



International Coffee Organization  
Organización Internacional del Café  
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### **Communication from Brazil**

#### **Background**

The attached document is being circulated at the request of the Parliamentary Coffee Group, which is part of the Brazilian Delegation.

#### **Action**

The Council is requested to take note of this document.

**CHAMBER OF DEPUTIES**  
**Parliamentary Coffee Group**

Ninety-fifth Session of the International Coffee Council

Contribution of the Parliamentary Coffee Group of Brazil

Chairman: Federal Deputy Carlos Melles  
Secretary: Federal Deputy Odair Cunha  
Coordinator: Federal Deputy Renato Casagrande

We are participating in this round of negotiations of the International Coffee Organization (ICO) as representatives of the Chamber of Deputies of the Brazilian National Congress.

During the last few days we have had the opportunity to discuss a new agenda for the activities of this Organization.

Since 1989, with the suspension of the economic clauses of the International Coffee Agreement (ICA) then in force, the ICO has been trying to find a new space and relevance in the international coffee economy.

For over ten years, the agenda and structure of the Organization has been making provision for the inclusion of new bodies and activities, as in the case of the establishment of the Private Sector Consultative Board and the Statistics Committee, in order to meet new demands and prepare innovatory proposals.

The quality of ICO statistics, a key element for ensuring market transparency, suffers from the poor rate of statistical returns forwarded by Member countries, with unequal demands being made on producing countries in this respect.

The Private Sector Consultative Board, which was included in the current ICA largely on the initiative of the then Brazilian Ambassador to the United Kingdom, Rubens Barbosa, has maintained an active agenda of meetings, dealing with important issues but with limited impact, considering the aims of the ICA and ICO as defined in the provisions of the Agreements in force for more than four decades.

The ICO, in carrying out the activities established in the Agreements and provided for in the annual Budget approved by the Council, has always been in the vanguard of the world coffee economy.

The end of the economic clauses of the ICA is not the only reason for the diminished dynamism of the ICO.

The fact is that, in political terms, the provisions of the most recent Agreements, and the Budgets approved by the ICC during the last decade, limit the effective action of the ICO.

Our position is that in the revision of the Agreement now being negotiated, we should promote activities that help to advance items on the agenda.

The development of the economic, social and environmental sustainability of the world coffee production network has never taken account of current constraints. Specific actions should be spelled out so as to transform this discourse, particularly in relation to its economic implications, into a concrete reality for sectors that have lost most income, namely small-scale producers.

World coffee consumption is increasing at reasonable rates, largely driven, in fact, by the increased consumption in Brazil. The phenomenon now occurring in our country will be repeated in other parts of the world – it is only a matter of time. Effective action by the ICO could shorten this time. Ten years ago no-one could have foreseen that total world demand would reach the level of 120 million bags in 2006/07.

All of us will remember the demand projections used a few years ago by some of the delegations here present, which indicated that if a producing country wanted to survive in the world coffee market it would have to displace competitors.

The introduction of the concept of “selectivity” was the beginning of the end of the economic clauses of the ICA, permitting a shift in demand to a particular coffee standard, on the basis of the premise that world coffee consumption was not only inelastic but also on a downward trend.

Fortunately, Brazil never believed in any of these assertions. We modernized our coffee farms, expanded the domestic market, created a Coffee Growers Defence Fund, established the Cédula do Produto Rural (Rural Product Identification Document) and implemented modern marketing and financing programmes like the sales options programme.

We also made a few mistakes in the process, the most serious being the sudden abolition of the Brazilian Coffee Institute. The Brazilian Congress, in a combined effort with the Executive Power, has managed to correct this, in part, by establishing the Deliberative Coffee Policy Council (CDPC).

In this regard, we wish to point out that the National Congress has created a new Special Commission to review the CDPC and Brazilian coffee policy, particularly in regard to the management of the Coffee Economy Defence Fund (FUNCAFE).

Brazil’s efforts in managing its coffee economy could serve as a reference for other producing countries, many of which still need to create conditions for restructuring management, production and marketing mechanisms.

Coffee continues to be subject to short-term seasonal factors. The data on the distribution of world coffee earnings are very sobering.

Though we cannot give precise figures because of the lack of information, the available data on the earnings of the world coffee economy indicate a total value of more than US\$80 billion per year. The world's coffee producers receive around 8% of this total. The relevant fact today is how much of the price paid by consumers finds its way into the hands of the growers.

We hope that the process of revising the International Coffee Agreement will provide an important role for the ICO in correcting this distortion by dealing with it in structural terms, for example, by building management capacity in producing countries and fostering the recovery of their coffee economies.

Coffee stocks held by producing countries are beginning to disappear. Even Brazil, which for many years accounted for the largest share of the world's coffee stocks, has begun its new coffee year with the lowest stocks in recent history. The same situation can be seen in the world's other producing countries.

In markets with an aggregate growth rate in demand of between 1.5% and 2% a year, which is equivalent to annual production in many of the world's producing countries, with stocks in producing countries at irrelevant levels and stocks in consuming countries already distributed among various agents, world price trends and volatility will become dependent on short-term fluctuations in production.

This is not the basis we want for the development of the world coffee economy. We can and should anticipate imbalances and take action in favour of developing the use of coffee worldwide and the sustainability of coffee production. Capacity-building for the world's coffee producing countries is of vital importance.

The lack of management capacity, the ability to administer the present and prepare the future, will merely lead a dozen or so countries to maximize their income if coffee price platforms are raised as a result of speculative waves.

Brazil's consistent efforts over the last few years should be emphasized. We cannot ignore these issues. Disparities between prices and the small share of the world's coffee growers in international earnings are partly attributable to the lack of management capacity and organisation in countries. The ICO and ICA should try to find solutions. The problems are evident.

There is no point in increasing the ICO budget to produce statistics while the problems at the sources of the data remain unsolved. The reason is simple and members of the Statistics

Committee can confirm my assertions. What is lacking in the information of producing countries is the organisation, collection and dissemination of data. For this, a structure, a proper organisation is required. There are no longer any appropriate institutions. They have disappeared or are being gradually weakened.

What happens in the ICO is both cause and effect of what has been happening at the very heart of the production system. The facts I have mentioned are known to everyone. Bringing them to this plenary Session, trying to broaden the ICA agenda to face them, may involve opening up an uncomfortable issue. It could imply the negotiation of a new ICA with wider political implications. But its consequences would certainly benefit millions of producers worldwide.

There will be no future for the ICO unless resources are allocated for the development of activities with direct benefits for producers. In the same way, no country in the world can succeed in developing its agricultural activities without solid credit systems and management capacity. These are permanent challenges for all the world's countries.

The main concern of the Parliamentary Coffee Group was and continues to be the economic, social and environmental sustainability of coffee growing worldwide. To this end, we should put forward concrete proposals designed to create the conditions for strengthening the management building process, increase consumption, improve coffee quality; in short, everything of interest to all sectors of the world coffee economy.

Carlos Melles  
Chairman  
Federal Deputy  
Brazil