



Council of the European Union  
General Secretariat

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**LIMITE**

**PROBA**

**AGRI**

**WTO**

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**FORETS**

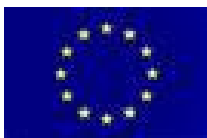
### WORKING PAPER

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#### **WORKING DOCUMENT**

From:	General Secretariat of the Council
To:	Working Party on Commodities
Subject:	PROBA / Coffee: 125th session of the Council of the International Coffee Organisation (London, UK, Mon 23 to Fri 27 September 2019) - Draft EU position

Please find enclosed, for information, a revised EU mandate for the 125th session of the International Coffee Council (London, 23-27 September 2019), based on comments received from Member States.



## EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR INTERNATIONAL COOPERATION AND DEVELOPMENT  
Planet & prosperity  
Rural development, food security and nutrition

### EU POSITION

#### **125<sup>th</sup> session of the Council of the International Coffee Organisation London, Mon 23 to Fri 27 Sept 2019**

Delegations will find hereafter the EU position for the 125<sup>th</sup> Session of the Council of the International Coffee Organization on:

- I Council
  - 1 Agenda
  - 2 Programme of activities
- II Administration & Finance Committee
  - 3 Financial situation
  - 4 Administrative budget 2019 / 20
  - 5 Future of the ICA 2007
- III Statistics Committee
  - 6 Conversion factors
- IV Projects Committee
  - 7 Coffee development projects
- V Promotion and Market Development Committee:  
Step-by-step Guide to promote Coffee Consumption
- VI Private Sector Consultative Board
  - 8 CEO and Global Leaders Forum of the coffee sector (CGLF)
- VII Core Group for the Consultative Forum on Coffee Sector Finance :  
“Weathering the storm – effectively managing price risks in the coffee value chain”  
+ Workshop on the role of Futures Markets
- 9 Composition of committees and appointment of office holders
- 10 Future meetings

<b>1 Draft agenda</b>	<b>Art 12 ICA ICC 122 2</b>	<b>ICC 125-0, 2, 3 ED 2305 19, 2311 19 WP Council 300 19</b>
<b>Background</b> All the following points are to be considered as usual business 2 Draft agenda 3 Admission of observers 4 Votes: up to 22 on 44 exporting members in arrears having lost voting rights, Resolution 466 is looking to negotiate immediate plan of paying arrears even if with a scheduling. 7 International Coffee Day: 1 October 13 Membership: only 6 members in importing group, 44 exporting members, up to 7 still in the process of joining ICA 2007!		
<b>EU position</b> 2 To be adopted 3 To be flexible on the admission: always positive to benefit of the knowledge of external stakeholders. 4 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; It remains quite unexpected that the 2 main exporting countries have lost their voting rights. 7 To share initiatives taken in EU. 13 To support accession of new members and approve extension of deadline for the deposit of instruments of ratification, acceptance, approval or accession.		

<b>2 Programme of activities</b>		<b>ICC 125</b>
<b>Background:</b> The programme of activities for the coffee year 2019/20 will be presented. 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.		
<b>EU position:</b> 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 current price crisis.		

<b>3 Financial situation</b>		<b>FA 215 19</b>
<p><b>Background:</b></p> <p>Statement of revenue and expenditure at 30 June 2019 is submitted.</p> <p>Updated figures have been submitted.</p> <p>An important number of the 44 Exporting Members is involved in old arrears. For the first time in the history of the organization the arrears have exceeded the sum of 1 000 000 pounds.</p>		
<p><b>EU position:</b></p> <p>EU does not share the Secretariat conclusion that the Organization's financial situation at 30 June 2019 may be considered to be in a relatively satisfactory state.</p> <p>Indeed a reduction of GBP 113 748 in expenditures does not compensate at all a loss of GBP 590 051 in Members contribution.</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 [obligations][schedules] 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 arrear.</p> <p>Hence, EU fully supports the scenario excluding members in persistent arrears, based on the redistribution of votes.</p>		

<b>4 Draft Administrative Budget 2019/20</b>		<b>FA 203 19, 217 19</b>
<p><b>Background:</b></p> <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 seems impossible.</p>		
<p><b>EU position:</b></p> <p>A budget (2 586 000) without taking into account the issue of arrears is no more</p>		

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

The amount calculated per voting right should be fixed by taking into account but only those who have no old arrears (debtors older than 3 year) without them being deprived of any other rights nor relieved of any other obligations (see art 21 ICA)

EU is not looking to exclude any Members.

EU is ready to apply twelve provisional.

EU cannot accept that the Reserve Fund (1 276 555 GBP) has no more sufficient resource to finance the liquidation of the Organisation (1 818 000), up to the point that staff redundancy entitlements (1 067 000) are no more covered.

EU is open to extra source of financing in order to balance the budget.

Red line is to respond to Yemen request to suspend its payment until further notice.

