 70.70  | 65.38  | <b>64.91</b>   |
| 2003                           | 67.27  | 67.47  | 62.16  | 64.4   | 65.74  | 61.61  | 64.87  | 65.65  | 67.55 | 66.17  | 64.39  | 66.68  | <b>65.33</b>   |
| <b>Other Milds</b>             |        |        |        |        |        |        |        |        |       |        |        |        |                |
| 1999                           | 112.96 | 105.48 | 105.39 | 102.11 | 111.07 | 107.21 | 94.85  | 91.37  | 84.31 | 94.20  | 113.38 | 124.46 | <b>103.90</b>  |
| 2000                           | 111.11 | 103.44 | 100.73 | 94.61  | 94.15  | 86.44  | 87.35  | 76.92  | 75.78 | 76.66  | 71.54  | 66.16  | <b>87.07</b>   |
| 2001                           | 65.98  | 67.19  | 66.50  | 66.13  | 69.22  | 63.90  | 58.72  | 59.72  | 58.07 | 56.40  | 58.85  | 56.72  | <b>62.28</b>   |
| 2002                           | 58.25  | 59.12  | 64.47  | 65.43  | 61.40  | 58.57  | 56.48  | 54.27  | 60.67 | 65.73  | 69.87  | 64.16  | <b>61.54</b>   |
| 2003                           | 65.57  | 66.41  | 61.75  | 64.69  | 66.26  | 61.04  | 62.95  | 63.89  | 66.41 | 64.3   | 62.28  | 64.86  | <b>64.20</b>   |
| <b>Brazilian Naturals</b>      |        |        |        |        |        |        |        |        |       |        |        |        |                |
| 1999                           | 99.43  | 91.72  | 88.90  | 86.14  | 96.29  | 91.69  | 78.13  | 76.67  | 70.43 | 78.74  | 98.41  | 109.47 | <b>88.84</b>   |
| 2000                           | 97.68  | 91.51  | 89.93  | 86.46  | 87.23  | 78.32  | 79.89  | 70.57  | 71.14 | 72.28  | 68.95  | 64.39  | <b>79.86</b>   |
| 2001                           | 62.38  | 62.50  | 60.35  | 55.11  | 57.19  | 51.86  | 46.43  | 46.49  | 42.42 | 38.63  | 42.82  | 42.21  | <b>50.70</b>   |
| 2002                           | 43.14  | 43.17  | 48.70  | 49.70  | 45.39  | 43.00  | 43.31  | 40.18  | 44.53 | 46.08  | 49.25  | 46.55  | <b>45.25</b>   |
| 2003                           | 49.31  | 48.97  | 43.77  | 48.55  | 51.12  | 46.88  | 49.5   | 52.48  | 54.86 | 52.81  | 50.73  | 54.79  | <b>50.31</b>   |
| <b>Robustas</b>                |        |        |        |        |        |        |        |        |       |        |        |        |                |
| 1999                           | 82.29  | 79.23  | 73.42  | 69.32  | 67.94  | 65.59  | 61.56  | 63.07  | 59.57 | 58.52  | 63.05  | 66.79  | <b>67.53</b>   |
| 2000                           | 53.18  | 48.86  | 46.25  | 44.45  | 44.32  | 42.68  | 40.82  | 38.25  | 38.83 | 36.14  | 32.81  | 30.38  | <b>41.41</b>   |
| 2001                           | 32.40  | 31.58  | 30.52  | 28.49  | 29.54  | 29.17  | 27.43  | 25.82  | 24.27 | 23.24  | 23.68  | 24.35  | <b>27.54</b>   |
| 2002                           | 22.81  | 24.37  | 29.10  | 29.34  | 28.32  | 28.42  | 28.60  | 27.88  | 32.08 | 33.33  | 37.93  | 38.06  | <b>30.02</b>   |
| 2003                           | 41.18  | 40.67  | 37.17  | 37.42  | 37.8   | 34.21  | 35.35  | 36.3   | 37.35 | 35.88  | 34.11  | 35.9   | <b>36.95</b>   |

**LIST OF LEAST DEVELOPED COUNTRIES (LDCs)**

LDC Members of the Common Fund and the International Coffee Organization

| <b>Country</b>                | <b>Region</b> |
|-------------------------------|---------------|
| Angola                        | Africa        |
| Benin                         | Africa        |
| Burundi                       | Africa        |
| Central African Republic      | Africa        |
| Congo, Democratic Republic of | Africa        |
| Equatorial Guinea             | Africa        |
| Ethiopia                      | Africa        |
| Guinea                        | Africa        |
| Haiti                         | America       |
| Madagascar                    | Africa        |
| Malawi                        | Africa        |
| Rwanda                        | Africa        |
| Tanzania                      | Africa        |
| Togo                          | Africa        |
| Uganda                        | Africa        |
| Zambia                        | Africa        |

