



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

EB 3910/06

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Executive Board
260th Meeting
30 January – 1 February 2006
London, England

**Decisions Adopted
(260)**

1. The Executive Board, chaired by Mr. Mauro Orefice of Italy, met from 30 January to 1 February 2006.

Item 1: Adoption of the Agenda and schedule of meetings

2. The Board adopted the draft Agenda contained in document EB-3900/05 Rev. 1 and took note of the schedule of meetings.

**Item 2: Votes in the Council and Executive Board
for coffee year 2005/06**

3. The Board took note of the situation of outstanding payments affecting voting rights as at 27 January 2006 and approved the redistribution of votes in the Council and Executive Board for coffee year 2005/06 as contained in document EB-3895/05 Rev. 3.

**Item 3: Membership of the
International Coffee Agreement (ICA) 2001**

Item 3.1: Current situation

4. The Executive Director said that as at 30 January 2006, there were 74 Members of the Organization, comprising 44 exporting and 30 importing countries. Under the provisions of Resolution number 421, non-member countries had until 31 May 2006 to deposit an instrument of ratification, acceptance, approval or accession. Procedures for membership were contained in document ED-1900/01 Rev. 8. He was pleased to report that Latvia was the latest country to complete membership procedures, having deposited an instrument of accession with the UN Treaty Section on 4 January 2006.

5. Concerning non-member countries, the Ministry of Agriculture of Peru would shortly recommend to the Peruvian Government that it should rejoin the Organization. In the case of the Russian Federation, the Executive Director had discussed membership with representatives of the private sector and the Government on a recent mission to St. Petersburg, and with the new representative at the Ministry of Economic Development and Trade. In the case of Canada, China and Panama, there were no further developments to report, and he suggested that it would be helpful if the Coffee Association of Canada could contact the new Canadian Government on the matter of ICO membership.

6. The Board took note of this report and expressed its appreciation to Latvia for having completed the procedures for accession to the 2001 Agreement. It further noted that a number of other EU Member States were making good progress and hoped to complete membership procedures by the deadline of 31 May 2006.

Item 3.2: Accession of Timor-Leste

7. The Executive Director introduced document EB-3907/06 containing an application from the Government of Timor-Leste to accede to the 2001 Agreement and a draft Resolution proposing conditions for its accession. He noted that it was necessary to set conditions as Timor-Leste was a new state and would be joining the Organization for the first time. The provisions of Article 46 of the Agreement would apply. The Government of Timor-Leste had indicated that coffee was important for the country, with coffee exports representing around 90% of non-oil exports. It would be an exporting Member and its coffee would be classified as “Brazilian and Other Natural Arabicas”, subject to confirmation.

8. In discussions on this item, several Members expressed strong support for Timor-Leste’s application to accede to the 2001 Agreement and the Board decided to recommend that the Council should approve the draft Resolution contained in document EB-3907/06.

Item 3.3: Composition of ICO bodies

9. The Secretary said that as noted by the Council in September 2005, OAMCAF was no longer a group Member of the Organization. However, it was represented on the Finance Committee and the Steering Group on Promotion until September 2006, when the terms of office for membership of these bodies expired. An exporting Member should therefore be nominated to replace it.

10. The Board took note of this information and decided that Côte d’Ivoire should replace OAMCAF on these two bodies. The Board further noted that the European Coffee Federation (ECF) had advised the Executive Director that as from 1 January 2006, AFCASOLE, CECA and EUCA had ceased to exist as separate organizations and had merged into the ECF (the communication from the ECF had been circulated as document

PSCB No. 74/06). It wished to maintain the three seats on the Private Sector Consultative Board (PSCB) for the ECF, CECA and AFCASOLE/EUCA under the ECF name to reflect its participation in the three sub-sectors of the ECF i.e. green, roasted and soluble coffee. The Board took note of this information and as the Council designated the membership of the PSCB, recommended that the Council should approve the changes at its next session in May 2006.

Item 4: Annual Review 2004/05

11. The Executive Director introduced the Annual Review for coffee year 2004/05. This was the sixth Annual Review published by the ICO and contained an overview of activities during the past coffee year. It included a report on the coffee market situation in 2004/05, when producers had begun to see improvements to prices, a report and photos of the 2nd World Coffee Conference and reports on activities such as projects, cooperation with other agencies and promotion. The Board took note of this document.

