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RECENT TRENDS ON THE WORLD COFFEE MARKET

Study by the UNCTAD Secretariat

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Note: Terms "ICO Exporting Members" and "ICO Importing Members" refer respectively to countries designated as "Exporting Members" and "Importing Members" by the International Coffee Organization under the International Coffee Agreement, 1983. The term "ICO Non-Members" refers to countries which did not participate in the International Coffee Agreement, 1983 but imported or exported coffee.

Chapter I

STRUCTURE OF SUPPLY AND DEMAND AND RECENT TRENDS IN THE COFFEE ECONOMY

A. Introduction

1. Coffee is grown by more than 70 countries of Latin America (the main producing region), as well as in Africa, Asia and Oceania. As coffee requires special growing conditions, it is cultivated in countries of the tropical and subropical belt with particular altitudes, temperature ranges and rainfall conditions. Arabica and Robusta are the two most important coffee species. Arabica (which comprises Colombian-type Mild Arabicas, Other Mild Arabicas and Brazilian and Other Arabicas) is grown in Latin America (accounting for about 99 per cent of the continent's coffee production), Central and East Africa, India and, to some extent, Indonesia. Arabica is cultivated at higher altitudes and is generally regarded as the highest-quality coffee beverage. Robusta is grown generally in tropical areas at lower altitudes - mainly in Central and Western Equatorial Africa (representing over 60 per cent of its coffee production), in South-East Asia, and to a lesser extent in Brazil.[1]

2. Being a labour-intensive crop, coffee is an important generator of employment (engaging almost 10 million people in the producing countries). It plays a vital role in the social structure and development of most producing countries and has a direct impact on the standard of living of many small farmers and their families. It is estimated that between 20 and 25 million people throughout the world are dependent on coffee for their livelihood. In Brazil, Colombia, Guatemala, Kenya and Indonesia, coffee is generally a plantation or estate crop. In other countries, it is grown by small farmers on diversified landholdings, often on plots averaging one hectare or less in size. Family-owned farms account for 80 to 100 per cent of production in Africa and Asia, and for 60 to 80 per cent in Latin America.

3. Coffee is one of the most important agricultural export commodities of developing countries and also accounts for a considerable part of the export earnings of many least developed countries, particularly in Africa. By exporting coffee, developing countries earn foreign exchange necessary to import capital and consumer goods, as well as to service the debt. The bulk of coffee (over 95 per cent) is exported in its raw form (green coffee) and the rest in its processed form (roasted, soluble and other coffees).

4. Since around three-quarters of the coffee produced is exported, most of the producers cannot rely on the domestic market to keep them afloat in times of low world prices. During the period 1985-1992, developing countries' coffee exports averaged US$ 8.5 billion annually, more than twice the value of exports of two other main tropical beverages - cocoa and tea - (respectively US$ 2.5 and US$ 1.6 billion) taken together. In the 1970s and until 1987, coffee was second only to oil as an individual commodity export earner for developing countries. Since then, given the decrease of world coffee prices in the late 1980s, coffee as an export item has gradually lost its ground and in 1992 (the last year of available statistics) ranked eighth in the list of most important commodities exported by developing countries.[2] (This situation, however, may undergo profound changes, with the sharp rise of world coffee prices since April 1994.
Taking into account the dynamics of world prices in 1994, and given the estimates for 1994 exports at the level of 70 million bags, the value of coffee exports
might arrive at US$ 12 billion, putting it once again among the three or four most important export commodities for developing countries).

B. Background

(i) Supply

5. In the five coffee years from 1988/89 to 1992/93[3], world production of green coffee averaged 94.5 million bags (60 kg each).[4] Arabica coffee accounted for over three-quarters of production and the rest was Robusta. The distribution among various types of Arabica in percentage terms of total world production in 1993/94 was as follows: 26.9 for Brazilian and Other Arabicas; 30.1 for Other Milds; and 19.9 for Colombian Milds.[5]

6. In the 1992/93 coffee year, 90.5 million bags of coffee were produced, of which domestic consumption in producing countries amounted to 20.8 million bags. Brazil was by far the most important producer (26.9 million bags of Brazilian Arabica), followed by Colombia, the world's largest producer of Mild Arabica (13.8 million bags). In recent years, these two countries taken together have accounted for about 40 per cent of the world coffee supply, while in good seasons this figure has approached 45 per cent, as in the 1992/93.

7. The third single biggest producer was Indonesia, which increased its production during the decade 1982/83-1991/92 from 5.1 to 8.5 million bags (7.5 million bags in 1992/93). Around 6-8 million bags were produced annually by African countries members of the African and Malagasy Coffee Organization (OAMCAF),[6] with Côte d'Ivoire the biggest producer in the group (generally 3.5-4.5 million bags per year). In Latin America, another major producer was Mexico, -with an annual production of around 5-6 million bags during the period.

8. Other Latin American countries (Costa Rica, Ecuador, El Salvador, Honduras), producers of Other Milds Arabicas had a yearly output of around 2-3 million bags each. Roughly the same volume was usual for the three African producers - Uganda, Kenya, and Cameroon, as well as for India. Some countries' production - Peru, Madagascar, Philippines, Vietnam, Zaire, Venezuela, Thailand - amounted to about 1 million bags yearly for each. (For details see annex I).

9. Four African and one Latin American country depend heavily on coffee exports. As portrayed in table 1, during the period 1985-1992 dependence on coffee exports was highest for Uganda. Coffee accounted for almost 30 per cent of the total exports of Honduras and Guatemala, about one quarter of the exports of Nicaragua, United Republic of Tanzania and Colombia, and about 20 per cent of the exports of Madagascar, Kenya and Costa Rica. The contribution of coffee production to GDP is particularly notable in Burundi and Nicaragua (in 1990 5.4 and 4.5 per cent respectively). In terms of relative share of the agricultural and overall labour force, coffee production was particularly important in Colombia (17 and 4.4 per cent respectively), Costa Rica (15 and 4.4 per cent) and Côte d'Ivoire (8 and 6.3 per cent).

10. Although, as mentioned earlier, exports of processed coffee constitute only a tiny fraction of total coffee exports, some major producing countries managed to set up and maintain their production and export capacity for soluble coffee. Though the development of coffee processing industries in producing countries was impeded by various factors (primarily by importers' tariffs on processed coffee), technical developments in processing machinery have facilitated this process.

Table 1
Economic significance of coffee exports
in selected producing countries
(Share of coffee exports in total merchandise exports)

	Average 1985-88	Average 1989-92
Uganda	92.9	83.3
Burundi	84.1	75.0
Rwanda	81.7	58.0
Ethiopia	65.2	57.6
El Salvador	63.2	37.8

Source: UNCTAD Commodity Yearbook, 1992-1994.

11. In 1988/89, exports of soluble coffee from producing countries amounted to 3.1 million bags of green bean equivalent (GBE) and in 1992/93 to 4.3 million bags. Brazil was by far the largest soluble coffee exporter among producing countries (2.1 and 2.7 million bags respectively), accounting over to 60 per cent of the total. Though other producers increased their soluble coffee exports in absolute terms by 60 per cent during the 1988/89-1992/93 period, their relative share in producers' soluble coffee exports increased less significantly (from 32.3 to 37.2 per cent).[7]

12. Coffee stocks held in producing countries represent to a large extent the difference between supply on one hand and domestic consumption and exports on the other. Many producing countries also hold stocks for sales before the new crop becomes available (working stocks). In some cases stocks are also held for either strategic or price stabilization purposes. Brazil and Colombia control around 65 per cent of producers' stockholdings. Gross opening stocks in producing countries, which amounted to 47.7 million bags in the 1987/88 coffee year, increased, due to overproduction, to 63.9 million bags in the next coffee year, and to a further 64.4 mln. bags in the 1989/90 season. After the suspension in July 1989 of the economic mechanism of the International Coffee Agreement (ICA), 1983, the collapse of world coffee prices forced producers to increase export volumes and reduce the level of stocks to 56-58 million bags in 1990/91-1992/93. At the end of the 1993/94 coffee year producers' stocks decreased to 46.6 million bags and by 1994/95 were estimated at even lower level of 40.0 million bags (see also annex II).[8]

(ii) Demand

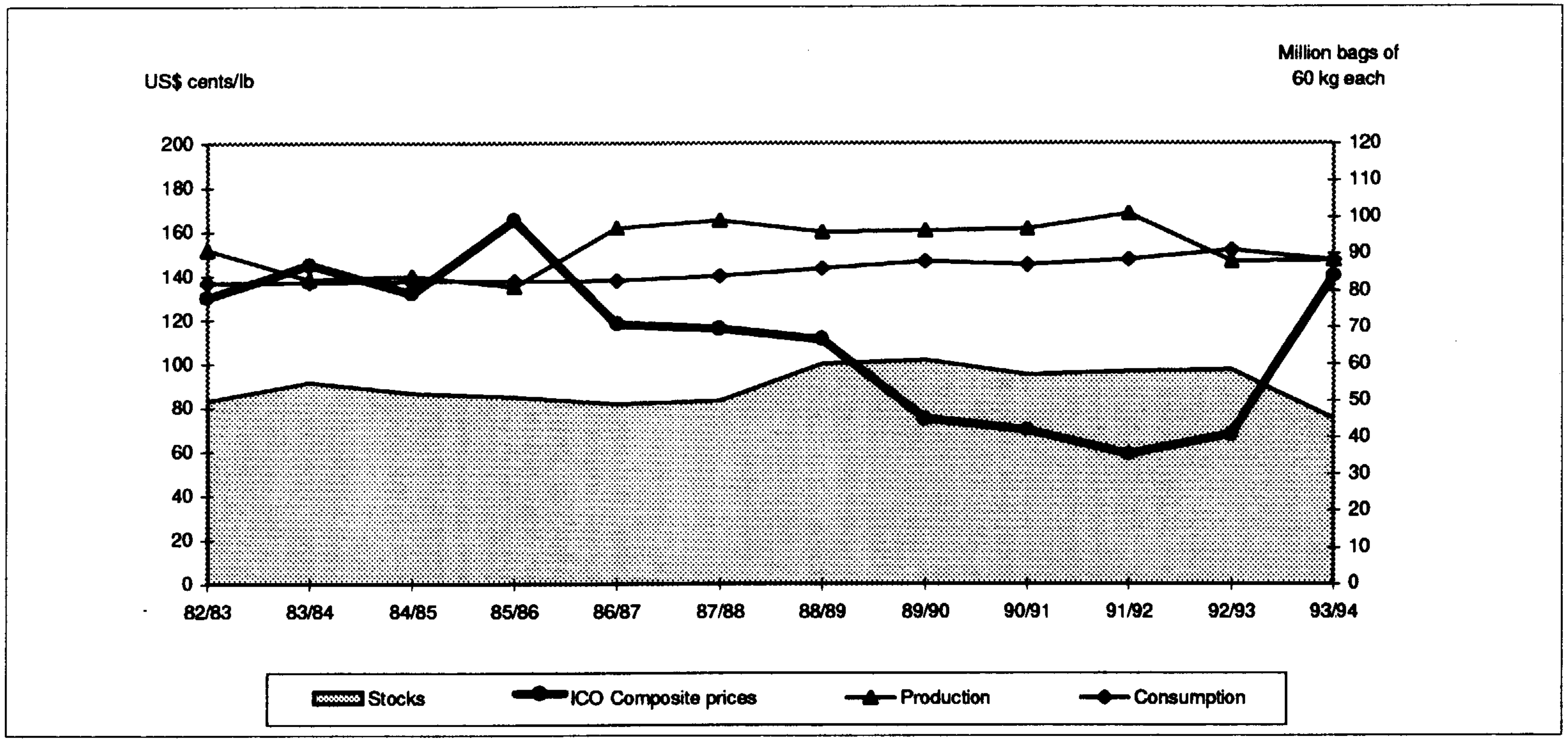
13. World demand for coffee during the period 1982/83-1992/93 grew by an average of 1.1 per cent. As can be seen from chart 1, consumption almost stagnated in the period 1982/83-1986/87, while there was a very modest growth in demand in the seasons from 1986/87 to 1988/89, when world prices were in steady decline. From 1989/90 to 1990/91, world consumption even declined slightly, while since then constant, albeit modest growth has been recorded. In 1992/93-1993/94, consumption not only stagnated but is estimated to have declined by 3-4 per cent.[9]
insert chart 1
14. Producing countries consume only a quarter of overall coffee output. Consumption is notable only in major producing countries - Brazil, Colombia, Costa Rica, Ethiopia, Mexico, Venezuela, India and Indonesia. In recent years, domestic consumption has been stagnating at the level of 20-21 million bags a year (see also annex III).