**LIST OF PROJECT IDEAS RAISED AT THE  
CFC ROUND TABLE IN GUATEMALA**

*Production-related proposals*

1. “Research into technologies for coffee drying” (e.g. solar technology)  
Countries: Costa Rica, Ecuador, Jamaica and Guatemala
2. “Establishment of centres for washing and processing coffee”  
Countries: Haiti, Cuba
3. “Implementation of computer-based information system covering all activities in the coffee chain”  
Countries: Costa Rica, Ecuador, Guatemala
4. “Increased information exchange among producers”  
Country: Haiti
5. “Promoting the formation of cooperatives of small farmers”
6. “Research on how to contain new coffee diseases”
7. “Adoption of agro-ecological approach to minimise use of chemicals and pesticides”  
Country: Cuba
8. “Improvement of coffee quality”  
Country: Honduras
9. “Measures to increase coffee yield”  
Countries: Honduras, Cuba

*Consumption-related proposals*

10. “Increasing consumption of quality coffee in the tourist industry”  
Country: Cuba
11. “Development of policies and strategies to overcome market imbalances”  
Countries: Mexico, Haiti
12. “Study on the beneficial health effects of coffee consumption”  
Country: Costa Rica

13. “Development of niche markets”

Country: Cuba

14. “Development of organic coffee and cost effective certification procedures”

Country: Cuba

**OTHER PROPOSALS**

15. “Measures to reduce the long chain of intermediaries”

Country: Haiti

16. “Crop diversification”

Country: Honduras

17. “Identification of suitable agro-forestry measures for diversification from coffee production”

Country: Honduras.

18. “Increase of value added coffee products in producing countries”

19. “Use of coffee waste to create natural fertilisers and compost”

20. “Treatment of residual water from coffee washing stations”

21. “Decomposition of coffee hull into easily handled manures for soil treatment”

Country: Jamaica

**LIST OF PROJECT IDEAS RAISED AT THE  
CFC ROUND TABLE IN AFRICA  
(Held in Cairo, 1999)**

**Working Group II – Coffee, Cocoa and Tea**

Chairman: Mr. Fred Mwesigye, Ministry of Tourism, Trade and Industry, Uganda  
Secretary: Mr. Caleb Dengu, Associate Project Manager, CFC

The Working Group identified the key problems, which were found to be common among commodities and countries, and identified possible solutions:

**(1) Input credit**

It was noted with concern that input credit to small producers had collapsed or is now non-existent in most producing countries. This has led to the continuous decline in production per hectare, declining incomes and increasing poverty.

It was proposed that CFC should design and pilot input credit schemes with minimum transaction costs. Tanzania was chosen to take the lead in this area. The project title will be **“Designing and piloting suitable credit schemes for small producers in selected African countries”**.

**(2) Producer co-operatives or organizations**

It was noted that following the abolition of marketing boards, small producers are now fragmented and weak. This has reduced their capacity to receive research and extension service, price information, access to credit and bargaining power. This has increased the risk and transaction costs of small producers.

It was suggested that CFC should finance a project to mobilize and structure producer associations in the various commodity sectors by training extension officers in co-operative management. Nigeria and Uganda kindly agreed to take the lead in developing this project, **“Creating and strengthening coffee producer organizations in selected African countries”**. It was noted, however, that CFC could not support institution building.



**(3) Ageing plantations and ageing farmers**

It was noted with concern that in some countries plantations are over forty years old and farmers are over sixty years old. Young farmers in some countries are not entering the coffee and cocoa production sector.

It was proposed that farmer incentive packages have to be developed which include new genetic material on high yielding and disease resistant varieties and a financing package. Nigeria kindly agreed to take the lead with the assistance of the InterAfrican Coffee Organization: **“Rejuvenation of the coffee and cocoa farming sector by supporting young farmers and promoting the use of high yielding and disease resistant varieties”**.

**(4) Demand management**

It was recognized that production increases should be matched by consumption increases. It was noted that domestic consumption of coffee was very low in African markets compared with other expensive beverages like coca-cola. It was suggested that more promotion within and outside Africa should be initiated. The countries proposed the CFC to finance promotion in selected markets in Africa. The International Trade Centre and InterAfrican Coffee Organization agreed to lead in the development of this project: **“Promotion of coffee consumption in Africa”**.

