

## **US Is Urged to Join International Coffee Organization**

After years of resistance, the US is considering joining the International Coffee Organization. A US delegation attended the ICO meeting in London at the end of May as observers and told the ICO members that there is now a firm basis for the US to consider acceding to the 2001 agreement. The necessary formalities are expected to be completed by October of this year.

Previously, the US had reiterated its commitment to improving research and quality measurement as required in the Coffee Quality Improvement Program (CQIP) but also its opposition to the market restriction aspects of the program as embodied in Resolution 407. The May ICO meeting adopted Resolution 420 which will establish quality standards for coffee and changed the mandatory nature of the original resolution to make it voluntary. These two issues were important US concerns and their favorable resolution opened the door to US accession to the agreement.

This ICO meeting was also the first one attended by the 10 countries that joined the European Union on May 1. Upon joining the EU, they automatically became ICO members. Zimbabwe, a small coffee producer, also joined the ICO in June. This brings the number of consuming countries in the ICO to 29 and total membership to 72.

### *Private Sector Support*

The US coffee industry generally favors joining the ICO. The ICO is no longer aiming to control prices through member countries' stockholding. It dedicates most of its efforts to collecting data and disseminating information, increasing consumption, health issues, sustainability, and trade barriers. The US National Coffee Association is the main industry organization in this country and has coordinated the input of other industry organizations to press the US to join. In April, high-level representatives from the NCA, ICO, Colombian Coffee Association, Specialty Coffee Association, Nestle, Kraft, Sara Lee, and Proctor & Gamble met with the US Trade Representative and state and Congressional leaders to promote accession of the US to the ICO. They extolled the new ICO philosophy and stressed the importance of joining to the US coffee industry and US foreign policy.

### *Congressional Support*

Senator Pat Leahy has strongly favored joining the ICO and allocated a \$500,000 contribution to the organization in the 2003 Senate appropriations bill. The Bush administration allowed the statutory deadline to pass without using the funds but the senator reintroduced it in the 2004 fiscal year. In September 2003, numerous Congressional leaders signed a letter to Secretary of State Colin Powell urging the US to join the ICO. It said in part, "As the leading coffee consuming nation, joining the ICO will strengthen our ability to address the coffee crisis."

### *The Coffee Crisis*

Only in the past weeks has the price of coffee begun to recover from a five-year drought of low prices. On June 7 the price was \$0.72 per pound, up from \$0.49, and futures prices are at \$0.80. The retail price for processed coffee was \$2.86 in January 2004, six cents below the January 2003 price. The composite coffee price increased from 53.2

cents per pound in May 2003 to 60.8 cents in March 2004. The low prices have been due mainly to increases in production and slowness of consumption growth, especially in producing countries. Brazil has made a concerted and successful effort to increase consumption and its production in the 2002/2003 coffee year was 51.6 million bags, 47% above the previous year. Vietnam is now the world's third largest producer, going from producing 1.6% of the world's coffee in 1991/1992 to 7% in 2002/2003.

The ICO and World Bank (WB) organized a May roundtable in London for 250 delegates from producers, governments, industry, advocate groups and international organizations. The participants urged the US to join the ICO and the wealthy consuming countries to reduce their agricultural subsidies and tariffs to allow diversification for producers attempting to switch to other crops. WB Director Kevin Cleaver said, "There is no simple solution, there is no silver bullet. There is consensus that an integrated package which includes improvements in coffee quality, increase in consumption in non-traditional markets, strengthening of the bargaining and marketing powers of producing countries and support to diversification should be implemented."

### *Observations*

The US withdrew from commodity agreements in 1993, arguing that their goal was to manipulate prices. Since that time some commodity agreements have undergone changes, as has been the case of the ICO. The US appears likely to join the ICO which will show that commodity agreements designed to serve the interests of both consumers and producers have a chance to work in a pragmatic way.

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