15. Brazil is the largest coffee consumer among producers, with 150 million people consuming approximately 9 million bags a year, which accounts for over 42 per cent of consumption in producing countries and about 9 per cent of the world total. However, per capita consumption in the country declined from 4.5 kg in the late 1980s to 2.8 kg in the early 1990s, largely because of consumers' perceptions regarding the quality and purity of the domestic product.

16. Domestic coffee consumption in Colombia in the early 1990s was 1.2-1.3 million bags, compared with 1.8 million

Chart 1

World production, world consumption, gross opening stocks in producing countries and prices of coffee 1982/83 - 1993/94



Source: International Coffee Organization
Coffee years (ending September)

bags in the 1970s and 1980s. The decline is attributed to the increase in the retail price following the elimination of the subsidy on domestic coffee consumption. Per capita consumption in the early 1990s is estimated at 2.2 kg, compared with 4 kg in the late 1980s.

17. The largest coffee consumers are industrialized countries-members of the ICA 1983. Their total imports in the 1993/94 coffee year were estimated at 71.2 million bags. The European Union and the United States are by far the largest coffee consumers. Taken together, their shares in total ICA 1983 members' imports have accounted for over 80 per cent in recent coffee years. The United States was the biggest single importer, accounting in the 1993/94 for 16.7 million bags (while normally importing aroung 20 million bags), followed by Germany (13.8 million bags), France (6.6 million bags), Japan (6.2 million bags), and Italy (5.6 million bags). The European Union (EU) as a whole absorbed 44.4 million bags.[10]

18. Importing countries-members of the ICA 1983 re-exported yearly around 9-11.5 million bags of coffee (see annex V), absorbing the rest of imported quantities. Taking into account re-exported volumes and levels of stocks and inventories in three major consuming regions (United States, European Union, Japan), their net consumption in the 1988/89-1992/93 coffee years averaged 45 million bags (see also annexes VI and VII). Consumption in the United States and the European Union appears to have reached relative saturation point. To counter this trend, the International Coffee Organization has responded by increasing promotional campaigns, notably in consuming countries.[11]

19. The industrialized countries members of the ICA 1983 are also the leading coffee consumers in per capita terms. Nordic countries are the biggest consumers (over 10.5 kg of GBE a year), followed by the Netherlands (over 9 kg), Switzerland (8.7 kg), and Germany (7.9 kg, including the former German Democratic Republic). The EU yearly per capita average is 5.4 kg, while that of the United States is around 4.3 kg and that of Japan-2.7 kg.[12]

20. Imports of countries not members of the ICA 1983 in the late 1980s and early 1990s were generally at the level of 12-13 million bags a year, or 14-15 per cent of the world total. Among these countries, the major importers were Canada (over 2 million bags), Algeria (1.0-1.8 million bags) and the countries of the former Soviet Union (normally 1.0-1.2 million bags). Taking into account re-exports, which amounted to about 1 million bags, their net imports were generally about 11-12 million bags a year (see annex VIII).

21. About one third of the volume imported by non-members of the ICA 1983 was accounted for by Central and Eastern European countries and the former USSR. The consumption of coffee by Central and Eastern European countries and the CIS is still insignificant in terms of world trade (around 5-7 per cent of world coffee imports). In the early 1990s the average yearly per capita consumption of Central and Eastern Europe and the former USSR taken together was only 0.6 kg. Even without the former USSR, which had a yearly per capita consumption of 0.2 kg, the average per capita consumption of the countries of Central and Eastern Europe was only 1.6 kg - well below the EC and United States averages.[13]

22. Consumption in Central and Eastern European countries and CIS was concentrated on soluble coffee. The decline in imports of soluble coffee in CIS had a negative impact on some countries exporting soluble coffee, in particular on Brazil and India. For instance, if in 1988/89 the countries of CIS accounted for 98 per cent of India's soluble coffee exports, in the next two coffee seasons this figure declined to 50 per cent.

23. Growth of consumption in the countries of the former Soviet Union was impeded primarily by lack of hard currency. In addition, tea is the main hot beverage consumed, and in most of these countries coffee was considered to be a luxury item. Prospects for increased coffee consumption in Central and Eastern Europe show a large potential as the transformation of economies begins to bear fruit.

24. The imports of the members of the ICA 1983, which increased from 66.5 million bags in 1988/89 to 73.6 million bags in 1989/90, reflected mainly a massive transfer of stocks from producers to consumers but not an increase in consumption. Stock inventories in consuming countries almost doubled from 10.6 million bags at the end of September 1989 to 19.7 million bags by the end of September 1990, and by late 1993 were estimated to be more than 20 million bags. For instance, stocks and inventories in Germany increased from 0.3 million bags

at the end of September 1989 to 2.5 million bags a year after reunification. By contrast, net consumption in the countries in question declined from 47.0 million bags in 1988/89 to 44.7 million bags in 1992/93.[14] It should be noted, however, that since then consumers' stocks of 20 million bags in late 1993 have declined and by mid1995 were at about 12 million bags which is close to the normal working stocs of the 1980s.

C. Factors affecting world coffee supply and demand and prices

25. The major problems faced by coffee-exporting countries arose from the high short-term fluctuations in international coffee prices, which caused considerable market volatility. The coffee price instability index (annual average percentage deviation from exponential trend), which was 11.8 per cent in the 1980-1986 period, increased to 16.8 per cent in 1986-1991 (reflecting a dramatic fall of world prices after suspension of ICA 1983 quotas). Though the coffee price instability index moderated to 11.5 per cent in 1991-1993, it was still the highest for tropical beverages.

26. Several factors contributed to the general instability of the world coffee market in the period in question, namely:

(i) Uncertainty of crop volume: As coffee is a tree crop with a biennial yield cycle, production does not respond to prices in the short term, and the yield may or may not coincide with market movements. Coffee is also susceptible to damage by frost, and even fears that the harvest might be short because of a frost can induce a sharp rise in prices in advance of the harvest, as in mid-1994. Serious frost damage (as in of 1975, 1985 and 1994 in Brazil) can result in substantial shortfalls in production and sharp rises in prices. Coffee may also be contaminated by various parasites. For instance, since 1988 the coffee borer-worm has infested nearly half of Colombia's plantations, with estimated damage of 450,000 bags to the 1992/93 crop alone.

(ii) The level of stocks: The large stocks accumulated in the main consuming regions - the United States, Western Europe and Japan till 1994 - have been one of the major factors influencing world coffee prices. Whereas about 10 million bags are required for normal working stocks in consuming countries, their actual level at over 20 million bags by the end of 1993 was overhanging the market and thus depressing world prices.

(iii) Low supply elasticity: Coffee supply is characterised by low elasticity, which is especially pronounced in the short term, so that relative variations in physical supply are substantially smaller than variations in price. The reaction of short-term coffee supply to producer prices as well as to world market prices is almost completely inelastic. It has been calculated by the World Bank[15] that the worldwide short-term (less than two years) supply elasticity in coffee-producing countries is only 0.04. For a time lag of two years, it is at the level of 0.11-0.14 in some producing countries, or below 0.10 in others, and it rises to an average of 0.35 - 0.40 for the long term.

(iv) Speculative trading: Coffee futures markets were created as risk management instruments to enable coffee traders to acquire protection against excessive price fluctuations (hedging). Speculation provides the liquidity necessary for hedging to function; it is generally fueled by such factors as high volume of transactions, volatility, leverage opportunities, etc.[16]

(v) Changes in consumption pattern: Demand for coffee in a given country is largely determined by such factors as the size and structure of population, *per capita* income, relative price and price competition from substitutes such as tea, cocoa, and soft drinks, as well as by consumer habits. In the last 10 years, all these factors have undergone changes in major consuming countries. Furthermore, changes in preferences of coffee consumers have become apparent in recent years: soluble coffee's share of total coffee consumption is on the decline (thus reducing demand for Robusta coffees widely used in soluble coffee blends) and the "gourmet" market for high-quality and specialized coffee has considerably developed. These changes in preference may be attributed not only to changes in the age structure of the population but also to an increase in the disposable incomes of certain social groups.[17]

(vi) Low demand elasticities. The income elasticity (elasticity of the demand for imports related to *per capita* incomes) of coffee is estimated by the World Bank at about 0.60 worldwide.[18] As *per capita* incomes in the importing countries rise the income elasticity of coffee demand tends to fall. Available estimates at the final demand stage reveal considerable variations in income elasticities among the various countries. Developed country markets (0.47) differ sharply from developing countries (-0.27).[19] While an average of about 0.90 has been calculated for the European Union, the figure for Ireland is more than three times higher (2.89). On the other hand, for the United States and Sweden the income elasticity has fallen so low that a significant difference from zero is no longer demonstrable. The long-term price elasticity of the demand for imports is estimated at -0.28 for the importing ICA member countries and more than half this value (-0.13) for non-members. Here again, estimates at the final demand stage reveal considerable differences among the individual consuming countries, from -0.13 in France to -0.46 in the United States. In the latter case the insignificant influence of incomes on demand at a high price elasticity (in absolute terms) can be explained by comparatively high substitutability of coffee against other beverages (such as soft drinks, juices, milk and milk based beverages) characteristic for this country.

D. Recent trends in the world coffee economy

27. While world coffee prices fluctuated in the 1960s within a moderate range, the relatively high prices of the 1970s encouraged new plantings, much of which consisted of high-yield varieties. In addition, the IMF stabilization programmes which were accepted by many producing countries involved, inter alia, the raising of prices received by producers. This, in turn, encouraged the expansion of production and exports. Another factor which contributed to the expansion of world supply was the implementation of diversification programmes in coffee-producing countries.

28. By the early 1980s, new plantings came into production, leading to a situation of persistent surpluses of production over consumption, price
decline and the steady accumulation of large stocks (this trend was only once briefly reversed in the coffee year 1985/86 following the drought of 1985). The low world coffee prices prevailing in the second half of the 1990s have not resulted in lower production. In 1987/88, world coffee production reached a volume of 98.4 million bags, which exceeded consumption by some 10 million bags, leading in 1988/89 to a record 16 million bags increase in opening stocks. Furthermore, after the suspension in July 1989 of the economic mechanism of the International Coffee Agreement, 1983, production grew steadily from 1988/89 to 1991/92 as producing countries expected to compensate for the decline in prices
by increasing export volumes. At the same time, producers began to export substantial parts of their stocks, trying to boost export volumes and to cut own the stocks' carrying costs.

29. The sharp growth of exports and stock releases by producing countries not of the stocks from producing to consuming countries. As demand in the main consuming regions was basically stagnant, importers took the opportunity to build up their own stocks in a period of low market prices.

30. Growing coffee production at times of low prices could also be attributed to the general price inelasticity of coffee supply mentioned earlier. In addition to that, the factors which contributed to slow supply response during the late 1980s were: the need to obtain foreign exchange for debt service; devaluation of national currencies and reduction of export taxes by many producing countries in order to stabilize domestic producer prices; increase of productivity in some producing countries; and inefficiencies of supply management schemes within the framework of national coffee policies.

