



Council of the European Union
General Secretariat

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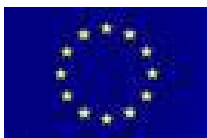
WORKING PAPER

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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Commodities
Subject:	PROBA / Coffee: 124th session of the Council of the International Coffee Organisation (Nairobi, Mon 25 to Fri 30 April 2019) - Draft EU position

Please find enclosed a draft EU position on the different agenda items for the Coffee Council and other ICO meetings in Nairobi (25-29 March), as prepared by the Commission with a view to the meeting of PROBA on 8 March (item 3).



DRAFT EU POSITION

**124th session of the Council of the International Coffee Organisation
Nairobi, Mon 25 to Fri 30 April 2019**

Delegations will find hereafter the EU position for the 124th Session of the Council of the International Coffee Organization on:

- I Council
 - 1 Agenda
 - 2 Programme of activities
 - 3 Implementation of resolution 465
 - 4 Report of the auditors
- II Projects Committee
 - 5 Coffee development projects
- III Administration & Finance Committee
 - 6 Financial situation
 - 7 Administrative budget 2019 / 20
 - 8 Future of the ICA 2007
- IV Statistics Committee
 - 9 Compliance with statistical rules
- V Promotion and Market Development Committee:
Step-by-step Guide to promote Coffee Consumption
- VI Private Sector Consultative Board
- VII Core Group for the Consultative Forum on Coffee Sector Finance :
“Weathering the storm – effectively managing price risks in the coffee value chain”
- 10 Composition of committees and appointment of office holders
- 11 Future meetings

1 Draft agenda	Art 12 ICA	ICC 124-0, 1, 2, 3 ED 2033 08 rev.14
Background All the following points are to be considered as usual business 1 Draft agenda 2 Admission of observers 3 Votes: up to 19 exporting members in arrears having lost voting rights, Resolution 466 is looking to negotiate immediate plan of paying arrears even if with a		

scheduling.
 4 Membership: only 6 members in importing group, 44 exporting members, up to 7 still in the process of joining ICA 2007!
 11.3.1 International Coffee Day: 1 October

EU position

- 1 To be adopted
- 2 To be flexible on the admission: always positive to benefit of the knowledge of external stakeholders.
- 3 To keep in mind EU is the only member with a blocking minority (30% in its group), and we are also at the statutory cap of voting rights: 66 % as per art 12.8 ICA, hence also capping our financial contribution;
- 4 To support accession of new members and approve extension of deadline for the deposit of instruments of ratification, acceptance, approval or accession.
- 11 To share initiatives taken in EU.

2 Programme of activities

**ICC 124 4 & 5
FA 186 18**

Background:

The Annual Report 2017 / 18 will be introduced.
 The programme of activities for the coffee year 2018/19 will be presented for its update.
 The 3 strategic goals are well covered by 11 main actions, clearly detailed in planned activities with expected outputs, resources needed and key performance indicators.
 Studies will also be provided on different very relevant topics :

- i) Impact of low coffee prices on exporting Members,
- ii) Role of non-commercial traders on coffee futures markets,
- iii) Profitability of coffee farming.

Project briefs will also be discussed:

- i) Structured sector-wide dialogue on price crisis
- ii) Global benchmarking of production
- iii) Global communication plan

EU position:

EU welcomes this comprehensive programme and considers that activities to be implemented are in line with ICO strategic goals of the 5 Y action plan and the annual theme (price crisis).

3 Implementation of Resolution 465 on coffee prices levels

ICC 124 10

**FA 206 19
PSCB 159 19
PM 60 19
CG 35 19**

Background:

The ICO is appealing to Members, the international community, the private sector and consumers to provide voluntary funding to contribute to the implementation of

Resolution 465 and to the ICO Coffee Sustainability Projects Trust Fund (CSPTF), in order to address the impact of coffee price levels on smallholder farmers
Implications on the work of the Organization taking into account its current level of human and financial resources seem obvious.

Secretariat asks for extra-funding of GBP 371 000 to finance their communication campaign, events organization, advocacy travels and benchmarking production costs research.

EU position:

EU looks forward to build consensus towards a workable sustainable future for the whole coffee sector in order to achieve the 2030 SDGs.

We could envisage supporting the implementation of the commonly identified solutions both regulatory and financial at the most appropriate levels and according to the funds available.

We count on the Coffee CEOs Forum to endorse the best responsible business practices.