Item 5: Coffee market situation

12. The Executive Director introduced his monthly Letter (December 2005) containing a summary report on the situation of the coffee market and drew attention to document WP-Board No. 986/05 containing the first official production estimate for the Brazilian coffee crop for 2006/07 of between 40.43 and 43.58 million bags. Expectations about this first estimate had had an influence on the market in December. It was just enough to cover Brazil's export and domestic consumption requirements but did not allow for the rebuilding of stocks. World production in crop year 2006/07 could be between 120 and 122 million bags. Bearing in mind the shortfall in production in crop year 2005/06 and the consequent drawing down of stocks in exporting and importing countries, this production level would not necessarily lead to a surplus on the market. Taking into account increasing consumption in emerging markets and domestic consumption in exporting countries, an average annual growth rate of 1.5% in world consumption was conceivable. On the basis of a consumption figure of around 115.2 million bags in 2004, world consumption could be around 118.68 million bags in 2006 and 120.46 million in 2007. This made it less likely that there would be a significant supply surplus. Opening stocks in exporting countries for crop year 2005/06 were estimated at around 23 million bags, of which a substantial part was working stocks needed to ensure an effective flow of coffee exports. He highlighted the difficulty of obtaining accurate estimates of stocks since the abolition of the stock verification system in exporting countries, and the need for a reliable information system to provide a real picture of the market and stock levels. In importing countries, stocks of green coffee were estimated at around 21.5 million bags. With regard to price movements, the ICO composite indicator price had gone up from 83.31 US cents/lb on 1 December to 92.17 US cents/lb on 30 December 2005. Prices had remained firm during the first two weeks of January with the composite indicator price breaking through the barrier of US\$1 on 6 January 2006. The differential between Other

Mild Arabicas and Robustas had widened during these two weeks with a new average of 58.25 US cents/lb. In conclusion, he said that the present structure of supply and its relation to world consumption led him to consider that there was a balance which was being reflected in the market, although account must be taken of speculative movements that made the market very volatile. However, he was of the view that the market was moving further away from the critical prices of recent years. Finally he invited Members to send him suggestions on improvements to the monthly Letter such as presentation or issues which could be covered in it.

13. The Board took note of the report by the Executive Director on the coffee market situation and of document WP-Board No. 986/05 containing the first official production estimate for the Brazilian coffee crop for 2006/07.

Item 6: 2nd World Coffee Conference

14. The Executive Director introduced document EB-3901/05 containing a report on themes and new ideas raised at the 2nd World Coffee Conference. He noted that this was in addition to the preliminary summary report of the Chairman of the Conference contained in document ICC-94-13 which had been circulated in September 2005. It included possible actions which could be undertaken to implement the ideas raised at the Conference, with a view to stimulating discussions by Members. Some of the ideas could be implemented under the annual programme of activities while others would need to be considered in the context of discussions on the future of the Agreement.

15. In discussions on this item one Member indicated that in document EB-3901/05 the comment relating to point 2 (Removal of tariffs and other trade barriers particularly affecting processed coffee, including those in coffee producing countries themselves) did not reflect the link to adding value, mainly by processing coffee in countries of origin described in paragraph 3 of document ICC-94-13. In addition, point 4 (Endorsement of policies to develop coffee markets in producing countries and emerging markets) did not refer to the development of consumption in traditional markets which was listed in paragraph 2 of the Chairman's summary. Another delegate noted that the development of a sustainable coffee economy and assistance to producers were key matters for consideration in discussions on the future of the Agreement. The point was also made that while the ideas raised at the Conference were of interest, there might be a divergence of opinion on how to implement them.

16. The Board took note of this information and of a presentation by Mr. Carlos Brando of P&A Marketing International on the experience of organizing the 2nd World Coffee Conference, including the selection of speakers, logistical arrangements including facilities, security and protocol, registrations, costs and field visit, marketing, sponsorship, the trade fair, media coverage, problems and lessons for the future as well as the benefits of hosting the

Conference. A copy of his presentation is available on request. The Board expressed its appreciation for this valuable information which was of great relevance to countries considering hosting a future Conference, and noted that a CD-Rom with information about the organizational arrangements, including copies of publicity materials, information about financial aspects, copies of presentations and photographs etc., would be distributed to delegates in May 2006. It noted that the International Sugar Organization organized a conference each year which generated a profit and further noted the suggestion that the Secretariat should begin to consider the arrangements for the 3rd World Coffee Conference, which could take place in 2009. This could be included on the Agenda of the Council Session in September 2006.

17. The Board further noted that the Chairman of the Conference, the Minister of Agriculture, Livestock and Food Supply of Brazil, would present a more detailed report on substantive matters raised at the Conference to the Council at its next Session in May 2006. There would be an opportunity for in-depth discussions on the ideas and issues raised at the Conference at this time which could be followed by further exchanges of views and consultations on the ideas raised in the context of the future of the 2001 Agreement. Finally, the Board reiterated its congratulations to the Government of Brazil, and all those involved in the organization of the Conference, for the excellent arrangements which had been made for this major event which had attracted a huge audience and had raised many interesting ideas.

**Item 7: Future of the
 International Coffee Agreement (ICA) 2001**

18. The Executive Director said that the International Coffee Agreement 2001 would expire on 30 September 2007. Document WP-Board No. 975/05 had been introduced at the last meeting and outlined the options for the future of the Agreement (renegotiation or extension with or without amendments), and draft schedules of work. Members had subsequently been requested to send proposals for the future of the Agreement by 16 December 2005 (document ED-1973/05). Two documents containing general ideas had been received to date, from the United States (document WP-Board No. 987/05) and from the European Union (WP-Board No. 988/05). In addition, document EB-3902/05 contained an overview of progress made by the Organization in achieving the objectives of the Agreement since 2001. This was the start of a process whereby Members would consider how to ensure the continuity of the Agreement, an instrument of development cooperation which had been in existence for 42 years, and which enshrined the principle of cooperation between producing and consuming countries. He noted that the ICO did not have a budget for additional meetings such as of working groups and to minimize costs suggested that discussions on the future could begin in the forum of the Executive Board before moving to

the Council. He proposed that organizations interested in submitting proposals such as private sector bodies or non-governmental organizations should submit these through their Member countries, while a formal proposal from the PSCB could be submitted through its Chairman.