31. From the importers' side, weak demand in the main consuming countries because of slower economic growth or recession, as well as lower demand in Central and Eastern Europe and, to a lesser extent, growing competition from soft drinks and beverages, have also contributed to the decline of international prices.

32. In the last few years consumer preference has gradually shifted towards Arabicas. If, in 1988/89, Arabicas accounted for 73 per cent of total coffee exports, by 1991/92 this share had increased to 78 per cent and in 1992/93 amounted to over 75 per cent. This trend expressed itself in the decline of Robusta prices, which fell by more than 70 per cent between 1985 and 1991, as compared to the fall in the prices of Arabicas, which was 62 per cent in the same period.[20] A more rapid increase in the production of Robusta than in that of Arabica also affected the price differential between the two species, which had increased in 1990 to 40 per cent and in 1991 to 43 per cent from the level of between 4 and 20 per cent in favour of Arabica which had prevailed in the early 1980s. The difference between Brazilian and Other Arabicas and Robustas, which in January 1990 had been 19.84 US cents per lb, in August of the same year almost doubled to 35.15 US

cents per lb.[21] Consumers' preference for higher-quality Arabicas expressed itself especially clearly in 1994, when world prices began to grow sharply as from May. While the yearly difference in prices between Brazilian and Other Arabicas and Robustas averaged 12.86 US cents per lb in 1992 and 13.08 US cents per lb in 1993, in May 1994 it increased to 22.32 and in August the same year to 47.16 US cents per lb. Though consumers' preferences have clearly shifted to Mild Arabicas by the 1995 the differential between Robusta and Arabica turned back to normal working levels, i.e. about 20 cents/lb.

33. A development which triggered a further sharp decline in prices was the suspension in July 1989 of the export quota system under the International Coffee Agreement, 1983. The ICO composite indicator price collapsed from US cents 105.6/lb in 1988/89 to US cents 68.9/lb in 1989/90. The level of 1991 world coffee prices was only one third of the corresponding 1980 level. The lowest price level in real terms (US cents 45.50/lb) was recorded in August 1992.

34. The trend in real coffee prices showed a dramatic reversal after the mid-1980s. If, on average in 1962-1980 the real coffee price[22] had increased by 2.9 per cent per year and in 1980-1986 by 3.6 per cent per year, its annual average deterioration in 1986-1991 was fully 21.1 per cent per year.

35. This situation, however, was substantially reversed in late 1993 and especially in 1994 following the joint effect of actions by producers and the Brazilian frost. Since February 1994, prices have begun to improve notably. The composite indicator price, which in February 1994 amounted to 72.73 US cents per lb, increased to 77.35 in March, and to 81.54 US cents per lb in April. The further increase of the indicator price in May - to 112.38 US cents per lb - was, in percentage terms (33 per cent), larger than any monthly increase in the ICO indicator since those recorded when frosts hit the Brazilian crop in 1975 and 1985. The indicator price continued to grow in June by a further 22 per cent to 134.02 US cents per lb, and reached its record level in July both in terms of price (197.64 US cents per lb) and monthly increase (47.5 per cent).

36. The complete change in the price pattern since the first half of 1994 can be attributed to several factors and primarily to two consecutive severe frosts in Brazil that struck the main coffee-growing zones on June 25-26 and on July 9-10. Early surveys indicate that as much as half the crop potential of 27-30 million bags could have been lost.[23] The implementation of the retention scheme by the Association of Coffee Producing Countries (see chapter V), which led to a lower level of exports and stocks, as well as the world production level, low crop projections in Colombia, and reduction of stocks in importing countries, also contributed to this effect.

37. At the start of the 1993/94 crop year, freely available producer stocks appeared to be at a lower level than at any time since 1980. Though the stocks in Brazil and Colombia diminished only slightly in comparison to the 1992/93 crop year - from 25 to 24 million bags - the stocks in other producing countries fell sharply in the same season from 22 to 13 million bags. By the end of May 1994, a sharp reduction in consuming countries' stocks had also been recorded, representing an equivalent of only 11 weeks' consumption. In addition to the stock factor, registered production in Colombia in the first eight months of the 1993/94 crop year was estimated at some 35 per cent below the previous year's level, and the long position held by speculative funds had reached an historic high.

E. Impact of the coffee crisis on producing countries

38. Notwithstanding the growth in the volume of exports between 1988 and 1992, coffee export revenues of developing countries decreased in real terms by 46 per cent, causing great financial difficulties in many producing countries. The 1989-1990 period saw the highest annual loss in their foreign exchange earnings, which represented on average 76 per cent of the 1980 export value. It has been estimated that in the decade 1981-1990, the cumulative export revenue losses of coffee producers amounted to US$ 40 billion at 1980 prices, which is more than three times the value of total coffee exports in 1980. Cumulative export revenue losses in the four years starting from 1989/90 (when the ICA 1983 quota mechanism was suspended) to 1992/93 amounted to 11.5-12.0 billion US dollars (not taking into account the changes in the terms of trade).[24]

39. The impact of the sharp fall in coffee prices in 1989 on the producers' export earnings is illustrated in table 2. While the total volume of exports in the one season of 1989/90 increased by almost 10 million bags in comparison with 1988/89, the unit value of exports decreased from 97.4 US cents/lb to 62.2 US cents/lb. This represented a loss in value of US$ 2.5 billion in one year alone, or a 27 per cent decrease.

40. As the decline in Robusta prices was much sharper than for Arabicas, the outcome was more drastic for producers of the former. Whereas the yearly average price for Brazilian and Other Arabicas for 1988 (when the economic mechanism of the ICA 1983 was operative) was 121.84 US cents/lb and for Robustas 95.11 US cents/lb, the corresponding averages for 1990 (the first full year after the collapse of the ICO quota mechanism) were 82.97 US cents/lb and 54.99 US cents/lb, representing a decrease of 32 and 42 per cent respectively. As can be seen in annex IX, the decrease in value of different types of coffee exported between the 1988/89 and 1992/93 coffee years amounted to 30 per cent for Colombian Milds, 46 per cent for Other Milds, and 42 per cent for Brazilian and Other Arabicas, while the value of Robusta exports decreased by 51 per cent.

41. Heavy revenue losses were suffered by African producers, most of them producing Robusta. For OAMCAF countries, the unit value of their coffee exports during the period in question decreased from 87.11 to 38.44 US cents/lb, or by more than half. For other small African Robusta producers, the unit value, which in 1988/89 had ranged between 67 and 82 US cents/lb for different countries, in 1992/93 decreased to 23-39 US cents/lb, an almost two-thirds decline (see also annex X).

Table 2
Volume, unit value and value of world coffee exports

Coffee year	Exports to all destinations (million bags)	Unit value (f.o.b.) 1/ (US cents/lb)	Value (billion US dollars)	Composite indicator price 1/ (US cents/lb)
	(1)	(2)	(3)	(4)
1986/87	73.3	110.5	10.7	116.2
1987/88	63.0	107.5	8.9	115.1
1988/89	71.7	97.4	9.2	105.6
1989/90	81.2	62.2	6.7	68.9
1990/91	74.3	67.3	6.6	69.0
1991/92	77.8	55.2	5.7	54.7
1992/93	77.9	52.1	5.5	58.9
1993/94 2/	71.5	130.0	8.2	111.2

1/ Average for the 12 months October-September
2/ Estimate.

Sources: ICO Documents: EB-3393/93 (E), 11 January 1993; EB-3445/93 (E), 7 December 1993; EB-3529/95, 12 April 1995; Monthly Report on Prices-various editions.

42. The impact of a sharp fall in coffee prices was especially profound for small coffee producers. Papua New Guinea, the Dominican Republic and the Philippines suffered decreases in exports both in volume (-23, -28 and -99 per cent) and value terms (-53, -51, and -96 per cent respectively).

43. The price fall has had extremely negative effects on the export revenues of the least developed countries heavily dependent on coffee exports, particularly those of Africa. More important, while Uganda's, Rwanda's, and Ethiopia`s exports fell in volume terms by 32, 17 and 14 per cent respectively and Burundi's exports remained at the same level, the corresponding decrease in value terms was 64, 67, 50, and 62 per cent.

44. As can be seen from table 3, despite the efforts of some exporters to cushion the price fall by increasing export volumes, export values in the 1992/93 season surged, in most cases quite substantially. In the period 1989/90-1992/93, virtually all coffee-exporting countries had to absorb decreases in their exports in value terms, irrespective of variations in the volumes of their exports.[25]

Table 3
Volume and value of coffee exports for selected exporters

	1988/89		1992/93 (Estimate)		Percentage change	
	Volume million bags	Value (000 US$ in current terms)	Volume million bags	Value (000 US$ in current terms)	Volume	Value
Brazil	16.5	1 878	18.1	1 116	+10	-41
Colombia	10.3	1 720	14.5	1 159	+41	-33
Indonesia	6.3	596	5.4	296	-14	-50
Mexico	3.7	531	2.4	186	-35	-65
Uganda	3.1	301	2.1	107	-32	64
Côte d'Ivoire	2.9	375	.9	278	+69	-26
India	1.9	244	1.5	112	-21	-54
Kenya	1.7	267	1.4	241	-18	-10
Cameroon	1.5	168	1.1	48	-27	-71
Ethiopia	1.4	258	1.2	129	-14	-50
Papua New Guinea	1.3	178	1.0	84	-23	-53
Madagascar	0.9	83	0.7	22	-22	-73
Burundi	0.6	88	0.6	33	-	-62
Rwanda	0.6	93	0.5	31	-17	-67
Dominican Republic	0.5	66	0.4	32	-20	-51
Philippines	0.5	51	0.02	2	-99	-96

Source: ICO Document EB 3445/93 (E), 7 December 1993.

45. Another problem concerned reduced foreign exchange earnings and government income originating from coffee exports as a result of illegal coffee exports. As producers' prices in countries with controlled marketing systems were set by the Governments and differed from country to country, notable quantities of coffee were sometimes smuggled. One of the most virulent cases is Ethiopia, where annual losses are estimated at 10 per cent of the crop. Though illegal coffee was often re-exported one or two years later and export statistics are not very reliable, this phenomenon was observed on a relatively large scale in cases of coffee flows from the United Republic of Tanzania to Kenya and Uganda, from Ethiopia to Djibouti, Sudan, Somalia and Uganda, from Côte d'Ivoire to Guinea and Mali, from Colombia to Ecuador, and between Mexico and Guatemala.[26] Coffee smuggling was especially characteristic of neighbouring countries where prices differed widely. For example, prices paid to growers by the Cooperative Union in the United Republic of Tanzania in 1993 were about 50 per cent lower than those paid in Uganda. It should also be noted that the age and condition of smuggled coffee often do not correspond to high-quality standards and thus have a depressing effect on the prices received. Despite government efforts to combat these illegal flows, the traffic in some cases seems to have remained important.

46. The low market prices of the late 1980s-early 1990s discouraged coffee farmers in many producing countries from adapting good cultivation practices and making new plantings. In some countries, farmers have neglected plantations or reduced the use of fertilizers, resulting in a lowering of the average quality of coffee produced in traditional coffee-growing areas. In other countries, in order to diversify risks, farmers turned to alternative crops or other agricultural activities.

F. Short-term outlook.

47. The historically low international prices from mid-1989 to mid-1993 led to the general run-down of coffee farms and plantations. Taken together with the effects of Brazilian frosts, this might lead to considerably lower production in the near future. On the other hand, the high world prices of 1994 might encourage coffee producers to increase their output by reclaiming abandoned areas, developing better agricultural practices and spending more resources on farm maintenance, which would lead to an increased production in three-four years' time.