We take good notes of the strategies and actions presented by the following partners:

- 1) the Global Coffee Platform (GCP),
- 2) the Sustainable Coffee Challenge (SCC),
- 3) the International Women Coffee Alliance (IWCA),
- 4) the Global Adaptation Plan (GAP),
- 5) the African Fine Coffees Association (AFCA),
- 6) the Speciality Coffee Association (SCA)
- 7) the World Coffee Research (WCR)

We support the development of an ICO's Step-by-step Guide to Promote Coffee Consumption in Producing Countries.

We support the objective of the 9th Consultative Forum on Coffee Sector Finance: "Weathering the storm – effectively managing price risks in the coffee value chain"

4 Future of the ICA 2007	Art 48 ICA 2007	FA 202/19
<p>Background:</p> <p>The Agreement, the 7th since 1962, was agreed on 28 Sept. 2007 and is in force for a period of 10 years after it entered into force definitely on 2 February 2011. It may be extended for one or more successive periods not to exceed 8 years in total.</p> <p>Taking into account the serious financial crisis of the organization it is a good opportunity to review the current set-up in order to rationalize, simplify and create synergies. This could ensure all stakeholders can really focus on the substantial mission of the Organisation, which is the sustainable development of the coffee sector.</p> <p>EU position:</p> <p>EU reiterates its commitment to fully comply with all the articles of the ICA and is ready to participate in an ad hoc group to look for any improvements of the Treaty. It should focus on fundamentals, principles, visions and leave the modalities of implementation to internal rules and regulations.</p>		

There is no way to extend for 8 years if the business model continues to be unmanageable.

5 Report of the auditors	FA 199 19
<p>Background:</p> <p>The administrative accounts of the ICO for the financial year 2017 / 18 are submitted with the audit report.</p> <p>We have to reflect on 2 opposite considerations both being historical. The first is excellent as the auditor's opinion is unqualified. The second is that the now correct financial report shows a substantial deficit on the statement of results and an equivalent loss of the reserve on the balance sheet. This implies a reduction of the treasury availability to cover the liquidation cost. This is unsustainable.</p>	
<p>EU position:</p> <p>We thank the secretariat to have submitted a financial report that has been unqualified by the auditor, an historical moment in the financial history of this Organization.</p> <p>We appreciate the efforts of the other Importing Members that not only have accepted to double their contributions but also are covering half of the deficit originated by the exporting group.</p> <p>We urge all the Exporting Members to realise the gravity of the situation and find ways and means to stop this dangerous degradation.</p>	

6 Financial situation	FA 198 19
<p>Background:</p> <p>Statement of revenue and expenditure at 28 Feb 2019 is submitted.</p> <p>Updated figures have still to be submitted. This is once again regrettable that less than 20 days before the meeting all info have not yet been disseminated.</p> <p>To keep in mind that a majority of the 44 Exporting Members is involved in old arrears.</p>	
<p>EU position:</p> <p>EU considers that the contributions outstanding for the current year should not be booked as an income carried to reserve fund.</p> <p>Once again, progress in recovering arrears looks extremely difficult. It will remain so as long as there is no financial difference between those who respect payment delays and the others.</p> <p>EU reiterates its proposal to deal with late payment as the best and easiest way is to impose late payment interest: + 3 % after 1 month, 7 % after 3 months and afterwards semi-annual capitalisation.</p> <p>It remains clear that it is of the utmost importance to neutralize the revenues expected to come from countries in arrears. Legally speaking an accounting provision does not imply the debt becomes undue. The legal obligation to pay supersedes the booking value of the</p>	

arrear.

7 Draft Administrative Budget 2019/20	FA 203 19
Background: <p>Draft administrative budget for financial year 1/10/19 – 30/9/20 is submitted for comments. Budget has to be approved before 30 Sept.</p> <p>As discussed at length during the intersessional meetings of the fin committee the Secretariat is facing a dramatic squeeze: its margin to proceed with further important cost reduction after the ones done due to the USA withdrawal is almost null and the willingness of the exporting Members to neutralise the incomes from the Countries in arrears is very limited.</p>	
EU position: <p>A budget without taking into account the issue of arrears is no more acceptable. The principle of a balanced budget must be respected in real terms. There is no legal basis not to comply with sound financial principles</p> <p>The amount calculated per voting right should be fixed by taking into account but only those who have no old arrears (debtors older than 1 year) without them being deprived of any other rights nor relieved of any other obligations (see art 21 ICA).</p> <p>EU is not looking to exclude any Members.</p> <p>EU is ready to apply twelve provisional.</p> <p>EU cannot accept that the Reserve Fund has no more sufficient resource to finance the liquidation of the Organisation.</p> <p>EU is open to extra source of financing in order to balance the budget.</p>	