**(5) Declining coffee, cocoa and tea prices**

The meeting noted that the prices paid to producers continue to decline while the prices of final products are increasing. The meeting felt that one or more sectors in the chain are taking a disproportionate share of the price paid by the consumer. It was felt that the reference market should be the consumer because the price difference between the New York or London price with the consumer price is too wide.

It was proposed that CFC should finance a study of the pricing or costing system in the chain from the producer to the consumer and to establish how much is being claimed by each sector in the chain. ICO and ICCO will jointly sponsor the project preparation: **“Analysis of coffee and cocoa pricing structure from production to the final consumer”**.

**(6) Financing**

It was noted that financing was a big constraint to production, trade and marketing for indigenous players. It was proposed that CFC should make available credit facilities at

internationally competitive rates to indigenous organizations through local financial institutions. Limitations of CFC lending capacity for projects, which have private entities as borrowers or require large financial resources, were however noted. Kenya kindly agreed to develop this project: **“Structured production and trade credit to the coffee and cocoa sectors in selected African countries”**.

**(7) Research capacity and supply of new material**

It was observed that research capacity in Africa is contracting because of lack of support. There is a need to strengthen the research capacity in order to provide the high yielding and disease resistant varieties of rootstock to African producers. It was proposed that CFC should finance production of the material through strengthening the research institutes in selected producer countries. Zimbabwe and the InterAfrican Coffee Organization offered to develop this proposal: **“Breeding rootstock of high yielding and disease resistant coffee to rehabilitate African plantations”**.

**(8) Project Preparation Facility**

The Working Group proposed that CFC should facilitate the preparation of these projects through the Project Preparation Facility where possible to enable the volunteering countries and institutions to develop these multi-country projects.



Organización Internacional del Café  
Organização Internacional do Café  
Organisation Internationale du Café

CFC/ICO No. 8/06

27 October 2006  
Original: English

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Workshop

**Report of CFC/ICO workshop on  
coffee development priorities held  
on 27 September 2006**

1. A workshop organized by the Common Fund for Commodities (CFC) and the International Coffee Organization (ICO) took place at the headquarters of the ICO on Wednesday 27 September 2006 chaired by Mrs. Josefa Sacko, Secretary-General, InterAfrican Coffee Organization (IACO). 135 registered participants, mainly delegates to the International Coffee Council, attended together with some observers. The purpose of the workshop was to help the CFC to develop a Five-Year Action Plan (FYAP) for 2008 – 2012 on issues related to coffee matters. As part of this process, the ICO, as the International Commodity Body (ICB) for coffee, had been invited to identify priority areas for assistance to guide the ICO and the CFC on coffee projects to be submitted to the CFC. Annex I contains a list of contributions received from Members and documents circulated at the workshop.

2. In her opening remarks, Mrs. Sacko welcomed the opportunity for ICO Members to contribute their priorities on projects and noted that the CFC had two accounts for funding development projects, the first of which was for market systems project proposals, and the second for commodity development project proposals. The ICO Executive Director, Mr. Néstor Osorio, thanked the CFC for being ready to consider suggestions from ICO Members, which could help to ensure effective collaboration between both organizations. He noted that the CFC was a major funder of coffee development projects, through which it had made an outstanding contribution to improving conditions in the coffee sector. Both organizations needed to address new priorities in the sector, including increasing consumption in producing countries, which was a particular priority in developing a balance between supply and demand.

3. Mr. Getachew Gebre-Medhin, Chief of Policy, Programme Management and Evaluation Unit, CFC, made a presentation on the CFC's programme approach in supporting specific commodities taking into account their priority development needs (contained in document CFC/ICO No. 6/06). Mr. Caleb Dengu, First Project Manager, CFC, made a presentation entitled "The key drivers for coffee sector competitiveness – a development perspective" and Mr. Pablo Dubois, Head of Operations, ICO, introduced the ICO's perspective on coffee development priorities (contained in document CFC/ICO No. 5/06).

4. A number of delegates highlighted the importance of developing consumption such as in domestic markets as a means of balancing supply and demand. More needed to be done to help producing countries add value to their product. This issue was also relevant to the development of infrastructure, which was a priority area for the CFC. Delegates stressed the need for ICO Members to determine coffee policy and priorities as they had competence in this area and noted that the CFC should not have a preconceived idea of coffee priorities. The point was made that some projects had considerable support from ICO producing Members who would like the CFC to consider financing them, although they sometimes seemed to be considered by the latter to lie outside its sphere of competence. It was also suggested that the CFC should use national and regional consultants in projects.