48. Although the basic situation was positive during the 1993/94 coffee year, some analysts believe that the market has become more volatile.[27] It is still to be determined what exactly triggered the price explosion in April-May 1994. The unexpected price rise might have been of a seasonal and relatively short-term nature. The future direction of the world coffee market, in terms of both long-term supply and price prospects, will very much depend on the size of the 1995/96 frost-damaged crop in Brazil, as well as on the size of Brazilian stocks, variously estimated at between 10 and 17 million bags. The average ICO indicator price for the calendar year 1994 is estimated at 138.4 US cents/lb, with further growth to 224.0 US cents/lb expected in 1995.[28]

49. According to 1992 World Bank estimates, both world consumption and imports are projected to increase at a rate of 1 per cent a year in the period 1993-2005.[29] The recent increases in retail prices which followed the growth in world prices are unlikely to have a great effect on consumption levels, given low demand elasticities, the rising popularity of high-quality coffees and the general loyalty of coffee drinkers. In industrialized countries, an increase in consumption is expected to come mainly from Japan, the United Kingdom and Spain, and consumption should also continue to increase in Germany with the gradual income growth in its eastern part. In other regions, consumption growth is expected to occur in low and middle-income countries of Europe and Asia, as well as in producing countries themselves.

50. Despite the general stagnation of consumption in the United States and the EU, the developments in the high-quality and gourmet coffee markets in these countries indicate a potential increase in demand for these specialized coffees. The prices paid for them are higher than for "average" ones. However, the gourmet market is unlikely to influence overall demand to any great extent, as it is still fairly small in terms of volume. Besides, it still remains to be seen whether gourmet coffee will create a new market or whether it will merely take over some share of "average" coffee.

Chapter II

PRICE FORMATION MECHANISMS

51. In its progression from the exporting to the importing country, coffee passes from growers to traders or processors (often through brokers or governmental regulatory agencies). At a further stage, traders sell coffee to roasters. The latter also increasingly act as direct importers.[30] Roasters in turn sell coffee to wholesalers who commercialize it with retailers and/or consumers. Like roasters, wholesalers may also import or process coffee and, in cases of vertical integration, operate retail outlets in consuming countries. The stages of marketing, processing, transportation and distribution each add value to the product, thus increasing its ultimate retail price.

A. Grower-trader network

52. Farmgate coffee prices vary from country to country and are more or less related to market prices depending on the degree of taxation and intervention of Governments. Policies aimed at achieving increased production, such as subsidized credit programmes, inputs, the provision of extension services and the distribution of high-yield plants, exercise further pressure on producer prices.

53. The formation of the prices paid to coffee growers depends, to a large extent, on the Government's domestic coffee policy and, more specifically, on the type of marketing system of the producing country (open or controlled). In open systems, producer prices reflect export values (which follow world market prices) more directly, whereas in controlled systems, a given price is guaranteed to growers, while national institutions dealing with coffee matters either accumulate stocks or subsidize the difference between the world price and price paid to growers. Since the late 1980s in many producing countries with controlled marketing systems, the process towards liberalization has been set in motion. (A more detailed description is contained in chapter V.)

54. As can be seen from table 4 from 1988 to 1992 prices paid to growers decreased by 37 per cent for all ICA exporting countries as a result of the sharp fall in world prices. In 1993 the growers' returns began to recover as a result of various governmental support measures, rather than a recovery in world prices. Although prices paid to Robusta growers have been traditionally lower than those paid to growers of other types because of the different quality characteristics, the former appeared to be the most affected by the world coffee price collapse. In 1991 the price paid to them was almost half that of 1988.

Table 4

The evolution of prices paid to growers
September 1988 to 1993
(US cents per pound)

	1988	1989	1990	1991	1992	1993
All members	55.77	45.91	46.13	41.94	35.32	46.01
Colombian Milds	74.69	71.02	68.43	63.07	49.50	47.82
Other Milds	77.72	72.57	60.43	54.65	38.08	48.20
Brazilian and	56.46	42.61	61.27	54.38	36.95	57.54
Robustas	48.31	32.22	31.64	26.76	31.31	36.92

Sources: ICO documents EB - 3403/93(E), 24 March 1993 and ED - 1565/94(E), 31 August 1994. Information received from the ICO Secretariat (24 October 1994).

55. The share of the export price actually received by the grower is extremely variable from one producing country to another, and in these circumstances generalizations can be misleading. Farmgate prices may be as low as one third of the FOB export price in some cases, or exceed two thirds of that price in others. Table 5 illustrates the difference between the producer price (price received by growers) and the unit value of exports (price received by exporters) in some major producing countries. This difference consists of tax receipts of the Government, subsidies, processing and other domestic market costs (packaging, grading, transportation, storage, marketing and distribution) and traders' margins. For the average of all ICA 1983 exporting members, this difference decreased from 1988 to 1992 by more than five times, suggesting increases in subsidies or reductions in export taxes.

56. Generally, the more an exporting country's current account balance depends on coffee exports, the more it tends to cushion the effect of world market price fluctuations by price or exchange rate policy measures or by increased export volumes. The correlation between the producer price and the world market price (both expressed in US dollars) is therefore not very pronounced.

57. During the period of the world coffee crisis, producing countries attempted to alleviate the impact of the world price decline on producer prices by reducing export taxes or increasing subsidies. Brazil, Colombia, El Salvador, Mexico and Ethiopia substantially reduced taxes and domestic marketing costs. However, in Brazil, Mexico and Ethiopia, considerable currency appreciations reduced real producer prices. For instance, real coffee producer prices in Brazil declined by 32 per cent (this was caused by a 41 per cent decline in export unit value, a 37 per cent decline in the real value of the US dollar in terms of real local currency, and tax and domestic marketing cost reductions which contributed to the 46 per cent increase in the producers' price). Kenya and India cushioned the impact by depreciation of real exchange rates, but taxes and marketing costs increased.[31]

Table 5
Difference between unit value of exports and prices paid to growers
in selected countries
(June 1988-1993, US cents/lb)

	1988	1989	1990	1991	1992	1993
Brazil*	n.a.	15.8	-4.9	12.0	6.2	n.a.
Colombia	60.4	57.6	13.6	17.1	2.3	13.2
El Salvador	64.5	67.2	36.2	34.4	25.8	27.1
Mexico	50.9	51.8	21.1	12.7	20.1	0.1
Côte d'Ivoire	36.8	39.4	34.8	25.0	-0.2	28.8
Cameroon	14.4	10.7	19.1	22.2	8.4	12.2
Ethiopia	73.3	69.4	39.6	106.0	50.6	21.1
Kenya	61.2	56.9	32.3	45.8	34.3	192.6
India **	34.5	54.4	35.4	18.0	7.6	0.4
Indonesia	25.8	45.6	11.0	8.2	11.0	n.a.

* Refers only to prices paid to Brazilian Arabica growers.
** Refers only to prices paid to Other Milds' growers.
Source: ICO Document EB 3493/9 (E), 27 September 1994.

58. Major coffee trading takes place in the New York Coffee, Sugar and Cocoa Exchange (NYCSCE) and the London Coffee Terminal Market (CTM). The prices of these two markets apply as a basic price for negotiations on coffee purchase contracts. However, the price determined in the contract and actually paid during transaction often differs from the basic price, depending on the agreement between the parties. As coffee is mostly traded in US dollars, exchange rates also influence the price of a contract.

B. From trader to processor

59. The length of the trade channel is also a factor influencing the coffee price. A shorter channel contains fewer intermediate traders and therefore involves lower costs. Traders' margins depend primarily on such factors as the amount of the order, coffee quality, and the urgency of the order, as well as on other factors (the competition among traders, the relationship between business partners and their market knowledge, etc).

60. The level of freight charges also influences the exporter's price. As most coffee is traditionally shipped on FOB terms, the freight is usually paid by the receivers who negotiate the freight charges. Freight rates vary constantly, and their level is determined by more complex factors than, for example, distance involved. In order to be competitive, on occasions producing countries have to take into account the level of existing freight rates in setting the price offered to a buyer. Large receivers have more bargaining power than individual producers, as the former may have extended business relations with the shipping companies. Some of the large roasters negotiate individual discounts with shipping lines, and the real freight rate negotiated may still be unknown.

61. Although shipments in jute bags are the most traditional method of coffee transportation, many small roasters specializing in particular grades have lately begun to favour shipments in smaller quantities. In this context, the use of container and silo technology for bulk shipments has developed considerably in recent years, influencing freight rates for coffee shipments.

62. The difference between the mean of the export unit value (or FOB price) and the mean of the unit value of imports (CIF price) is accounted for primarily by charges for shipping and other transportation of coffee from the country of origin to the country of destination and, to a lesser extent, by customs entry, sampling, interest and brokerage costs. Thus, for the period from September 1988 to September 1993, the export unit value of coffee exported by the ICA 1983 exporting members to all destinations decreased from 105.5 to 62.8 US cents/lb and averaged for the period 66.9 US cents/lb, whilst the unit value of coffee imports for importing members decreased from 122.7 US cents/lb in September 1988 to 66.9 US cents/lb in September 1993, with an average of 82.9 US cents/lb. The average difference between two values was, therefore, 16 US cents/lb or 19 per cent of the average CIF import price.[32]

C. From processor to consumer

63. Processing of coffee, which usually takes place in consuming countries, adds value to the product before it is sold to wholesalers and/or retailers. Retailers, particularly those of roasted coffee, operate at low margins in order to compete. As competition varies from market to market, across a coffee consuming country and between countries, so do prices. Accordingly, coffee processors or wholesalers frequently feature promotional campaigns offering different allowances. Though such allowances reduce the cost of the product to the retailers and the profit margin of the manufacturer, they make the product more price competitive.

64. A considerable part of the final price paid by coffee consumers is accounted for by commercialization costs. Generally, only around 25 per cent of the retail price of coffee goes to the grower, with the remaining 75 per cent going to shippers, traders, processors and distributors in importing countries,[33] though the distribution of the price finally paid by the consumer varies from one consuming country to another. The analysis in table 6 shows that in the 1989-1993 period exporters were receiving between 18 and 25 per cent of the price finally paid by the United States' consumers, with 14-19 per cent paid to growers. In the case of coffee exports to France, the unit value of exports accounted for 16-29 per cent with roughly 13-22 per cent received by growers. The difference between the unit value of imports and the unit value of exports (representing mainly freight charges) accounts for a further 2-6 per cent. Transport in consuming countries, storage, roasters' costs, financing, and taxes, as well as roasters', wholesalers', retailers', and other intermediaries' distribution margins, therefore account for between two-thirds and four-fifths of the consumer's price.

65. According to the Max Havelaar Foundation, the final price generally paid in 1992 by a Dutch consumer for a 250 gram package was distributed as follows: the price received by producing countries (i.e. FOB price or export unit value) which includes the price paid to the grower, processing costs, financing, transport and trade costs, the trade margin, and export charges and taxes, accounted for 24 per cent; freight, transport in the consuming country, storage, roasters' costs, financing, and roasters' and importers' margins amounted to 58 per cent; the distribution margin accounted for 12 per cent; and the value added tax (VAT) for 6 per cent. It has been estimated that taxes in the importing country, together with the distribution margins of wholesalers, retailers and other intermediaries, together account for between 20 and 25 per cent of the retail price.[34]

Table 6
Prices paid to growers, export unit values, import unit values
and retail prices in selected countries
(US cents per lb of green coffee, monthly average for September)

	1988	1989	1990	1991	1992	1993
Prices paid to growers (all ICO exporting Members)	55.77	45.91	46.13	41.94	35.32	46.01
Unit value of exports (all ICO exporting Members)	105.5	62.35	64.02	61.76	45.05	62.79
Unit value of imports						
All	122.7	94.2	78.6	76.3	58.4	66.9
USA	118.9	82.1	73.7	69.2	50.0	62.0
EC	120.4	99.6	79.6	78.4	62.0	67.1
France	102.9	82.8	69.3	66.6	53.0	59.5
Italy	113.7	106.7	78.6	74.6	58.4	62.2
Retail prices						
USA	284.0	309.8	302.5	269.2	253.7	249.3
France	258.6	261.6	273.1	246.4	276.2	217.6
Italy	441.6	449.1	543.1	558.2	616.1	458.1

Sources: ICO Document ED 1565/94(E), 31 August 1994; information received from the ICO secretariat (24 October 1994).