19. In discussions on this item, points raised by Members referred to the fact that consensus on the 2001 Agreement had been reached after considerable discussion and compromise. It had entered into force provisionally in October 2001 and had only entered into force definitively in May 2005 as the legislative and parliamentary procedures required for Members to ratify it were time-consuming. Like the 1994 Agreement, it did not include economic clauses and to some extent was a transitional Agreement. This was an opportunity to review and to strengthen it and to ensure that the ICO was a more effective, dynamic and innovative organization, responsive to a fast-changing environment and the demands of the world coffee economy.

20. On the question of whether to extend or renegotiate the Agreement, it could be premature at this stage to take a decision on this. A useful way forward would be firstly to take stock and examine to what extent the objectives of the 2001 Agreement had been achieved and any problems encountered with implementing them; to analyse proposals and consider what changes might be needed, and to then consider the procedures needed to accomplish such changes.

21. A number of ideas were raised at this preliminary stage for possible consideration in discussions on the future of the Agreement, including new principles in line with international policies to reduce or eliminate poverty. It was vital for the ICO to focus on small producers and to assist them in becoming economically viable. The ICO could help to channel support for farmers in the form of technical assistance or by facilitating access to credit or other instruments. Key issues for producers included quality, the structure of tariffs in consumer markets, reducing price volatility, added value, increasing quality and sustainability. Other ideas expressed included the importance of ensuring consumer satisfaction with the taste of coffee as this would help to expand the coffee market, and recognizing interest in sustainable coffee production such as in niche markets. The ICO's mission should be improved and the objectives of the Agreement should link together. One Member suggested that the present Agreement was process driven and many articles related to administrative matters such as voting and structure rather than matters of concern to the coffee sector. The statistical work of the Organization could be enhanced and evaluation of projects and project activities strengthened through a more strategic approach, which could include disseminating information about projects and lessons learned. The suggestion was also made that it could also be useful to look at strengthening the structure of the Organization. One Member suggested that regional organizations might participate on the Board to facilitate cooperation with groups of countries. It could also be useful to review the powers of the Board in relation to the Council (as currently the Board took decisions on most

issues). Some countries had difficulties in meeting their obligations and the structure should be reviewed with a view to reducing costs and expenditure on administration, and ensuring that the Organization provided value for money.

22. The Board took note of these discussions and of the progress report on achieving the objectives of the Agreement contained in document EB-3902/05 and communications from the US and the EU contained in documents WP-Board No. 987/05 and WP-Board No. 988/05 respectively. It noted that some Members had not yet put forward their views on the Agreement at this preliminary stage. The Board further noted that the EU was reviewing the issue of International Commodity Bodies and once results were available, would be willing to share these with Members.

23. The Board decided that the next step should be to examine the extent to which the objectives of the 2001 Agreement had been achieved, areas where changes were required, and the best procedures to accomplish such changes. The Secretariat's report on progress contained in document EB-3902/05 would assist Members in this respect. It would be helpful if Members could submit their views, in writing, on progress on the objectives and on the future of the Agreement to the Secretariat in advance where possible to assist all Members in preparing for discussions in the Council. The process of considering the future of the Agreement should be open and transparent, and all Members should be able to contribute to the discussions. The views of the private sector and civil society should be taken into account. For the time being, discussions should be in the forum of the Board and the Council, in parallel to but separate from discussions on routine business. There was a general preference for the Council to discuss the matter as this would facilitate transparency and full participation by Members. The Executive Director should ensure that the agendas and schedule for these meetings were streamlined to facilitate time for discussions.

**Item 8: Implementation of the
Coffee Quality-Improvement Programme (CQP)**

24. The Executive Director introduced document WP-Board No. 989/06 containing a report on the Coffee Quality-Improvement Programme. He noted that while compliance with the targets of the CQP was voluntary, quality was an important issue which had benefits such as better prices and increased consumption. Since Resolution number 420 came into effect in June 2004, some 96.36 million bags of green coffee had been exported. The volume of coffee exported by the 20 Members complying in full with Resolution number 420 represented 73% of the total volume exported in the period – of which nearly 98% had reached the quality standards. The low volume of Robusta coffee reported by exporting Members in compliance with the Resolution (less than 16% of the total volume of green Robusta coffee exported) continued to cause concern. Nevertheless, there was evidence of a decrease in sub-standard coffee graded at LIFFE, with the volume of bags recorded in 2005 as failing to comply with target standards amounting to 1.86 million bags, a reduction of over

44% from the 3.33 million bags in that category in 2004. The Executive Director said that the ISO standard on coffee defects (ISO 10470-2004) could be consulted in the ICO Library and he would investigate the possibility of reproducing it. It could make a helpful contribution to discussions on defects. The report suggested that the implications of the standard could be reviewed by the Quality Committee with a view to assessing its possible relevance to the CQP.