5. In response to these points, Mr. Getachew noted that, in the CFC's experience, generic promotion had not resulted in measurable improvements to the marketing of specific commodities, and requests for finance for proposals to increase consumption could exceed its resources, which were limited. The CFC's task was to achieve measurable results in the area of poverty alleviation and promotion would not result in direct improvements to the livelihoods of poor people. However, some aspects could be supported, such as development of niche markets by countries which had been particularly affected by trade liberalisation or adding value, such as packaging and distributing coffee in internal markets. With respect to training, while this was important, the CFC could not finance training projects that were not linked to commodity development; there were other institutions which could assist with developing human resources. He urged Members to ensure that proposals were in line with CFC priorities and met screening criteria to avoid wasting ICO and CFC resources. The CFC was willing to address issues facing producing countries to enable them to trade effectively and efficiently in the international trading system, including quality, market access, food safety, diversification or higher quality varieties. Finally, he stressed that the CFC's intention was not to impose its views on ICBs, however it was constrained by its mandate.

6. The Head of Operations added that in many respects the CFC and the ICO were not too far apart. Increasing consumption in producing countries was an important strategy which could generate multiplier effects, in terms of developing new economic activities and employment in these countries through expanding their industries, and also gave countries

invaluable experience before embarking on exporting processed coffee. He also stressed that in terms of projects for the coffee sector, it was important to prioritise these in accordance with policies developed by ICO Members which would be expressed at this workshop.

## **AFRICA**

7. The representative of the Côte d'Ivoire noted that the ICO's mandate for priority areas of work was set out in the 2001 Agreement, including Article 31 on studies and research. According to this mandate, all project-related activities should be aimed at achieving a sustainable world coffee economy, which implied that projects should be concerned with economic conditions for coffee production and distribution. He highlighted the importance of measures taken in producer and consumer countries to increase consumption, both in traditional and new forms. Small farmers played an important role in coffee growing and the world coffee economy. Projects should raise their awareness about the concept of a sustainable coffee economy and positive results from project implementation should allow growers to improve their farming practices. Not all coffee growers were members of cooperatives or associations. This should be taken into account when formulating and implementing projects and consideration given to capacity building to boost the numbers of farmers organized in cooperatives. Effective project implementation depended on a basic physical and institutional infrastructure, including not only roads and communication links but social infrastructure covering education, drinking water, and health. Activities carried out in the framework of economic sustainability should be linked to activities designed to bolster social sustainability. The African Group proposed the following priority areas:

- Support for small coffee producers in Africa: this should include identifying new models designed to build producers' capacity and enable them to achieve better organization, with support from the CFC. It could include better quality production by Robusta producers, to attain niche markets.
- Capacity building for the private sector: there was concern that in the post-liberalisation period most coffee institutions were very weak and there was only an embryonic private sector in many countries.
- Sustainable coffee production: the key objectives in this project area would be to improve coffee quality, and ensure coffee diversification to make coffee more competitive and augment farmers' incomes.
- Diversification: it was questionable whether this was really worthwhile given increases in trade barriers and new challenges such as food security and ethical problems. The long-term viability of this needed to be considered.
- Promotion of consumption: the CFC should understand the importance of promoting consumption through objective information on health and nutrition, and reconsider its position to be able to support promotion, and particularly development of domestic consumption in producing countries. It was often said that the private sector should

undertake this latter activity, but in some countries, the private sector was practically non-existent. The African Group strongly recommended that promotion of consumption should be taken into account and that the CFC's Managing Director should be informed of its recommendation.

- Coffee rehabilitation: coffee production had been greatly reduced in Africa. It was not proposed that there should be new planting, but rather that it should be possible to rehabilitate existing plantations in countries affected by civil war or internal crises. The CFC should be able to help those countries and assist them in recovering production levels, taking due account of the crises.
- Profitable prices: the CFC could do more to assist producers in this area by providing special First Account assistance to the extent that it was in a position to finance projects on risk management.
- Projects should come from recipient countries: sometimes projects appeared in countries but the authorities and country project managers were unaware of the projects' existence, making it difficult to ascertain the impact on countries. The CFC should ensure that projects really came from recipient countries.

8. In response to these points, the representative of the CFC noted that the emphasis on smallholders was consistent with CFC policy and its aim to reduce poverty. While health and nutrition were important issues, projects involving basic research could not be supported as they could result in failure or partial success, and could require additional research. The CFC's second account was for applied research such as dissemination of improved germplasm varieties. In the case of rehabilitation, the CFC was concerned that projects should not create imbalance of supply in the market. The ICO should justify the exceptional circumstances for such proposals although there was no guarantee that they would be approved in view of the recent crisis of oversupply of coffee.

## **ASIA AND OCEANIA**

9. The delegate of India noted that market development should be supported as, if producers could sell coffee in their countries, they could add value to their product and benefit from increased remuneration. The question of exporting added-value products could then be considered. Producing countries should also be willing to invest in this area. It was important to look at ways of achieving the best results and sources of finance, and he urged the CFC to bear these factors in mind. There were no major issues to raise other than those that had already been discussed and the need to focus on small growers worldwide.