66. The gross value added to the roasted coffee (the difference between the retail prices of roasted coffee and the unit value of imports of the green bean content of roasted coffee) differs widely from one importing country to another (see annex X). It is especially big in Japan, since the retail prices of roasted coffee are considerably higher there than in other importing countries. In 1990 the unit import value of green coffee constituted only a small fraction of the retail price of roasted coffee in major importing countries (26 per cent in the United States, 25 per cent in France, 18 per cent in Germany and 9 per cent in Japan).

67. There is generally a weak link between retail prices, which include profits, taxes, and marketing costs of roasted and other processed coffees in consuming countries on one side and world market prices on the other.[35] A notable feature of the retail market for roasted and other processed coffees is that the lower prices at which coffee has been internationally traded in recent years have, to a large extent, not been transferred to the final consumers, while taxes and marketing costs in consuming countries have remained stable (or even decreased). For instance, while in 1990 the prices of different groups of coffee on the New York market declined from 10 to 27.4 per cent, retail prices of roasted coffee in ICO importing member countries, expressed in current terms (US cents per lb), increased by between 1 and 18 per cent. Only in France was the retail roasted coffee price in December 1990 lower than a year before. While prices for Arabica declined between 1988 and 1991 by about 40 per cent, the decline in the retail price in terms of nominal US dollars was only 7 per cent in Germany, and 5 per cent in the United States and France, and there was even an increase of 18 per cent in the United Kingdom.[36]

68. It was not until 1991 that lower coffee prices on the world market began to be reflected in retail consumer prices in

some importing countries (in current US cents per lb terms), and even so the change was proportionally smaller than the fall in world prices (see also annex XI). By contrast, the response of retail prices to the growth in world prices in 1994 was almost immediate. For example, United States retail prices have rose by average of 30 per cent by mid-July following the first Brazilian frost in June 1994, while Dutch roaster Douwe Egberts increased prices by 12 per cent as from 6 July.[37]

D. Some factors affecting price formation

69. In addition to fundamentals such as supply and demand, the level and management of stocks both in producing and consuming countries, and factors causing short-term price fluctuations (cycles in yields, low price elasticities of demand and supply, speculation on coffee futures contracts), world coffee prices depend, to a large extent, on such factors as crop seasonality, technological advances and innovation in the producing countries, trading practices and operations, and quality differences.

70. World prices follow a seasonal pattern determined by planting, weather, harvest, etc., in the major producing countries. The seasonal trends in world coffee prices depend, to a large extent, on the general situation of coffee crops in Brazil and Colombia. World prices have a tendency to increase from January to June in anticipation of the period of cold weather in Brazil, which is usually from April to August. This seasonal trend is, however, partly offset by supplies of coffee from the other Latin American countries. It is also important for the market to anticipate future possible frost and consequently regulate stocks. In 1975, for example, the effect on prices of the severe frost was considerably diminished by the high level of stocks. In the next two years, stocks decreased to their historical lows, with the result that the less strong frost in 1979 caused greater price volatility than in 1975. The sharp surge of world coffee prices in mid-1994 can be attributed mainly to anticipation of frost damage to the coffee crop in Brazil in the 1993/94 crop year. Seasonality of world demand (e.g. the growth in coffee consumption during the winter season in the United States and Canada) also influences world coffee prices, although to a lesser extent.

71. Developments in coffee-growing technology lead to production growth and cost decline and, via competitive domestic prices, may have an impact on international prices. This concerns primarily those major producing countries with liberalized export marketing systems whose production levels influence considerably the world coffee balance and where domestic and world prices are more closely correlated. On the other hand, as some of the innovations may result in quality growth, the prices for existing (or new) varieties would tend to increase. It can be argued that, with the steep rise of 1994 in coffee prices, the benefits of technological advances may be undermined if roasters and caterers are tempted to compensate for increased raw material costs by seeking economies elsewhere and compromising quality.

72. Among the latest technological trends in coffee growing and field-processing methods, the following are worth mentioning: maximization of the positive characteristics of two different field processing methods (wet and dry) or species (Arabica and Robusta); research into coffee genetics, especially in the area of resistance to pests and deseases, and low-caffeine varieties; and the production of "organic" coffee.

73. Attempts to grow "organic" coffee by ecological farming methods are being made in producing countries of different regions, namely in Ethiopia, Bolivia, Colombia, Mexico, Nicaragua, Papua New Guinea, Indonesia and Tanzania. It is grown under shade trees together with food crops, without recourse to chemical fertilizers, insecticides or pesticides. According to the initial findings,[38] yields are no lower than those achieved in conventional growing, although the labour input is estimated to be, in some cases, as much as four times higher.

74. The operation of the economic mechanism of the International Coffee Agreements had a considerable impact on international coffee prices. During the operational periods of the economic mechanism of the ICA 1983, the quotas were in effect frequently adjusted to defend the price range set under the Agreement.[39] The export quota scheme succeeded in keeping world coffee prices fairly stable between October 1980 (when they were introduced under the 1976 Agreement) and February 1986. A suspension of quotas in February 1986 was triggered by frost in Brazil which resulted in a sharp increase in prices. Their steady decline after the spring of 1986 led to prolonged discussions between producers and consumers and consequent reinstatement of the quotas in October 1987. The subsequent suspension of quotas in July 1989 in turn triggered the sharp price decline. By comparison with this experience, the history of the non-quota periods indicates that in times of

high world prices the free market was capable of lowering them within about one year, or less, but could hardly improve the prices when they were depressed (thus suggesting a reimposition of quotas).

75. World prices were also influenced by the coordinated policies of producing countries. For instance, the Producers' Retention Scheme which became operational in October 1993 was followed by a decrease in producers' stocks and contributed to a significant rise in prices in the first half of 1994 (for details, see chapter V).

76. The prices established on the market are also affected by the trading practices and operations of large-scale traders and roasters on both physical and futures coffee markets. Traders in futures mainly offset purchases against sales and normally do not deliver or receive physical coffee. The annual turnover of the futures markets of London and New York is considerably greater than world exports of the coffees that are tenderable and also much larger than the volume of physical coffee delivered under futures contracts.[40] It should be noted that these markets reflect prices for futures deals, whereas prices for physical coffee can have independent dynamics. Large trade houses and other operators are able intentionally to cause volatile price movements on the futures markets, but those movements might not necessarily influence the actual physical market, as they are caused purely by technical speculations.

77. Quality differences also cause some types or grades of coffee to be sold at above or below average price. Until the middle of the 1970s, the world market prices of various types and qualities of coffee were closely correlated, reflecting the possibility of substitution. However, by the end of the 1970s, the price correlation between low-quality Robustas and higher-quality Arabicas had become less rigid and the differences in prices were growing. With demand in the industrialized countries turning to the higher-quality Arabicas, this difference in prices has continued to grow in recent years. Whereas in 1987 the price of Robustas amounted to 88 per cent of the price of Colombian and Other Milds, the corresponding figure for 1993 was 70 per cent. The quality of individual coffee origins also fluctuates, thereby affecting their differentials in relation to ICO indicators and futures markets` prices.

Chapter III

GENERAL ASPECTS OF COFFEE MARKET AND OWNERSHIP STRUCTURES

A. Elements of the industry and marketing system

78. The coffee market in exporting and importing countries performs a number of functions of intermediation between green coffee supply and demand and/or between coffee growers and roasters or processors. The coffee production and marketing systems involve a complex network of relations between different actors on the market (growers, processors, brokers or other intermediaries, domestic roasters, exporters and government or government-influenced agencies responsible for administering national coffee policies). The members of each link of the marketing chain may perform more than one marketing function.

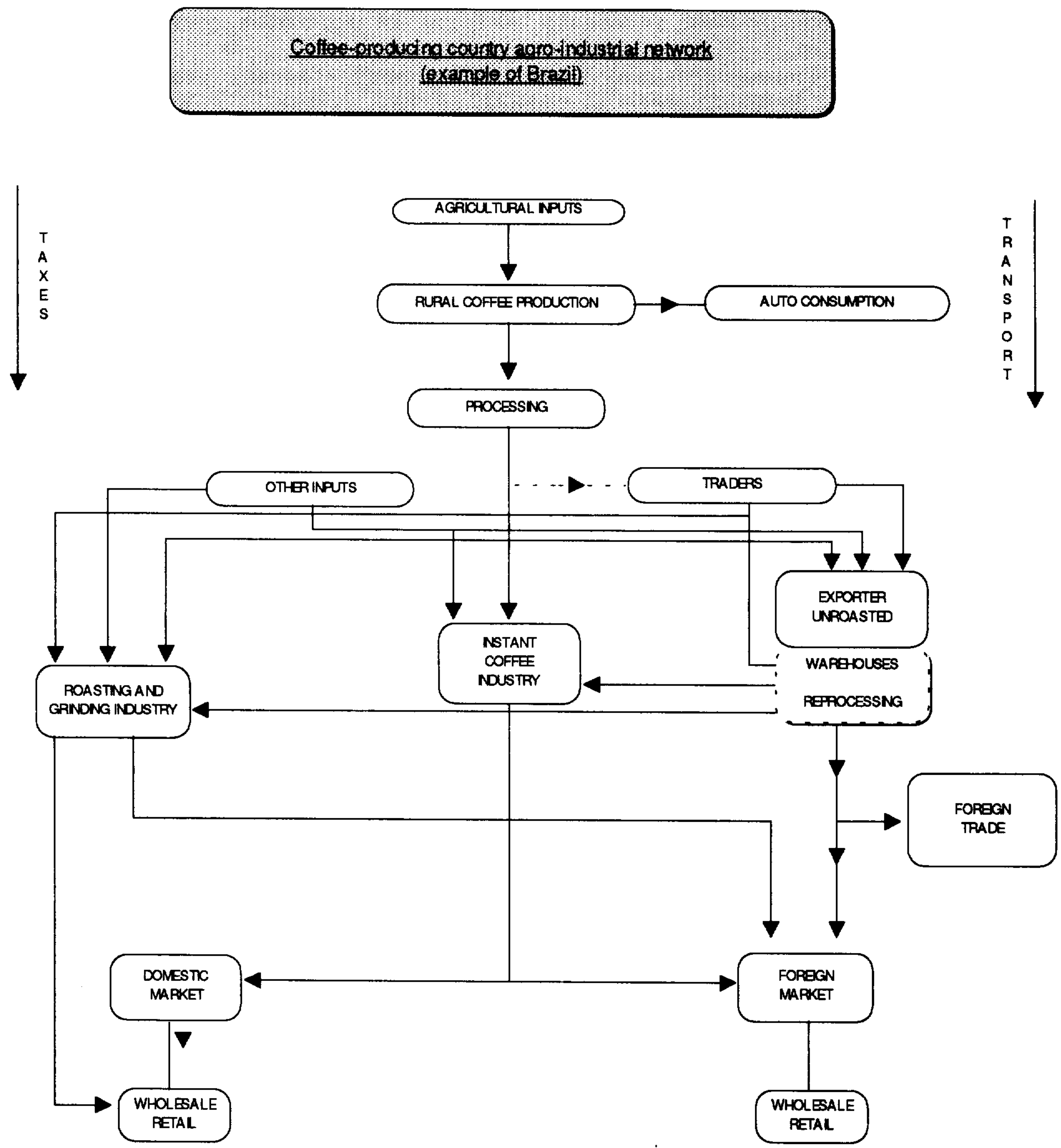
79. Intermediation between growers (producers) on one side and consumers in importing countries on the other is handled by private brokers and exporters/importers (traders) or governmental agencies of producing countries. Usually the same intermediaries handle the international trade of both green and processed coffee. The typical national agro-industrial coffee network is depicted in chart II (the case of Brazil).