8 Projects	PJ 130/19 PJ 134/19
Background: <p>Terms of Reference for the Working Group on Sustainability Performance Indicators have been adopted in the context of the Delta Project in line with Cooperation for Vision 2030. It looks to “Bridging the Gap in Measuring Real-Time Sustainability Performance”.</p> <p>A new project on the improvement of small scale farmers access to fiancé for building a sustainable coffee sector in Vietnam is proposed.</p> <p>The Chief Economist will report on the implementation of the project “Promoting a sustainable coffee sector” in Burundi.</p>	
EU position: <p>EU appreciates the work done by ICO, GCP, BCI and ICAC to operationalize a sustainability performance framework to be linked to business actors and governments.</p>	

EU considers favourably the project in Vietnam that may be a good basis for promoting best practises where deemed appropriate.

EU recognises the extreme complexity to work properly in Burundi where the population in such a need of aid deserves our support.

9 Statistics	ICA art. 2 ICC 105 17 SC 72 17	SC 89 18 Rev.1 SC 90,91,92 19
<p>Background:</p> <p>A presentation on the estimates of global coffee farmer populations by origin will be made.</p> <p>Every two years the weighting of each group of coffee in the calculation of the ICO composite indicator price shall be reviewed.</p> <p>At intervals of three years, the conversion factors for the types of coffee shall be reviewed.</p> <p>The Chief of Statistics will present a report on Members' compliance with the Rules on Statistics for coffee year 2017/18 using the new framework for compliance indicators.</p>		
<p>EU position:</p> <p>EU considers that indeed data are an essential element in any public policies and therefor commends the efforts of the secretariat to help Members to improve these processes.</p> <p>Sharing best practices for collecting and submitting data is surely a very constructive first step.</p> <p>EU may accept the proposed group weightings and market shares to be effective from 1 Oct 2019 after the Secretariat has convincingly justify the fact that the share of the 4 groups of coffee in 2 markets decided since 1 March 2011 does not need a review taking into account the pattern of trade. Indeed those 2 markets (EU & US) represent 65.83 % of all the exports and 1 is not ... a Member.</p> <p>EU takes note that a decision on conversion factors needs to be taken in Sept. 2019.</p> <p>EU is giving all the necessary attention to the compliance report on statistics that gives a total score for importing members of 70 % (and 17 to exporting Members). It is delighted that EU got 100 % and recommend ICO to share this good practice to whom it may help.</p>		

10 Office holders and committees	Art. 10 ICA 2007	
<p>Background</p> <p>It is a good practise that all the members of the delegation of the European Union posted in the city of the organisation's headquarters may be appointed ad hominem in all the committees EU is member.</p> <p>Composition of the following committees includes:</p>		

<p>4 importing Members for the Core Group on the Consultative Group (6 exporting), 3 importing Members for the Promotion and Market Development Committee (8 exporting), 3 importing Members for the Projects Committee (8 exporting), 5 importing Members for the Finance and Administration Committee (6 exporting), 3 importing Members for the Statistics Committee (8 exporting).</p> <p>It is understood that the head of the EU delegation should not become chair of any body as this would imply a vacuum for its main duty.</p>
<p>EU position</p> <p>The following positions have been elected among the representatives of the importing Members and we are pleased to work together constructively:</p> <p>I chairman of:</p> <ol style="list-style-type: none"> 1) Council (CH), 2) Consultative Forum on Coffee Sector (RU), 3) Projects (JP), 4) Statistics (RU) <p>II vice-chairman of:</p> <ol style="list-style-type: none"> 1) Promotion (JP), 2) Finance (RU),

11 Next Sessions		ED 2293 18
<p>Background</p> <p>ICO is indicating the next year planning. Any EU MS is welcome to organise a Council session.</p> <p>The 5th World Coffee Conference, and 127th Session of the International Coffee Council, will take place from 11 to 17 September 2020 in Bengaluru, India.</p> <p>The 125th Session of the International Coffee Council and associated meetings, will take place from 23-27 September 2019 at the International Maritime Organization in London, UK.</p> <p>The 9th Forum on coffee sector finance will be a key element in the search for solutions to strengthen farmers' resilience against price volatility and foster economic sustainability in the coffee sector.</p>		
<p>EU position</p> <p>EU welcome the 9th Consultative Forum on Coffee Sector Finance – to be held during the 125th Session of the International Coffee Council from 23 to 27 September 2019 and consider the price volatility and economic sustainability are such a double key</p>		

concern that it deserves a full session.

We appreciate the Auditorium of the International Maritime Organization (IMO) will be the venue for the 125th Session of the International Coffee Council

We thank UK for its constant support and we welcome its national representative as observer in its way to become a full Member.