## **CENTRAL AMERICA**

10. The representative of Guatemala flagged a number of issues which could be of interest to the Central American region. As other delegates had noted, the CFC should not define the policies of a commodity organization, but should take them into account when

defining policies for supporting projects, otherwise it would approve projects that were unrelated to the sector's strategy. It was also important to coordinate efforts on projects in various countries, to maximise impact and avoid wasting resources. He drew attention to the following areas:

- Improving quality was important and should be combined with good productivity. In Guatemala, approaches had included monitoring the altitudes at which coffee was grown, which resulted in improved quality. This had been followed by a regional approach and specialty coffee flavours and aromas were now important. This approach was to be recommended as the market demanded this type of product.
- Adding value: added value was provided not only through industrialisation but, also in the case of Guatemala, through a strategy of regional quality and differentiated coffee qualities for each country. Strategies could be successfully developed along these lines. The issue of origins was also relevant, as different countries produced distinctive products.
- Environmental issues: these were important not just in the case of ensuring correct processing, but also with regard to the benefits that coffee contributed to the environment: generating oxygen, carbon sequestration, protecting water sources, and as an energy alternative to firewood, helping to ensure that resources or natural forests were not destroyed.
- Small producers: the suggestions for specific support for small producers called for specialised promotion, and identifying market niches and market intelligence.
- Income diversification: there were many options for improving and diversifying income in coffee-growing areas. Although the CFC had not considered that it was relevant to finance a tourism project, the proposal concerned coffee and tourism, rather than tourism as an isolated activity, and would generate added value such as opportunities for employment as well as making a contribution to the environment.
- The CFC should reflect on the potential for added value generated by coffee and the contribution it could make. In Guatemala, a study had been carried out on the potential of coffee regions for hydro-electric power generation, which represented opportunities for generating energy and income diversification.
- Training-related topics ranged from quality, agronomy issues, marketing and added value, to business and organizational issues. Small producers needed the support of a more consistent business vision, but also an organizational infrastructure to be able to plan and to take advantage of economies of scale.
- Domestic consumption from the perspective of coffee and health was very important and well advanced in countries such as Brazil. Consideration could be given to ensuring that consumers did not have concerns about health, and to increasing standards of coffee.

- Finally, the issue of food safety was important and measures had been taken in Japan and other countries in this area. It was very important to enhance awareness among producers about the rational use of agro-chemical products.

11. The representative of Honduras said that improving quality worldwide was a fundamental priority. On the basis of this, countries could work on other priorities such as promotion, diversification and rehabilitation of coffee farms. These themes were important for the future of the coffee sector. He noted the need for the CFC to update its priorities to reflect changes in the global market and to take account of these issues in its next FYAP 2008 – 2012.

12. The representative of Mexico said that the challenge in the light of forthcoming changes at the ICO was how to ensure that projects were completely compatible with the CFC's policy. In the case of market development projects, it was of interest that small producers should gradually enter the added value chain. This was a major task if the internal market had not been developed previously. While these markets did not exist, producers were in a situation of "dog eat dog". It was important to ensure that such projects dovetailed with the CFC's policy and to send a clear political message that it was part of the ICO's strategic approach.

13. In response to these points, the representative of the CFC noted that the area of the environment should be linked to commodity development, giving examples of projects in Cameroon and Guatemala where farmers were using the forest for sustainable and agricultural product development as proposals that the CFC had supported. Sustainability in the context of commodity production was acceptable, and he added that the CFC had also financed several projects on industrial effluents in the context of value addition.

## **SOUTH AMERICA**

14. The representative of Brazil highlighted the following points as important for project strategy:

- Importance of research, development, investment in technology and training programmes: Brazil had accumulated a great deal of experience in these areas which accounted for the success of its coffee economy.
- Small producers: this should be dealt with as a general issue rather than one of poorer countries or particular regions, as almost 90% of world coffee output was farmed by small producers. Even in countries like Brazil, where commercial farming played a major role, small producers were responsible for some 75% or 80% of Brazil's output.
- Promotion: Brazil had doubled its consumption in the past decade thanks to a national programme that covered issues such as coffee and health; seal of quality and



matters concerning adding value within the entire coffee production chain. This was an approach that could be important in terms of increasing consumption, and which transcended the debate about whether promotion was a priority issue or not. The issue of boosting consumption was fundamental for producing countries, and the Brazilian experience, which had been presented to the Promotion Committee, was an important one in this respect.