80. There is a considerable range of marketing systems in producing countries through which coffee reaches the stage of being exported. It is necessary to distinguish between those countries where the Government is fully responsible for marketing and exports (i.e. countries with controlled or "closed" marketing systems), those where marketing and exporting are basically performed by the private sector ("open" systems), and those where there is a mixture of both or where the activities of the private sector are substantially regulated by official norms. Particular tasks which in some countries are undertaken by separate types of firm or institution, may in others all be centralized and undertaken by a government body.

81. In open systems, producers, co-operatives, millers and traders are themselves responsible for marketing and exports; the Government's role is generally limited to tax collection, quality control and monitoring of coffee-related currency flows. Controlled marketing systems function via marketing boards (which are monopolistic buyers and exporters on the national market and pay a fixed price to producers) or can also entail stabilization funds which guarantee a certain level of minimum price for growers and regulate export prices.

Chart II

Coffee-producing country agro-industrial network
(example of Brazil)



Source: Brazilian Coffee Committee (1992).

B. Coffee trading, processing and distribution

82. On the consuming country side, coffee is purchased either directly by roasters or by importers/traders acting as intermediaries. Traders provide intermediate financing during the period of shipment and can build up long-term relations with firms or organizations in exporting countries. In some cases traders actually own or have interests in firms in producing countries.

83. Besides processing industry in producing countries was also constrained by the relatively oligopolistic structure of the market. A high degree of concentration is generally characteristic of the world coffee trade, the roasting sector, the instant coffee industry, and trade in importing countries. About half of the world coffee trade is carried out through international trading companies and traders, while the main roasting companies account for most of the remaining half.

84. In the period of high prices in the mid-1970s, small and medium traders experienced operational and financial difficulties. This led to a large number of mergers and acquisitions in the food sector during the 1980s which had an impact on the coffee-processing sector and contributed to further concentration in the industry. Many small and medium processing companies have also been taken over either by large trading houses like E.D.F. Man, or by large roasters such as Jacobs Suchard or Nestlé.

85. As can be seen from table 7, most coffee trade is handled by ternational trading companies. By 1994 six groups accounted for 45 per cent of the world coffee trade (see annex XII), whereas in Europe six conglomerates accounted for 52 per cent (see Annex XIII). Among the world leaders in the green coffee trade are Neumann (Hamburg) - around 13.8 per cent of world coffee trade in 1993, Volcafe (Winterthur) - 9.0 per cent, and Cargill (New York) - 6.2 per cent. Other companies - Aron (New York), E.D.F. Man (London), and Tardivat (Paris) - have each recently accounted for over 5 per cent of world trade in coffee. The Bozzo Group (the sixth in the world and third in Europe in volume) has been in liquidation since 1993 at the same time as Rayner has been experiencing difficulties, and Cargill has been increasing its activities considerably. It should be mentioned that despite the highly oligopolistic structure of the world coffee trade, marketing bodies of producing countries have in recent years become major participants as well.

86. Processing of coffee is concentrated in the three largest importing countries - the United States, Germany and Japan. In 1993 six houses controlled about 55 per cent of roasted coffee production in the major producing countries. On a world scale, the biggest roasters are Nestlé and KGF/Jacobs (12.5 million bags each in 1993), followed by Douwe Egberts (a part of the United States Sara Lee Corp.) (5.0 million bags) and Procter & Gamble Folger's (3.5 million bags) (see also annex XIV). These four largest roasting operators are not only global in nature but are large multinational parent houses which manufacture and distribute a wide range of consumer products other than coffee. The multinationals dealing with coffee are usually horizontally integrated into other food items, such as cocoa and chocolate processing, grains, sugar, sweeteners, light drinks, etc. Most large multinationals are also vertically integrated into trading, processing and retailing.[41]

Table 7

Concentration in green coffee import trade and coffee processing, 1990

Region/country	Green coffee import trade	Roasted and instant coffee production
World	6 groups: 45%	4 groups: 45%
Western Europe	6 groups: 51%	7 groups: 61%
United States	3 groups: 72%	3 groups: 60%
Japan	n. a.	5 groups: 75%
Germany	3 groups: 48%	6 groups: 84%

Sources: Hartmut Brandt, "The Formulation of a New International Coffee Agreement", German Development Institute, Berlin, 1991; Volcafe Ltd. estimates.

87. Three North American major roasters of green coffee and processors of soluble coffee (Kraft General Foods, Nestlé Beverage Co., and Procter & Gamble) buy around 11-13 million bags a year, which is equivalent to about 60 per cent of total North American consumption. The same three companies together account for some 70 per cent of the United States retail coffee market (see annex XV).

88. In Europe, six groups of companies (KGF/Jacobs, Douwe Egberts, Nestlé, Eduscho, Lavazza, and Tchibo) import annually 21-22 million bags, which accounts for over half of the total consumption of the region (see annex XVI). In Japan, 75 per cent of the market is controlled by five houses(Nestlé, UCC, KEY, AGF and ART).

89. On the roasted-coffee market of developing countries, the share of the four leading coffee trading groups (General Foods, Procter & Gamble, Jacobs, and Consolidated Foods (now Sara Lee Corp.)) increased from 25.9 to 32.8 per cent between 1960-1980. As regards soluble coffee, the share of the two most important companies (General Foods and Nestlé) increased from 73.5 to 75.0 per cent.

90. At the beginning of the 1960s, sales of food products by retailers or small supermarkets were gradually absorbed by large-scale distributors such as co-operatives or big supermarket chains. Coffee was not an exception in this respect. Already by the beginning of the 1970s, coffee wholesalers in the United States, Germany, Netherlands and Switzerland accounted for between 50 and 95 per cent of the domestic market.

91. Apart from wholesalers, sales of roasted coffee in major consuming markets are channelled through a combination of retail shops, owned by the roasters' direct sales channels, and brokers. Roasters operate in two distinct markets - the retail or grocery market, where coffee is largely purchased for consumption in the home, and the institutional or catering market, where coffee is destined for restaurants, offices, vending machines, etc. The five or six truly global roasters usually service both these segments of the markets, but certain smaller roasters specialize in one only, as each of them demands a wide range of blends, degree of roast, type of grind, etc. Grocery sales generally account for 70-80 per cent of the overall coffee market, which is dominated by multinational roaster operators which sell coffee to hyper- and super-markets and chain stores.

92. Following the suspension in July 1989 of the export quotas of the International Coffee Agreement, 1983, roasters acquired greater flexibility in selecting the types and qualities of coffee they would accept and for which they would be prepared to negotiate forward contracts. As at that time consumers' preferences began to shift towards Arabicas and, in particular, towards Other Milds, this trend has also contributed to the widening of price differentials between Other Milds and Robustas.

Chapter IV

MARKET ACCESS AND BARRIERS TO TRADE AND CONSUMPTION

93. On the producers' side, the factors which hinder coffee trade and consumption are generally associated with the operations of government monopolies and official purchasing agencies, as well as with export arrangements as regards direct or indirect subsidies and other administrative rules and practices. In coffee-consuming countries, the major obstacles to trade and consumption are import arrangements applicable to coffee, including preferential and other tariffs, quotas, and internal trade conditions and domestic legal and administrative provisions.[42]

94. The coffee-processing industries of developed countries enjoy sufficient protection to affect the competitiveness of producing countries which aspire to become exporters of processed coffee. The development of coffee-processing facilities in producing countries and consequent adding of value in the cases of soluble and roasted coffee are impeded by factors such as trade barriers in the importing countries, blend requirements, and trading practices.

A. Tariffs and non-tariff measures

95. Tariffs, non-tariff measures, the escalation of barriers with stage of processing, and internal taxes in consuming countries substantially restrict coffee trade in general and the development of the roasted and instant coffee industry in the producing countries in particular. In order to provide protection for the domestic coffee-processing industry, the Governments of developed countries generally impose tariff or other trade restrictive barriers on competing imports of processed coffees. (The exports by producing countries of processed coffee, mostly soluble, have never exceeded 5 per cent of total coffee exports, and that of roasted coffee 0.2 per cent).[43]

96. As can be seen from table 8, the tariffs on imports of green coffee in major consuming countries in the early 1990s were relatively low (the United States, Japan, Canada, Austria, Sweden, Finland, Norway, and New Zealand levied no duties on green coffee). These tariff rates usually rose with the degree of processing. For instance, Canada did not levy any tax on green coffee, but its tariff scale progressed more than three times from roasted to soluble coffee (from 4.4 to 15.4 Canadian cents per kilo, which nevertheless accounted for only 0.6-0.7 per cent of the final price paid by consumers for each of these two types of coffee). Only the United States and Sweden levied no duties on green, roasted or instant coffee.[44]

Table 8
Duties and taxes on coffee in selected consuming countries*
(Percent equivalent ad valorem) (Pre-Uruguay Round)

	I Green, not decaffei-nated	II Green, decaffei-nated	III Roasted, not decaffei-nated	IV Soluble
USA	-	-	-	-
Germany** (a) GSP (b) Internal tax (c) VAT:7%	3.60	8.5 3.80	11.5 4.30	9.0*** 9.35***
France** (a) GSP (b) VAT: 5.5%	-	8.5	11.5	9.0
Japan (a) MFN (b) GSP (c) Sales tax 3%	-	-	20 10	12.3
Italy** (a) GSP (b) VAT: 9%	-	8.5	11.5	9.0
Spain** (a) GSP (b) VAT: 6%	-	8.5	11.5	9.0
Netherlands ** (a) GSP (b) VAT: 6%	-	8.5	11.5	9.0
United Kingdom ** (a) GSP (b) VAT	- -	8.5 -	11.5 -	9.0 -
Canada GSP	- -	- -	4.41cts/kg****	15.43cts/kg
Belgium/ Luxembourg ** (a) GSP (b) Internal tax (BF/kg) (c) VAT: 6%	- 8	8.5 8	11.5 10	9.0*** 28

	I Green, not decaffei-nated	II Green, decaffei-nated	III Roasted, not decaffei-nated	IV Soluble
Denmark ** (a) GSP (b) Internal tax (DKr/kg) (c) VAT: 22%	 - 4.35	 8.5 4.35	 11.5 5.22	 9.0 13.05
Austria (a) GSP	- -	12 -	15 6	12 4
Finland (a) MFN (b) GSP VAT: 21.2%	 - -	 - -	 7.7 -	 5.6 -
Sweden	-	-	-	-
Norway	-	-	NKr 0.45/kg	-
Switzerland (a) MFN (SFR/kg) (b) GSP (SFR/kg) 1/ Not applicable to Brazil	 0.50 0.44	 0.76 0.55 1/	 0.90 0.55 1/	 2.60 1.50
Australia	2	2	0.07$A/kg	0.66$A/kg
Greece ** (a) GSP VAT: Roasted - 8% Soluble - 18%	 -	 8.5	 11.5	 9.0
Portugal ** (a) GSP VAT: 8%	 -	 8.5	 11.5	 9.0
* Percentages if not stated otherwise. ** No duties on ACP imports. Duties relate to non-ACP countries. *** Not decaffeinated. **** Roasted.				

Sources: ICO Document EB 3260/91(E), 21 February 1991; International Trade Center UNCTAD/GATT, " Coffee: An exporters' guide", 1992.

97. The European Union member countries' imports of green coffee and its products from ACP producing countries were duty free. Before the conclusion of the Uruguay Round in April 1994, the scale of GATT-bound rates for non-ACP countries for green, green decaffeinated, roasted non-decaffeinated and soluble coffees were respectively 5, 13, 15 and 18 per cent.[45] The autonomous rates applied by the EU since 1 July 1989 are 4, 10, 12 and 30 per cent.[46] The EU States also have a uniform tariff scale for non-ACP countries under the generalized system of preferences (respectively 4.0, 8.5, 11.5 and 9.0 per cent). Notwithstanding these formal scales, the EU extended its zero tariff concession on coffee and its above-mentioned products to most non-ACP countries as well.[47] These countries account for two thirds of the European Union`s

coffee imports. Only four producers - Brazil, Mexico, Indonesia and Viet Nam -were subject to European Union tariffs.