5 Future of the ICA 2007	Art 48 ICA 2007	FA 202/19
<p><b>Background:</b></p> <p>The Agreement, the 7<sup>th</sup> 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 based on a fair price paid to the smallholders.</p>		
<p><b>EU position:</b></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> <p>There is no way to extend for 8 years if the business model continues to be unmanageable.</p>		

6 Statistics	ICA art. 2	SC 94 19 ED 2306 19
<p><b>Background:</b></p> <p>At intervals of three years, the conversion factors for the types of coffee shall be reviewed.</p>		
<p><b>EU position:</b></p> <p>EU takes note that a decision on conversion factors needs to be taken in Sept. 2019 and</p>		

has no objection to the most convenient conversion factors.

<b>7 Projects</b>	<b>PJ 137 19</b>
<p><b>Background:</b></p> <p>The Senior Economist will provide a progress report on the implementation of the Delta Project: Bridging the Gap in Measuring Real-Time Sustainability Performance.</p> <p>Mike Wooding, founder and Managing Director of Remote Sensing Applications Consultants Ltd. (RSAC), will provide an overview and progress report on the implementation of the SatCafé project, funded by Innovate UK.</p> <p>AgDevCo will present investment opportunities for small- and medium-sized enterprises in the African agriculture sector.</p>	
<p><b>EU position:</b></p> <p>EU takes note of the projects presented.</p>	

<b>8 Implementation of Resolution 465 on coffee prices levels</b>	<b>ICC 125</b>
<p><b>Background:</b></p> <p>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</p> <p>Regarding the CEO and Global Leader Forum, the participation should be as follows:</p> <p><b>INDUSTRY:</b></p> <p>Traders: Confirmed CEOs of coffee top coffee traders (Volcafe, Olam, Sucafina), awaiting ECON and Luis Dreyfus</p> <p>Roasters: confirmed top executive of the board of JDE, CEO Illycaffè. Committed in writing but still awaiting final confirmation of: CEO Strauss (top Israeli/Brazilian roaster), CEO Melita; CEO Lavazza and Top executive Nestle.</p> <p>Roaster and Retailers: , Starbucks committed formally, Tchibo confirmed commitment.</p> <p><b>COUNTRIES:</b></p> <p>Confirmed Minister agriculture El Salvador, Vice minister agriculture Vietnam, Presidential delegate for coffee (minister ranking) Honduras, Roberto Vélez Vallejo, CEO, Colombian Coffee Growers Federation (Federación Nacional de Cafeteros, FNC), Colombia. Awaiting final confirmation Minister Agriculture Ethiopia, while Brasil seems more in trouble to ensure the presence of the Minister of Agriculture of her vice-Minister.</p> <p><b>OTHERS:</b> IFAD vice-President nomination awaited, FAO deputy DG Massimo Torero should join, Germany a DG from BMZ will attend, Oikocredit and Fairtrade CEOs want to come too, Rainforest Alliance CEO pending..</p>	

**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 commonly identified solutions at the most appropriate levels and according to the funds available. This should be based on concrete proposals.

That being said, the funding mechanism is of paramount importance and it does not seem that the creation of a Global Fund to address the short- and long-term sustainability of the coffee sector is the most appropriate. There are more than enough funds existing to feel obliged to create a next one. Existing mechanisms should be used.

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

9 Office holders and committees	Art. 10 ICA 2007	WP Council 299 19
<b>Background</b> <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> <ul style="list-style-type: none"><li>4 importing Members for the Core Group on the Consultative Group (6 exporting),</li><li>3 importing Members for the Promotion and Market Development Committee (8 exporting),</li><li>3 importing Members for the Projects Committee (8 exporting),</li><li>5 importing Members for the Finance and Administration Committee (6 exporting),</li><li>3 importing Members for the Statistics Committee (8 exporting).</li></ul> <p>8 consuming associations for the Private Sector Consultative Board</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>		
<b>EU position</b> <p>The following positions have to be elected among the representatives of the importing Members:</p> <p>I chairman of:</p> <ul style="list-style-type: none"><li>1) Finance (may be RU as current VC),</li><li>2) Promotion and market (may be JP as current VC),</li></ul> <p>II vice-chairman of:</p> <ul style="list-style-type: none"><li>1) Council,</li></ul>		

- 2) Projects,
- 3) Statistics,
- 4) Consultative Forum on Coffee Sector Finance

<b>10 Next Sessions</b>		<b>ED 2293 18</b>
<p><b>Background</b></p> <p>ICO is indicating the next year planning. Any EU MS is welcome to organise a Council session.</p> <p>The 126th Session of the International Coffee Council and associated meetings, will take place from 27 April to 1 May 2020 at the International Maritime Organization in London, UK.</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><b>EU position</b></p> <p>We appreciate the Auditorium of the International Maritime Organization (IMO) will be the venue for the 126th Session of the International Coffee Council</p> <p>We thank UK for its constant support and we welcome its national representative as observer in its way to become a full Member.</p>		