15. The representative of Colombia said that there was interest in topics such as environmental, social and economic sustainability. Quality was important and a further priority was the adoption of new drying and washing technologies and environmentally friendly technology. Organizational development was vital as without this it was very difficult to carry out extension work or to provide support for small producers. Small producers needed tools, and in this context, the study on cost-benefit analysis of the different sustainability initiatives could prove very important. Information and knowledge were also important. The International Trade Centre's coffee guide website was an interesting initiative, although the CFC had not considered it as meeting its priorities, as was the CABI's Coffee Compendium containing information and technical knowledge specially designed for small producers.

16. In response to these points, the representative of the CFC said Brazil had assisted the CFC on a number of occasions with projects and capacity development. Regarding the cost-benefit analysis project, although this study was outside the CFC's mandate, if it were undertaken and resulted in concrete recommendations which needed to be implemented, the CFC might be able to assist (see also paragraph 5 on training). The CFC would like to be supportive but had limited finance to support projects and had to decide whether to use its resources for a study which cost several million dollars, but might not have a direct impact on poverty, or projects which would have a direct impact such as assistance to countries affected by crises. The CFC had recently financed a US\$120,000 study by the International Cocoa Organization (ICCO) to undertake a value chain analysis between some African producing countries and Brazil, and a proposal such as this would be more suitable for submission.

## **CONSUMERS**

17. The representative of the European Community (Finland) noted that the discussion had facilitated a constructive exchange of views. There was a need for close cooperation between both bodies in planning and preparing projects. It was important to continue this dialogue and to adopt a constructive approach. He hoped that the CFC would convey the concerns of Members to its decision-making bodies.

18. The representative of the USA said that the relationship between the ICO and the CFC was an important one. The workshop was being held at a time when Members were discussing the future role and priorities of the ICO including the 2001 Agreement. This

process would have implications for the ICO's future objectives as well as for projects and strategic priorities in this area. It should be completed within the next year and would inform the ICO's relationship with the CFC and other organizations. Both the ICO and its priorities were likely to change and it was important to bear in mind that priorities for projects could not be set in stone at this time, and could change in the next few months or years.

19. The Chairman of the Promotion Committee introduced document CFC/ICO No. 2/06. He stressed the importance of customer satisfaction. This could be achieved through support for breeding programmes (applied genetics) to control coffee defects. Making use of existing coffee defects by adding value to them was also important. Another priority was post-harvest handling and quality assurance covering operations such as pulping, fermenting, washing, drying and storage. Drying was a particularly critical point in the coffee chain and appropriate field techniques and processing knowledge needed to be disseminated. Market access and market development were also important and production of higher quality coffee was important for customer satisfaction in this respect. Regarding the ICO/CFC relationship, he suggested that the ICO should screen proposals for submission to the CFC; the CFC should support pilot projects and if they yielded positive results, the World Bank should consider transforming them into large-scale projects (see also paragraph 23 below). Regarding evaluation, it would be advisable to introduce a system to review the results of projects. This could be done by an independent third party who would carry out technical audits of projects. He highlighted the major risk to producing countries from the spread of coffee wilt disease which could be air-borne to other continents. It would be important to explore cooperation with research centres such as the Centre for International Cooperation in Agronomic Research for Development (CIRAD) which were trying to identify genes that resisted the disease. Finally, he said that the project entitled "Improving coffee quality in East and Central Africa through enhanced processing practices" was aimed at making small farmers independent from the middleman by improving primary processing methods at the village level. If successful, it would be an important model for small farmers worldwide.

20. The delegate of Switzerland said that it was important that the CFC understood the concerns of Members, and also that the ICO understood the constraints faced by the CFC. It would be useful for both Secretariats to work together to create a match between what ICO Members wanted and what the CFC could do. The paper by the Chairman of the Promotion Committee was useful, particularly with respect to the ICO/CFC relationship.

## **OBSERVERS**

21. The representative of CABI made a presentation on African coffee, including the problems faced by farmers and policy-makers. Africa needed to re-evaluate its coffee industry, both in the light of production problems such as soil fertility, water shortages, and losses from pests and diseases, and in the light of new external realities such as global warming, technological competition and financial competition. Solutions needed to be

fostered by institutions in a range of areas such as new knowledge, micro-business and quality improvement. Recent project experience indicated that the way forward included participatory work with farmers and national institutes, adaptive research on key production constraints, training, dissemination etc. CABI's experience suggested that Africa needed to re-engineer the way it grew coffee to face the challenges of this century. Concerted action using all available techniques was needed: high-profile campaigns using clever messages over a wide range of media, sustained strengthening of institutions and a range of micro-business initiatives. The CFC/ICO coffee wilt project and the CFC/Illy/ICO project to improve coffee quality in East and Central Africa through enhanced processing practices were good examples of solutions.