98. Despite the preferential treatment which the ACP and least developed countries enjoyed regarding exports of roasted and soluble coffee to the EU countries, their actual exports of these products to the Union remained relatively insignificant, primarily due to a low level of development of coffee-processing industries in the former countries (which posed blend problems), as well as to other barriers to coffee trade (see section B below). The imports of processed coffee by the EU from these countries vary only between 0.3 and 0.5 million bags compared, to its total imports of 3.2-3.6 million bags.[48]

99. Indirect taxes in the EU and non-EU European countries varied from country to country. While some countries, such as Denmark and Finland, levied high value-added tax (VAT) on coffee, in other countries it varied from 5.5 to 9 per cent, and in the United Kingdom and Ireland it was zero. Denmark was quite a special case, as besides the internal tax, it also applied an extremely high 22 per cent VAT. However, the special fund operating in the country since 1967 has been accumulating a part of the proceeds from the coffee import duty to be used to promote the development of enterprises in developing countries in co-operation with the Danish private sector.

100. Another important element for the coffee trade has been the existence of internal taxes and subsidies. Some countries within the European Union also levied selective internal taxes in national currencies per kilogram. These taxes date back to the colonial era when coffee was considered a luxury beverage. With coffee now an everyday consumption item, these levies have been reduced. From 1 January 1993, internal taxes were abolished in Italy and Portugal in order to eliminate the obstacles to free trade within the single European market, but still remained in force in Germany, Belgium/Luxembourg and Denmark.

101. Japan, the third biggest consuming market for coffee, eliminated its import taxes on beverage items, including green coffee, in April 1989 but left taxes on roasted and soluble coffees, plus sales tax. It should be noted that, while the import tax in Japan for roasted non-decaffeinated coffee under the GSP was comparable to the corresponding EU rate (respectively 10 and 11.5 per cent) the most favoured nation tariff for this product in Japan was twice as high (20 per cent).

102. By the estimate of the German Development Institute, import duties taken in the context of the direct price elasticities of demand reduce demand in selected import countries as follows (in per cent):[49]

Belgium/Luxembourg	- 1.68	Italy	- 1.62
Denmark	- 9.46	Japan	- 1.55
France	- 0.72	Netherlands	- 2.04
Germany	- 1.19	Portugal	- 2.24
Greece	- 2.94	Spain	- 0.42

103. As far as total indirect taxation on coffee consumption (tariffs, coffee taxes, internal taxes) is concerned, from 1975 to 1989 it varied between 56.3 per cent of the import value in the Federal Republic of Germany and 4.4 per cent in the United Kingdom. The rate of indirect taxation, weighted averaged over the same period, amounted to 17.2 per cent in the ICA 1983 importing member countries. Given an average price elasticity of demand for imports in these countries (often estimated to be in the order of -0.3), it can be concluded that indirect taxes reduced the imported quantities by about 5 per cent, which was equivalent to an average yearly loss during the 1975-1989 period of $US 450-500 million in export earnings for producers.[50]

104. Successive Rounds of multilateral negotiations within the General Agreement on Tariffs and Trade (GATT) which were supposed, inter alia, to tackle impediments to trade in commodities in fact left these impediments largely untouched until the Uruguay Round. The ministerial commitment undertaken under GATT in 1982 to liberalize barriers to trade in tropical products as a matter of urgency was not fulfilled.

105. The negotiations on tropical products continued in the framework of the Uruguay Round (September 1986-April 1994). In the developed economies' package on tariff reductions on agricultural products proposed in November 1993 the

aggregate for the group "coffee, tea, cocoa, sugar, etc." was 32 per cent.[51] The final package of proposals on tariff reductions was presented by participants in the GATT negotiations at the Marrakesh Ministerial meeting in April 1994 when the Uruguay Round was concluded and the full set of final concessions was signed. Table 9 depicts the final tariff reductions on coffee products in major importing countries.

106. As can be seen from table 9, the European Union has joined other major coffee-consuming regions as regards zero tariffs on raw coffee and has also decreased by half the tariffs on roasted coffee and coffee extracts. Despite this reduction, the latter still remained at the comparatively high levels of 7.4 and 9.0 per cent. In Japan, tariffs on imports of coffee extracts remained the highest among the importing regions.

107. The concrete achievment of the Uruguay Round tariff negotiations on coffee was complete tariff elimination for green non-decaffeinated coffee by the world's largest importer - the European Union. This step brought imports of this type of coffee to a state of complete liberalization in three major green coffee markets. It should be noted, however, that the European Communities did not join the United States and Japan in their zero-rated tariffs for green decaffeinated coffee, though the EU's 36.2 per cent reduction can be considered an important one.

108. It may be assumed that coffee-exporting countries will generally benefit from these EU tariff reductions, which should improve their market access. It seems premature, though, at this stage to make estimates of the extent to which exporting countries would benefit from these reductions in terms of foreign exchange earnings.

109. As far as more specific market access opportunities for coffee are concerned, the Uruguay Round participants agreed that, in the case of those products for which little or no imports had taken place because of the highly restrictive nature of the pre-existing regime, minimum market access opportunity commitments were required, representing not less than 3 per cent of domestic consumption in the base period 1986-1988, and rising to 5 per cent of that base figure by the end of the implementation period (2000 for developed countries). As imported coffee represents 100 per cent of domestic consumption in developed countries and imports were obviously not highly restricted, the increase in market access opportunities for coffee under this particular commitment between

Table 9
Escalation by stages of processing of MFN tariffs (weighted averages)
on imports of coffee from developing countries
(Averages in per cent equivalent ad valorem)

	United States			European Union			Japan		
	Pre-UR	Post-UR	Reduction %	Pre-UR	Post-UR	Reduction %	Pre-UR	Post-UR	Reduction %
Coffee not roasted									
- Not decaffeinated	0.0	0.0	-	5.0	0.0	100.0	0.0	0.0	-
- Decaffeinated	0.0	0.0	-	13.0	8.3	36.2	0.0	0.0	-
Coffee roasted									
- Not decaffeinated	0.0	0.0	-	15.0	7.5	50.0	20.0	12.0	40.0
- Decaffeinated	0.0	0.0	-	18.0	9.0	50.0	20.0	12.0	40.0
Coffee husks and skins	0.0	0.0	-	13.0	0.0	100.0	0.0	0.0	-
Coffee substitutes containing coffee	3.3c/kg	1.5c/kg	54.5	18.0	11.5	36.1	20.0	12.0	40.0

Source: Uruguay Round of Multilateral Trade Negotiations - Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994, Schedules XV (United States) 8a; LXXX (European Communities) 19; XXXVIII (Japan) 11.

base and end of implementation periods was the smallest among agricultural products (together with cocoa) and accounted for only 0.4 million bags, or around 0.5 per cent of current world coffee imports.[52]

110. The European Communities and Japan continue to protect primarily their markets of roasted coffee and coffee extracts, though the tariffs for these products were reduced (by 50 and 40 per cent respectively). The reduction of tariffs for these products should normally stimulate the development of coffee-processing industries in the developing countries, and both markets should increase their imports of processed coffee. However, as processing capacities in the developing countries are still limited in comparison to the market potential opened by the tariff reduction, the increase in imports of roasted coffee is likely to come primarily from the United States, the biggest world producer, rather than from developing countries.

B. Other barriers to trade

111. Internal taxation in some producing countries is also an obstacle to production development and exports. Coffee exports provide, through taxes and levies, a substantial part of government income, which has decreased considerably with the collapse of coffee prices. Recent taxation reforms in some producing countries have aimed at stimulating exports and achieving a balance between tax rates and national income; in others, tax increases, levies and costly agent commissions have tended to discourage producers and exporters.

112. Apart from tariffs on processed coffee in the industrialised countries, which are major coffee importers, developing countries face considerable disadvantages in expanding their export-oriented coffee-processing industries in competition with transnational companies, in particular regarding the necessity of complying with modern product standards and introducing modern marketing methods and techniques.

113. Coffee processors in producing countries experience many difficulties in keeping track of consumers' constantly changing blend requirements, provision of fresh roasting, and preserving the quality and extending the shelf life of coffee through the use of modern packaging equipment and technologies. The ACP countries,[53] although enjoying duty-free access to the EU market for soluble coffee, still export relatively insignificant volumes of it, largely because of these difficulties. The highly experienced and technically advanced roasting industry in the consuming countries is in a better position to monitor the increasingly sophisticated requirements of the local market, offer a "portfolio" of origins, and accordingly provide fresh roasting and blending.

114. Modern product standards applied in developed countries (e.g. obligatory vacuum packing), compliance with which is technologically demanding and capital-intensive, also impede development of production and exports of processed coffee by producers. In addition, marketing and advertising techniques applied by large roasters hinder the entry of new brands into their markets.

115. Notwithstanding the factors mentioned above, producing countries with more diversified economies and large domestic markets (like Brazil, Colombia, Ecuador, Côte d'Ivoire, and India) have set up their own instant coffee industries and managed to find their niches in the world market for this product. In order to compete with transnationals, producing countries have to develop sophisticated modern marketing techniques, for which they lack the necessary resources. Besides, in most of these countries, skilled human resources are quite scarce, and infrastructural and information networks are undeveloped.

116. In order to develop direct access to the consuming markets, some developing countries' industries co-operate with trading companies in the consuming countries. For instance, Côte d`Ivoire and Senegal have established commercial relationships with some French supermarket chains in order to obtain separate shelf space, in particular for their coffee products.

Chapter V

DOMESTIC AND INTERNATIONAL COFFEE POLICIES

A. Domestic policies in major coffee-producing countries and recent trends in their marketing systems.

117. Producing countries' national policies regarding coffee production, domestic prices, stocks and trade are a major factor affecting the world coffee market. These policies, in turn, are influenced by the degree of dependence on foreign exchange generated by coffee exports. Decisions on the level of coffee output and related investments constitute two guiding principles in the formulation and implementation of national coffee policies within the social and economic context. The need to provide technical, financial and marketing services to smallholders and to encourage the production of high-quality coffees and adequate prices for growers the necessity to monitor the impact of coffee exports on foreign exchange and foreign investment in the coffee sector, and other issues which might have an impact on national development programmes are the problems which national policies generally address.

118. In periods of low world prices, the Governments of many producing countries support farmers with subsidies or other inputs on the tacit understanding that there would be some pay-back if prices improved. Similarly, in boom periods Governments usually tend to increase export taxes, which help contribute to the support offered in past years, as well as building up a surplus for possible future challenges.

119. The behaviour of world coffee prices, which during certain periods was controlled by the economic mechanism of the successive International Coffee Agreements, has had a major effect on the export policies of the producing member countries, i.e. on internal prices paid to growers, subsidies on production inputs and credit policies. The price and quota mechanism of the ICAs has had both a direct influence on export policies and an indirect one through its impact on the producing countries' national coffee policies (output, production prices, domestic consumption, producers' stocks, and non-quota exports). Some empirical findings show that if, for example, domestic consumption in the producing countries increased or decreased (due to the effect of the ICA quota system on consumer price policies) by only 1 per cent, world market prices would change by at least 1.5 per cent (at the given shares of consumption of the quantities available and price elasticity of worldwide demand for imports).[54] International trade regimes have also had their impact on the producers' coffee policies.