25. The Board took note of the report on the implementation of the CQP contained in document WP-Board No. 989/06 and further noted that document ED-1918/04 contained information about additional data which could be entered on Certificates of Origin in respect of Resolution number 420.

Item 9: Programme of activities for 2005/06

26. The Board noted that document EB-3888/05 Rev 1 contained the annual programme of activities for 2005/06. This had been approved by the Council in September 2005, although the Council had noted that Section 1.6 (relating to the development of a sustainable coffee economy) could be reviewed and revised as necessary at this Board meeting as the programme was a rolling programme which could be adjusted at any time to incorporate the comments and suggestions of Members. With respect to Activity 1.6.3 and 1.6.7, relating to studies discussed under Item 11 of the current Agenda, the Board agreed that these activities should be deleted and noted that the resources would provide savings in the current Administrative Budget.

27. The Board further noted that the Secretariat would shortly be preparing the draft programme of activities for 2006/07 and that Members were invited to send any suggestions for inclusion in this document in writing to the Executive Director.

Item 10: Coffee development projects

28. The Head of Operations informed the Board that the Virtual Screening Committee (VSC) had held a physical meeting on 30 January 2006 to consider how to improve the process of evaluating projects (the report of this meeting was subsequently circulated as document WP-VSC No. 3/06). The VSC was making a valuable contribution to the work of the Organization and all Members were welcome to join it. A number of recommendations had been put forward at the meeting. These included the suggestion that the Secretariat should review whether or not new project proposals conformed to the format required by the Common Fund for Commodities (CFC). The VSC should focus on screening technical and scientific merits and compatibility with the objectives of the Agreement and ICO priorities such as the coffee development strategy. In addition, it should as much as possible be able to recommend to the Executive Board whether project proposals should be approved.

29. In discussions on this item, Members reiterated the importance of the work of the VSC in screening project proposals and expressed their support for the recommendations put forward by the VSC. Projects were an important aspect of the work of the ICO, which was the appropriate channel for submitting projects to major donors, and could make an important and positive contribution to the coffee sectors in producing countries. It was important to ensure that projects reflected the objectives and priorities of the ICO and that they were viable before submitting them for funding by donors. The point was also made that it was important for national coffee authorities to be aware of and consulted about project proposals and activities involving their countries.

30. The Executive Director noted that the CFC was the main source of funding for ICO coffee development projects. The ICO had had considerable success in getting projects approved; however this very success sometimes worked against it. He highlighted the need to identify alternative sources of funding.

31. The Board took note of this information. It expressed its support for the recommendations of the VSC and noted that Brazil would like to participate in the work of the Committee. The Board further noted that document EB-3903/05 contained a progress report for the project “Enhancement of coffee quality through prevention of mould formation”, which had concluded in September 2005. Two further projects had now been concluded (Sustainable coffee development in Eastern Africa and Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua) and reports on these projects would be presented to the Council in May 2006. Finally, the Board noted that the CFC Executive Board had approved the project “Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador” in October 2005.

**Item 10.1: Projects under consideration by the
 Common Fund for Commodities (CFC)**

32. The Head of Operations introduced document EB-3904/06 containing a progress report on projects. He said that the CFC Consultative Committee had met in Amsterdam from 23 to 28 January 2006 and had considered a number of projects sponsored by the ICO, including “The Coffee Guide Website 2006/07”; “New Tools for the Coffee Grower”; and “Coffee market development in producing countries” (for which Project Preparation Facilities were requested). The report of the Consultative Committee was not yet available; however the ICO understood that in the case of the coffee market development proposal, while the CFC considered that the ICO should meet the costs of preparing the initial proposal, once a full project proposal was submitted to it, it would be disposed to consider this favourably.

33. In discussions on this item, the point was made that the progress report included a number of projects which had been approved by the ICO as far back as 2001, and which had

then been submitted to the CFC but which had not progressed since that time. The representative of the EC offered to explore this with Member States involved in the work of the CFC to see what could be done. It was also suggested that the issue of cumbersome procedures could be addressed in discussions on the Agreement to enhance the effectiveness of the Organization.

34. In the case of the project “Improvement and diversification of coffee production of smallholders in the Caribbean region”, which had been submitted by Oxfam and had been approved by the ICO in September 2002, the Board noted that the CFC had considered the proposal in 2003 and had been favourably disposed to it. The CFC had given some comments on the proposal to Oxfam but there had been no feedback since then and the Secretariat would welcome the advice of the Board in this connection.

35. The Board took note of this information and of the progress report on projects contained in document EB-3904/05.

Item 10.2: Projects under consideration by the ICO

36. The Head of Operations said that no new project proposals had been submitted to the ICO by the deadline of 14 November 2005, and reminded Members that new proposals and requests for Project Preparation Facilities (PPF) for consideration by the Board in May 2006 should reach the Secretariat not later than 20 March 2006 (deadlines for submission of proposals were contained in document ED-1956/05). The report of the VSC on the three proposals to be considered by Members at this meeting was contained in document EB-3906/06. These proposals had been considered by the Board in September 2005, and had subsequently been revised to take account of comments by the Committee and reviewed by the VSC again before being submitted to the Board for consideration at this meeting.