22. The representative of the World Bank welcomed the opportunity to participate. The Bank would also welcome the opportunity to take part in an informal meeting to discuss project ideas and blockages. Its Commodity Risk Management Group (CRMG) had worked closely with the ICO and the CFC for a number of years to develop strategies to bridge the gap between producers who were vulnerable because of price volatility and international financial markets which had products that could reduce exposure to price risk, and to improve profitability and creditworthiness. The Bank had cooperated on programmes on coffee and other commodities in Africa with the ICO and the CFC, and other programmes were being implemented in Latin America. Considerable progress had been made and important lessons had been learnt in the case of projects in El Salvador and Tanzania. The World Bank's work had been evaluated positively in 2005 and as a result of this, the CRMG was ready to scale up its work, using local project staff in each country and local partnerships to carry out training and capacity building.

23. The representative of the United Nations Conference on Trade and Development (UNCTAD) said that the CFC was an important partner and the only organization dedicated to financing commodities, and the ICO was a key actor in the coffee economy. While UNCTAD was not undertaking specific projects on coffee at present, this could change in the future. Its work on diversification, quality, financing, including structured finance for producers, and general analysis was important for the coffee sector. In the case of financing, its approach was innovative, based on the value chain and using stronger parts of value chain as a means to finance weaker links.

## **SUGGESTIONS FOR IMPROVING PROJECT PROCEDURES**

24. Mrs. Lilian Volcán, Projects Officer, ICO, made a presentation outlining the role of the Virtual Screening Committee (VSC) in reviewing projects in the projects cycle, which made a significant contribution to streamlining the process of reviewing new proposals prior to approval by the ICO. She stressed that, in the case of proponents, delays in reformulating proposals could hold up the processing of projects and drew attention to the fact that ICO screening was also intended to assist with technical recommendations

following the points contained in the draft checklist for screening coffee project proposals (document CFC/ICO No. 4/06) which was still open to suggestions from Members<sup>1</sup>. The Executive Board had requested the Executive Director to consider revised terms of reference for the VSC which could include recommending whether or not proposals should be approved. The ICO would consider the suggestions made by Members and seek to enhance the process of reviewing projects. In connection with CFC funding, a range of matters needed to be considered in the light of new FYAP procedures to be adopted by the CFC, such as the extent to which the CFC would be able to assist recipient countries with Project Preparation Facilities if new proposals needed reformulation, as well as its policies on mixed loan-grant financing and co-financing. In the case of reformulation, the ICO was also looking at developing links with multilateral agencies which might be able to assist in this respect, such as the Food and Agriculture Organization of the United Nations (FAO) with which a Memorandum of Understanding had been established.

25. In discussions on this item, concern was raised about delays in implementing projects from the time they were conceived and approved by the CFC. Lengthy delays could mean that the project was no longer relevant. Time was of the essence, and the period between approval and implementation needed to be addressed to avoid wasting resources. The point was also made that in the area of project procedures, there were concrete proposals for amending the Agreement and strengthening this area, including monitoring and evaluation. It would be useful for the Secretariat and Members to discuss this and to have input from the CFC about how it saw its role with respect to ICBs in evaluating and approving projects.

26. In response to these points, the representative of the CFC noted that the CFC was considering the possibility of clarifying project procedures and policy documents at a workshop to enable representatives of ICBs to give their suggestions. The CFC Executive Board needed to give the approval for this event and the CFC would advise the ICO in due course about this.

## **CONCLUDING REMARKS/NEXT STEPS**

27. The Chairperson closed the meeting by thanking Members and observers for their contributions and recommending that the CFC and ICO Secretariats should work together to harmonise the issues raised during the workshop. She reiterated the request for the CFC to consider the issue of increasing consumption in its FYAP as all Members had highlighted this as a particular priority, and it was an important means of ensuring balance between supply and demand. The issue of small-scale farmers was within the remit of the CFC and projects should be demand-driven. Finally, the issue of technical auditing was very important in view of the need to assess concrete results from projects.

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<sup>1</sup> *Comments on the draft checklist for screening coffee project proposals contained in document CFC/ICO No. 4/06 may be sent by email to: volcan@ico.org by 15 November 2006.*

## CONCLUSIONS

28. The ICO considered that the discussions had provided an important platform to raise and agree key development priorities for the coffee sector which reflected the policies of ICO Members. Members expressed their great appreciation to the CFC for its valuable support on projects and the opportunity to submit at this workshop a forward-looking strategy to address the central issues of development for the coffee sector.