Cost-benefit analysis of sustainability practices in coffee:

A programme for building management capacity in producing countries

37. The representatives of the IISD (Mr. Jason Potts and Mr. Daniele Di Giovanucci) introduced the reformulated proposal contained in document WP-Board No. 970/05 Rev. 1 and provided some explanatory comments in response to comments by the VSC on this proposal. A number of Members expressed support for this proposal. It was an important project which would assist with assessing costs and benefits of sustainability initiatives. One Member asked whether the ICO’s draft definition on sustainability could be taken into account in the proposal and drew attention to the fact that one participating country was not a member of the ICO. The Board took note of this information and decided to recommend that the Council should approve the reformulated project proposal contained in document WP-Board No. 970/05 Rev. 1 for submission to the CFC.

*Breeding coffee plants with durable resistance to
Coffee Leaf Rust, anthracnose and other diseases*

38. The Head of Operations introduced the proposal for this project contained in document WP-Board No. 979/05 and drew the attention of Members to document WP-Board No. 990/06 containing the response of the Coffee Board of India to the comments of the Virtual Screening Committee on the revised project proposal. In discussions on this item, some reservations about this project were expressed; the proposal needed further development before it could be approved. The Board took note of this information and further noted that the project needed to be further developed and reviewed again by the VSC before being resubmitted for consideration by the Executive Board.

Enhancing potential gourmet coffee production for tourism at local level

39. The representatives of the *Istituto Agronomico per l'Oltremare* (IAO), Mrs. Cristina Mazzei and Mr. Massimo Battaglia, introduced the revised proposal in WP-Board No. 980/05 Rev. 1. Copies of their presentation are available on request from the Secretariat. In discussions on this item, the need to coordinate project proposals with national coffee authorities and institutions, and to avoid duplicating efforts and resources by taking account of activities of existing projects was emphasized. The findings of the previous ICO gourmet coffee project should be taken into consideration. The point was made that some of the countries participating in the project were not up to date with their contributions; the Executive Director noted that this was a matter for the Council to decide. The Board took note of this presentation and of comments by Members. Noting that the project should be coordinated with the national coffee authorities of participating countries and should take account of existing studies and projects, it decided to recommend that the Council should approve the revised proposal contained in document WP-Board No. 980/05 Rev. 1 for submission to the CFC.

Item 11: Studies

40. The Head of Operations said that in September 2005 the Board had considered three studies: a study of environmental issues relating to the coffee chain within a context of trade liberalization, through a life-cycle approach contained in document WP-Board No. 974/05; a study of the environmental impact and efficient use of natural resources – a comparative analysis between coffee and other crops in the agro-industrial sector contained in document WP-Board No. 973/05, and a study of the impact of the Kyoto Protocol on coffee trade and environmental quality in the coffee life-cycle contained in document WP-Board No. 972/05. The development of these studies was included in the Outline Plan of Action for 2001 – 2006 which had been approved by the Council. The Board had decided that all three studies should be revised to reflect the comments of the VSC (contained in document WP-Board No. 983/05) and that individual Members should submit their comments on the studies before

the next meeting. No comments had been received from Members since that date. As the agencies concerned would require funding to revise the studies, he suggested that one option might be to proceed with a single study, possibly the study on the impact of the Kyoto Protocol, for which some support had been expressed at the last meeting, and resubmit the reformulated proposal to the VSC before reviewing it at the next meeting.

41. In discussions on this matter, points made included the fact that the VSC had had mixed views on the studies and had not reached consensus on approving them. The studies needed further development and while of interest, were not necessarily a high priority for funding. It was not helpful to keep referring the studies back to the Executive Board without further development. If necessary the Executive Director could amend the Outline Plan of Action and/or Programme of Activities to reflect the fact that the studies would be taken forward in a different way. Producing countries considered that for the time being there was no need to conduct such studies however the Executive Director should contact the Executive Director of the United Nations Framework Convention on Climate Change (FCCC) to exchange views and identify ways of including coffee in the Clean Development Mechanism. The need to avoid overlap in competences was stressed.

42. The Board took note of this information and noted that the Executive Director would report to Members on discussions with the FCCC.

Item 12: Survey on sustainability

43. The Executive Director said that as requested by the Council in September 2005, he had prepared a draft definition of sustainability which was circulated as an informal document at the meeting (document WD-Board No. 32/06) for preliminary consideration by Members. He stressed that this was an informal document and a final definition would emerge after discussions by Members. Members were invited to consider this initial draft and to give feedback in due course.

44. In discussions on this item a number of Members welcomed the draft definition which highlighted the key elements of sustainability and would assist Members in considering sustainability initiatives.

45. The Board took note of this information and of document WD-Board No. 32/06 and further noted that Members which had not yet sent the Executive Director their views on the sustainability of the coffee sector in response to documents ED-1949/05 and ED-1978/05 should do so as soon as possible. This would enable the Executive Director to prepare a comprehensive document for consideration by Members.

**Item 13: Report by the Chairman of the
Private Sector Consultative Board (PSCB)**

46. The Chairman of the PSCB, Dr. Euan Paul of the British Coffee Association, said that the PSCB had met on 30 January 2006 (the report of this meeting was subsequently circulated as document PSCB No. 79/06). It had discussed the future of the Agreement and considered proposals received from Members and a communication from the European Coffee Federation which had been circulated at the meeting (document PSCB No. 78/06), and which he invited the Board to consider. PSCB representatives had been requested to discuss the proposals and the future of the Agreement with their associations so that at the next meeting in May 2006, the matter could be discussed in detail and concrete recommendations put forward to ICO Members.

47. Regarding coffee and health, the PSCB had received a report on the Health Care Professions – Coffee Education Programme (HCP-CEP) and the Positively Coffee Programme as well as a report from the representative of the NCA on a programme on coffee and health targeted at consumers in the United States. The NCA representative had been invited to make a full presentation on this initiative to the PSCB at the next meeting as it was proving to be very beneficial.

48. In the case of sustainability, two of the Rapporteurs of the Common Code for the Coffee Community (4Cs) had given an update on the Common Code. Substantial progress had been made on this initiative and the latest report had been circulated as PSCB No. 75/06.

49. The PSCB had also considered a number of food safety issues, including Ochratoxin A (OTA) where the EU was due to review the limits on roasted and soluble coffee in 2006, including possible limits on green coffee. A European Food Safety Authority (EFSA) working group was reviewing OTA and whether or not it should be classified as genotoxic. If it were classified as genotoxic, limits might then be imposed on green coffee. There was considerable uncertainty about the toxicology of OTA and the report on coffee by the EFSA was now likely to be postponed to later in the year. The European Task Force on OTA was making every effort to ensure that limits were not imposed. While levels of OTA had decreased, there was still much to be done. The ICO still had a role to play in extending activities to reduce OTA in some countries although the main prevention project had now concluded. Two other carcinogenic substances, acrylamide and furan, had also been discussed. In the case of the former, which was present in all cooked foods other than boiled, coffee was one of the highest contributors to daily intake. Despite extensive research, no way had been found to reduce levels of it in brewed coffee. In the case of furan, coffee was also a major contributor to daily intake, and the issue needed very careful consideration.

50. The PSCB had also considered the issue of Maximum Residue Levels (MRLs) of pesticides. The Executive Director had previously requested exporting Members to provide

information on pesticides in or on food and feed of plant and animal origin to provide information for an EU review of MRLs of pesticides (document ED-1970/05), but to date no replies had been received. Standards for MRLs currently varied from country to country in the EU which was currently seeking to harmonize them. While pesticides were not found in the finished product, if found in coffee imports this could cause significant problems. It was likely that if no information was available, the EU would not accept some pesticides. He urged ICO Members to send this information to the Secretariat, and added that Canada was currently considering zero tolerance at the farm level and the All Japan Coffee Association (AJCA) had circulated information about a revised Japanese Food Sanitation Law.

51. The Board expressed its appreciation to the Chairman of the PSCB for his informative report.

52. In the case of OTA, the point was made that at the Council Session in Cartagena in September 2003 producing countries had urged the EU to reconsider its position on setting limits for OTA in soluble and roasted coffee (document ED-1896/03). Following further interventions, limits had been set at a lower level than originally proposed. Reduction of poverty in producing countries was a central issue and organizations setting standards should take into account the impact of such standards on producing countries. The EU had not awaited the conclusion of the project to enhance coffee quality through prevention of mould formation before introducing limits on roasted and soluble coffee and was now considering extending limits to green coffee, although a number of countries were continuing to implement the project activities. The EU was urged to reconsider introducing any limits on green coffee as these would have a detrimental affect on producers and would also be a non tariff barrier. Producing countries would discuss this further and make a statement (a statement was subsequently made under Item 18 of this Agenda and issued as document EB-3909/06).

53. The Board noted that the representative of the EC and the Chairmen of the PSCB and Promotion Committee had met the relevant EC representatives to draw attention to the implications of limits for producers, and had understood this to have had a positive result. The EC representative had not been informed of any new developments but would consult his colleagues on his return to Brussels and report to the Board at the next meeting. The Board further noted that the CD-Rom for the project to prevent mould formation contained valuable information on good agricultural practices to reduce the risks of contamination and should be distributed to all producing countries.

Item 14: Promotion

54. The Executive Director, in his capacity as Chairman of the Steering Group on Promotion, said that the Group had met on 30 January 2006 (the report of this meeting was

subsequently circulated as document PC-33/06). The Group had considered a number of issues including the use of the Step-by-step Guide to promote coffee consumption. This was a valuable tool which producing countries were using in a number of ways including in national advertising campaigns. The Group had also considered an outline proposal aimed at developing some promotional activities in China submitted by the consultant, Mr. Paul Hai Wang, and contained in document WP-SGP No. 15/06. Members were of the view that this was limited in scope and it would be better to consider a more comprehensive project to develop the most appropriate activities to increase consumption in this country. The Group had considered the proposal from the Norwegian Coffee Association for the ICO to cooperate on a Seal of Approval initiative, but had decided that the ICO should not get involved as it was a commercial initiative. The Steering Group had also received a report on discussions on coffee and health in the PSCB, and on the question of holding a pledging meeting, had noted the need for concrete promotion proposals to be available before such a meeting could be organized. Finally the Executive Director reminded Members of the suggestion made by Colombia at the 2nd World Coffee Conference to establish a Fund to promote consumption, where producing countries could provide bags of coffee to match the value of contributions from other sources.