29. As had been noted by the Africa region, coffee institutions had been weakened in the post-liberalisation period, so capacity building was particularly important. The ICO had always highlighted the need to strengthen coffee institutions in the interest of a sustainable and competitive trading economy that would enable producing countries to have the necessary degree of commercial expertise, access to credit and appropriate legal framework to function effectively. In general, all coffee projects should be analysed in terms of their contribution towards sustainability in the coffee sector, bearing in mind the three aspects of economic, environmental and social sustainability.

30. In the light of these considerations, the following strategic priorities were agreed by participants:

- **Market development:** projects to encourage domestic consumption in producing countries are key factors in the development of economic sustainability. Not only do they stimulate small and medium business development, awareness by producers of consumer needs, and technological progress, but they also contribute to producing value-added products. The marketing of such products domestically provides important experience in the future development of value-added coffee exports. The encouragement of domestic consumption may be done through a number of programmes of action which would normally not include generic promotion as such. It should also be recognised that increased domestic consumption also contributes to a healthier global balance between supply and demand, and can provide an advantageous alternative market for producers.
- **Quality improvement:** this was seen as a basic ingredient in encouraging sustainability of consumption and increase of value. This area included drying and other processing techniques and certification.
- **Production constraints:** monitoring and controlling coffee pests and diseases, dissemination in the use of disease-resistant and high quality varieties and new technology, capacity building of institutions in producing countries (this is particularly important for small-scale producers, who account for almost 90% of

world coffee output), action to address the impact of climate change, and compliance with international food safety requirements. Rehabilitation of coffee production in suitable areas which have been affected by major destructive climatic or political events.

- **Marketing systems improvement:** access to credit and insurance instruments such as price-risk management schemes, access to market and technical information for small producers.
- **Diversification:** both vertical diversification along the value chain and horizontal diversification into other commodities or activities are useful tools to promote economic sustainability where conditions are appropriate. The aim should be to create a balanced enterprise for farmers which need not entail total elimination of coffee growing. A careful analysis of market and ecological conditions is essential in embarking on projects in this area.
- **Research and development of new technologies:** research and development of technologies to improve conditions for producers can be instrumental in assuring a healthy coffee sector. This should be seen together with the necessary capacity-building measures and training to ensure the dissemination of the results of such research. Special attention should be given to environmental issues in view of the positive impact of coffee growing on the global environment.

31. Finally, it was stressed that these priorities would be subject to regular review by the International Coffee Council, particularly in the light of the development of ideas relating to the future of the International Coffee Agreement.

**Documents circulated for the CFC/ICO workshop on 27 September 2006**

(Copies of all documents are available on the  
Meetings/Events/ICO workshops Section of the ICO website)

|                               |   |
|-------------------------------|---|
| ED-1995/06 Rev. 1             | Revised programme for the workshop (containing Annex with questionnaire)  |
| CFC-ICO 1/06                  | Concept note submitted by the Coffee Quality Institute  |
| CFC-ICO 2/06                  | Communication from the Chairman of the Promotion Committee  |
| CFC-ICO 3/06                  | Contribution from Angola  |
| CFC-ICO 4/06                  | ICO VSC – draft checklist for screening coffee project proposals  |
| CFC-ICO 5/06                  | Coffee Development Projects – The ICO perspective   |
| CFC-ICO 6/06                  | The CFC’s Programme Approach in supporting specific commodities taking into account their priority development needs  |
| CFC-ICO 7/06                  | Communication from the Republic of Guinea   |
| EB-3768/01 Rev. 3             | ICO Development strategy for coffee   |
| ED-1996/06                    | Deadlines for submission of project proposals in 2006/07  |
| EB-3854/03                    | Guidelines for the monitoring by the Organization of coffee projects financed by the CFC                              |
| EB-3312/91                    | Report of the Chairman of the Working Group on Relations with the Common Fund   |
| EB-3573/96 Rev. 4             | Basic information on the submission of applications to the CFC for financial support for activities related to coffee |
| WP-Board No. 955/04<br>Rev. 1 | Virtual Screening Committee – Draft terms of reference  |

- CFC Presentation by Mr. Caleb Dengu: The key drivers for coffee sector competitiveness – a development perspective
- CFC – screening criteria and checklist of key indicators for project selection
- CFC Regional Round Table, Cameroon (18 – 21 September 2006) – Working Group 1 (Coffee, cocoa and tea)
- Presentation by Mr. Dennis Rangi, Executive Director, CABI: Coffee in Africa

Other contributions received and submitted to the CFC but not circulated formally:

**Members:**

- Burundi
- Côte d’Ivoire
- Madagascar

**Observers:**

- Cafe Africa
- Fundación ETEA