55. The Board took note of this report and further noted that lack of information about health benefits such as anti-oxidants and high tariffs on coffee imports were hindering coffee consumption in China. In the former case, public relations activities on coffee and health could complement brand advertising by coffee companies, while in the latter case, it would be useful for the Organization to consider approaches to the Chinese authorities to encourage them to lower tariffs on coffee.

Item 15: Statistics Committee

56. The Chairman of the Statistics Committee, Mr. David Hallam of the FAO, said that the Committee had met on 30 January 2006 (the report of this meeting was subsequently circulated as document WP-Statistics No. 95/06). The Committee had emphasized the importance of the statistical work of the ICO in enhancing market transparency. While compliance with statistics was generally good, a number of countries had difficulties in meeting their obligations. The ICO had offered to assist such countries but to date only the Democratic Republic of Congo had specifically identified the areas where assistance was required. He stressed the need for Members to send the Executive Director specific requests highlighting areas where there were difficulties and where technical assistance was needed. The FAO had limited resources but would make every effort to assist such countries. In addition some Member countries had considerable expertise in statistical matters and could provide advice and guidance in this area. Regarding the survey on inventories and stocks in importing countries that the ICO had carried out until now, it was decided that the ICO should not continue with this activity in order to avoid duplication of efforts with the European Coffee Federation, which carried out a similar exercise. Mr. Hallam noted that

information about inventories and stocks in producing countries was also important and said that Brazil had developed an inventory survey which could serve as a model for other countries. In the area of organic coffee, the ICO was continuing to update its information, which was very useful, as it was difficult to obtain such data from other sources. It had been suggested that when looking at the future of the Agreement, the Rules on Statistics could be revised to include information on sustainable coffees. Regarding speciality soluble coffee, it was suggested that this term be replaced with “preparations and concentrates”, and that efforts should be made to identify certain products under the relevant Harmonized System codes. Finally, the Secretariat had given an update on the implementation of an upgraded statistical system, which should be completed by July 2006.

57. In discussions on this item, the importance of the ICO’s statistical work in enhancing market transparency was highlighted. In the case of compliance and capacity building of Members, there was an opportunity to be more innovative and creative in assisting Members to comply with their statistical obligations. Data on organic coffee exports were very useful and information such as this could help Members both respond to and shape discussions on policy in the ICO. One delegate suggested that it would be useful to have information about trends, prices and volumes of sustainable coffee, such as bird friendly and other such coffees. The point was made that there was no obligation to supply particular data, nor were there any sanctions, and it would be useful for the Board to consider reviewing ways of strengthening the statistical work of the Organization when it discussed the future of the Agreement.

58. The Board took note of this report and expressed its appreciation to the Chairman and the Members of the Statistics Committee for their work.

Item 16: Cooperation with other agencies

59. The Executive Director said that consultations were continuing with the Food and Agriculture Organization of the United Nations (FAO) concerning cooperation on projects and other matters in the context of the Memorandum of Cooperation. He noted that the FAO had invited the CFC to hold the 13th meeting between the CFC and ICBs on 3 April 2006 in Rome, which would be followed by a two day conference on commodities including a session on coffee. In addition, following consultations with the FAO and the World Health Organization (WHO), the ICO had been granted observer status to the FAO/WHO Codex Alimentarius Commission and would receive invitations to attend Codex meetings.

60. The Executive Director also informed Members that the ICO had been invited to participate in a workshop organized by the Spanish Agency for International Cooperation (AECI) to plan its response to the coffee crisis in Central America for the next three years. The workshop would take place from 8 – 10 February 2006 in Antigua, Guatemala, with the participation of most of the institutions involved with the coffee sector and poverty in Central America.

61. Finally the Executive Director drew the attention of Members to document ED-1980/06 containing the text on commodities in the Doha Work Programme Ministerial Declaration adopted on 18 December 2005 by the World Trade Organization's (WTO) 149 Member Governments at the 6th WTO Ministerial Conference held in Hong Kong, China from 13 to 18 December 2005.

62. The Board took note of this information.

Item 17: Financial and administrative matters

Item 17.1: Report of the Finance Committee

63. The Chairman of the Finance Committee said that the Committee had met on 31 January 2006 (the report of this meeting was subsequently circulated as document WP-Finance No. 32/06). The Committee had received a report on the financial situation as at 31 December 2005 contained in document WP-Finance No. 31/06 and had noted that £1,040,318 of contributions to the Administrative Budget for the financial year 2005/06 had been received as at 31 December 2005. Other income was above budget by £14,714, primarily due to the rental of conference facilities: the timely completion of the refurbishment of the ground floor facilities had meant that little or no loss of income had been suffered and demand for the facilities had been strong during the first quarter. Expenditure was below budget by £62,368 due to positive variances in personnel, language services, special contracts and other operating costs. The Committee recommended that the Board should approve the report on the financial situation.

64. The Finance Committee had considered document WP-Finance No. 30/05 containing proposals for the revision of salary scales, dependency allowances and basis for contributions to the Provident Fund. The Committee had noted that provision for the costs of these proposals amounted to £27,200 and could be found from within the current Administrative Budget for the financial year 2005/06 (Item 1 – Personnel, in document EB-3897/05 Rev. 1) approved by the Council in September 2005. It had decided to recommend that the Board approve these proposals.

65. The Committee had also discussed the issue of outstanding contributions and how best to deal with these as the sum involved was significant. It had decided that the subject should be raised at the Executive Board and had requested the Executive Director to circulate information about outstanding debts and the amount of financial aid which these countries received from funding agencies such as the CFC for projects.

66. The Committee had also considered document EB-3905/06 containing the Administrative Accounts of the Organization for the financial year 2004/05 and the Report of the Auditors. It had decided to recommend that the Board should approve this document. The

Committee had requested the Secretariat to discuss ways of reviewing the recoverability of outstanding contributions and the impact of this on the Reserve Fund in the Accounts in future years with the auditors. It also asked the Secretariat to circulate a document showing this effect on the Reserve Fund for 2004/05, without treating this as an amendment to the Accounts.

67. Finally the Chairman said that the Committee had received a report concerning the letting of the conference facilities and the Executive Director would report on this matter to the Board under Item 17.5.

68. The Board took note of this report and approved the report on the financial situation contained in document WP-Finance No. 31/06.

Item 17.2: Administrative Accounts of the Organization for the financial year 2004/05 and Report of the Auditors

69. On the recommendation of the Finance Committee, the Board decided to recommend the Accounts and the Report of the Auditors contained in document EB-3905/06 for approval by the Council at its ninety-fifth Session in May 2006.

Item 17.3: Payment of arrears

70. There were no further developments to report in respect of compliance with the provisions of Resolution number 401 (Nicaragua).

Item 17.4: Outstanding contributions

71. The Board took note of the report by the Finance Committee on outstanding contributions and contacts with Members in this connection. As this was a matter of great importance, it decided that the issue of outstanding contributions should be discussed by the Council at its next Session in May 2006, when all Members could participate in discussions and a decision on the way forward could be reached.

Item 17.5: Other financial and administrative matters

Revision of salary scales, dependency allowances and basis for contributions to the Provident Fund

72. The Board noted that there were no additional financial implications for the proposals for the revision of salary scales, dependency allowances and basis for contributions to the Provident Fund contained in document WP-Finance No. 30/05 and on the recommendation of the Finance Committee, decided to approve these proposals.

Premises

73. The Executive Director drew the attention of Members to the refurbishment of the ground floor conference facilities. With the completion of the refurbishment of these facilities, the Organization had entered into an arrangement with Cavendish Conference Centre, a firm of professional conference organizers which would market the Organization's Conference facilities and would pay the Organization a minimum annual fee of £50,000. Once this amount and certain costs had been recouped, the Organization and Cavendish would share net profits generated by the use of the facilities. The Organization's share would start at 45% and rise to 60% in relation to income over a period of four years. It was hoped that the new arrangements would make a substantial contribution towards the costs of refurbishment and ultimately the rent of the premises. The ICO would retain the right to reserve the conference facilities for its own use and for the use of certain organizations which had been clients in the past up to a maximum of 50 days per annum.

74. The Board took note of this information and also expressed its appreciation to the staff of the Organization who had worked in very difficult conditions during the period of the refurbishment works.

Extension of appointment

75. The Board noted that the Head of Operations was due to retire in May 2006. Regulation 9.4 of the Staff Regulations and Staff Rules provided that, at the request of the Executive Director, the Executive Board could, in the interest of the Organization, extend the age limit for retirement for a member of staff. In view of the importance of the negotiations on the future of the Agreement and in the light of Mr. Dubois's considerable experience and expertise in this area, the Board decided to extend his period of service until 30 September 2007.

Item 18: Other business

Revised Japanese Sanitation Law

76. The Board took note of a communication from the Government of Japan informing Members about a revised Japanese Food Sanitation Law which would become effective as from 29 May 2006 (circulated as document EB-3908/06). Regarding green coffee beans to be imported into Japan there was now a positive list of maximum residue limits for 140 pesticide items, apart from items with a uniform limit of 0.01 ppm.

Declaration on Ochratoxin A by coffee producing countries

77. The Board took note of a declaration by producing Members on Ochratoxin A, urging the European Union to renounce the adoption of maximum levels of OTA on green coffee. A copy of this declaration was subsequently circulated as document EB-3909/06. The Board further noted that the representative of the EC would transmit a copy of the Declaration to the relevant EC authorities and would explain the concerns of producing countries, and report to Members at the next meeting.

Item 19: Future meetings

78. The Board decided that its next meeting of the Board and Council should take place at the headquarters of the Organization in London from **22 to 25 May**, instead of from 23 to 26 May 2006 as previously scheduled. The PSCB would meet on the morning of 24 May. The Board further noted that the Executive Director would circulate draft agendas and a schedule for discussion as soon as possible to enable Members to give their comments and suggestions on the proposed programme of work in May 2006.