120. In the late 1980s and, in many countries, in the early 1990s, a movement towards liberalization of coffee marketing systems started. Countries with a coffee economy closely controlled by parastatal organizations have demonstrated a far weaker production and export performance than countries operating open marketing systems. The liberalization process was further influenced by increasing export revenue problems, the depressed state of world coffee prices and the suspension of quotas under the International Coffee Agreement 1983, which led to an internationally uncontrolled market. In addition, for a number of Governments, the cost of supporting marketing boards and maintaining the levels of prices paid to producers became too heavy.

121. Some producers still maintain marketing boards, while others have adapted relatively easily to more liberalized systems in which the Government facilitates the process in co-operation with the private sector, and in others the reform process is still ongoing. It is important to note that while in most cases the reforms consisted in the liberalization of domestic and export marketing systems, in some others the changes went in the opposite direction. For instance, in Indonesia, a country with a fully liberalized marketing system, the Association of Indonesian Coffee Exporters was in 1993 coordinating with the Government measures to promote exports and halt excessive competition in a move to counteract the decrease in exports.

122. The world coffee balance is particularly affected by the domestic and international policies of the two major producers and exporters - Brazil and Colombia. For example, in early 1993 a rally took place in coffee prices, but it was put into reverse in April by the move of Brazil to invest US$ 860 million in its coffee sector by raising funds through sales from its 17.5 million bags of stocks and subsequently to sell another 600,000 bags.[55]

123. Historically, the significance of coffee production and exports for the national economies of both countries has been declining in the post-war period. While in the 1960s coffee accounted for 60-70 per cent of total Brazilian export earnings and in the 1980s for 10-12 per cent, the figure for 1990-1991 amounted only to 4.4 per cent. This change resulted both from diversification of Brazil's export portfolio, with increasing weight given to manufactures, and the rising quality competition from other coffee exporters. Until the early 1970s, coffee accounted for over 60 per cent of Colombia's total exports, and in the 1980s it covered roughly half of the country's export earnings. Diversification of the economy led this proportion to decrease to 33.8 per cent in 1987-88 and to 20.5 per cent in 1990-91. The share of coffee exports in Brazilian GDP declined from 0.6 per cent in 1988 to 0.3 per cent in 1991 and their share in Colombian GDP from 4.2 to 3.2 per cent.[56] However, coffee production remains a vital element in rural employment in both Brazil and Colombia. It has been estimated that in Brazil some 4 million people are engaged, directly or indirectly, in coffee growing,[57] while the number of growers in Colombia amounts to about 350,000.[58]

124. Given the importance of the coffee sector for the Brazilian economy in the 1960s and 1970s, coffee policies had a strong impact on national monetary and fiscal measures. For many decades, the industry was directly administered by the Government, which set taxes on coffee exports as from 1961. These resources were used to guarantee minimum levels of domestic coffee prices to growers and to establish credit lines to finance the sector. More recently the national coffee sector came under the supervision of the Instituto Brasiliero do Cafe (IBC) which operated a system of controls and taxes in order to regulate the national coffee economy. From 1971, IBC gave priority to exporting large volumes of coffee. One of its most important functions was to support the national coffee market, guaranteeing a minimum price for growers.

125. The rapid economic growth and diversification experienced by Brazil during the 1970s had an impact on the significance of coffee in the Brazilian economy. In the 1980s, economic adjustment efforts towards institutional reform and trade liberalization on the one hand and declining world prices on the other generated a severe crisis in Brazilian coffee production. In 1988, when a system for retention of stocks was established, Brazilian coffee exporters began to lobby for deep policy changes.

126. As of 1990, when IBC was abolished and the industry was fully liberalized, producers' prices were left to market forces, taxes were abolished, and export prices were supervised through a system of central bank registrations. With many private traders, processors and exporters operating in the market, producers began to be free in their choice of buyers.

127. After liberalization, the situation in the sector deteriorated, with coffee being sold at 50 per cent of its production cost. The decline in revenues had a considerable effect on coffee producers, exacerbating conditions, particularly for smallholders. The main impact of low prices has been the replacement of coffee by pastures, with a consequent decline in prospects for rural employment. Many coffee trees have been abandoned or eradicated. Processors and exporters have also suffered losses. Some of the main Brazilian exporters began gradually to shift towards financial speculation and became less concerned about their long-term involvement in physical trade.

128. This overall situation led to considerable institutional changes in the national coffee sector. Several important producers set up the National Coffee Council (CNC), while some big cooperatives preferred to wait for further eventual policy changes. Roasters and soluble coffee processors also formed their associations (respectively ABIC and ABICS), while exporters were united under the Brazilian Federation of Coffee Exporters (FEBEC). These groups strongly differed in their attitudes towards government regulation and the reinstatement of the International Coffee Agreement with economic provisions. While producers seemed to be largely divided on both issues, roasters opposed both government control and an ICA with economic provisions. The roasters were for a long time under government control as regards consumer prices and volumes and qualities available for domestic market. The unique consumer price was the factor which particularly limited the possibilities of development of the industry, which processes yearly about one third of national coffee production. By contrast, producers of soluble coffee were in favour of an ICA with economic provisions, as they could buy green coffee at established internal prices and not at export prices (which included export tax) and thus enjoy considerable advantages vis-à-vis American and European competitors. Exporters, who are playing an increasingly important role in the national coffee economy, opposed both State intervention and the ICA, especially under the circumstances of the sharp rise of prices on the world market since April 1994.

129. In June 1991, the leaders of the four most representative associations created the Brazilian Coffee Committee (CBC) with the aim of discussing and possibly unifying their positions regarding government coffee policies. The Committee was nominated by the Government as its official representative in coffee matters. However, CBC did not seem able either to achieve a consensus among its members on the issue of Brazil's official stance towards ICA with economic provisions, or to install itself as a legitimate successor of the IBC in matters of the national coffee economy.

130. Early in 1993, the Government and the private sector joined in the formulation of coffee policies which led to the establishment of the new National Coffee Department (DNC). Its immediate task was to provide relief for growers and enhance long-term planning aimed at rehabilitating coffee farms.[59] The announcement of help for the coffee sector as part of the Government`s major economic plan made coffee growers feel more secure. Prices on the domestic market rose sharply, with producers holding on to stocks.[60] Whereas DNC's priority was proclaimed to be a systematic survey of Government-held coffee stocks, statistics on production and stocks, and crop forecasts, responsibility for national coffee policies was transferred to the Ministry of Industry and Trade as from 1993.[61]

131. Although for Colombia the importance of coffee as an export earner declined dramatically in the 1980s, coffee still accounts for over one-fifth of the country's total exports, and the coffee sector remains an important and dynamic part of the national economy. Both internal and export marketing has been supervised and partly implemented by the Colombian Coffee Growers Federation (FNC) - the powerful organization of individual producers and co-operatives to which government has devolved much of its regulatory power in coffee matters and on which it has its representatives. Producers' prices are protected by the FNC from fluctuations on the world market through a system of taxation and price support. Through the FNC, producers developed a wide range of services, including Almacafé, which owns warehouses for storing surplus coffee, the National Coffee Fund, which finances crop purchases, and the state-owned Banco Cafetero, specializing in loans to the coffee sector. Farmers and co-operatives sell about 50 to 60 per cent of the yearly crop to FNC for a minimum price. Another option they have is to sell coffee to licenced private exporters, who sometimes can offer better prices, provided there are favourable conditions on the market.

132. In 1965 FNC introduced a plan for the rationalization of production and in 1968 two Funds were created: one for the development of optimal coffee zones and the other for diversification of marginal ones. World coffee prices in 1975/1980 were at a level that permitted an increase in prices paid to producers more than two fold. In 1988, the government set up the National Coffee Fund, a state institution entrusted with coffee policy matters and supervision of FNC's activities.

133. After the coffee crisis in 1989, FNC's actions focused basically on maintaining internal coffee prices for producers, though more recently the FNC has had to limit its activities due to lack of adequate resources.[62] Despite the ensuing deficit, FNC has continued to play a vital role in supporting internal prices. In 1993 the Fund protected growers from the fall in world prices and the revaluation of the Colombian peso by maintaining an internal price for coffee higher than world prices and guaranteeing the purchase of their crop.[63]

134. In 1993, the premium paid on coffee exports was raised from 7 to 8 US cents/lb as part of a strategy aimed at boosting the price of Colombian coffee abroad.[64] This subsidy (known as the transfer) is payable when exporters sell Colombian beans abroad for less than the price paid domestically. By mid-1994, the National Coffee Committee had increased the internal price paid to growers five times, agreed on terms for selling the Banco Cafetero, and also announced a refinancing of $120.7 million in coffee growers' debt over next 10 years.

135. A thorough review of the Colombian marketing system was completed by mid-1994, and a plan of major reforms in the coffee sector was elaborated. In June 1994, national coffee policies were outlined by Colombia's president-elect, Ernesto Samper Pizano, who described the existing marketing system as "conservative and rigid" and promised measures to improve the coffee sector's productivity and to pass on changes in world market prices more quickly to growers.[65] The policy measures regarding production and domestic consumption will include an immediate internal price adjustment of about 20 per cent with a trial automatic price adjustment formula for future changes; the creation of a programme to reduce coffee production costs; limiting production to 15 million bags; and opening of new sales channels through alliances with blenders and retailers. Reforms in export policies will involve the regulation of export registrations and general simplifying of export

procedures; improvement of competitiveness on world markets, in particular by paying greater attention to fast-growing Asian markets; and promotion of greater private export competition. FEBEC will be strengthened, and studies on expansion into the value-added market are planned. An important aim of the government programme, which should positively affect the national coffee economy, is to halt revaluation of the Colombian peso against the US dollar.

136. The process of liberalization of marketing systems which has become apparent in recent years is especially characteristic of coffee-producing countries of Africa (most of them producing Robusta) which, in comparison to other producers, were hardest hit by the low prices dominating from the late 1980s to mid-1993. The largest coffee-producing countries of East Africa (Ethiopia, Uganda, Kenya and United Republic of Tanzania) have embraced trade liberalization as part of their overall economic adjustment programmes. While there are a number of countries (Burundi, Madagascar) where by 1994 the coffee sector had already been liberalized to a great extent, in others (Uganda, Cameroon, Ethiopia) liberalization efforts have been implemented only in part or are still in their initial phases (Côte d'Ivoire, Kenya, United Republic of Tanzania, Rwanda).

137. For Côte d`Ivoire, cocoa and coffee remain the two most important crops, as well as major export items, accounting in 1990-1991 for 32.5 and 7.4 per cent of total exports respectively. The situation in both sectors is controlled by the Agricultural Price Stabilization and Support Fund (CAISTAB) which establishes and regulates both internal and export prices. Export processing is carried out by private growers and exporters licensed by the same CAISTAB, which not only sets the prices but also gives authorisations for export sales, thus establishing quotas for individual exporters. CAISTAB determines domestic costs of production, which includes to prices paid to growers, exporters' margins, and fees and export taxes. During the 1980s, CAISTAB played an increasingly active role in export marketing, negotiating up to 80 per cent of export transactions, while private exporters by and large were limited to export processing and shipment within their quotas.

138. In setting Government-approved producer prices, CAISTAB has absorbed or, in periods of low world prices, subsidized differences between the official FOB price and the market price. Until recently, the difference between world and administered producer prices of coffee and cocoa provided an important source of government revenue. As a result of a continued decline in world prices for both commodities, the Government has cut producer prices by half. The Price Stabilization Fund was exhausted in 1989, with CAISTAB accumulating arrears vis-à-vis banks and exporters.

139. Since 1993, reform has been undertaken in the coffee sector. The reform aims at lowering marketing costs by eliminating guaranteed prices to growers; liberalizising internal and external marketing by abolishing existing monopolies; and establishing economic equilibrium between the two commodities.[66] In 1994, a law was adopted allowing the state to sell its interest in at least 58 wholly or partially owned businesses, including coffee-trading interests. Also, the country's major manufacturer of jute bags for the coffee and cocoa industries, accounting for 80 per cent of the internal jute bags market, was privatized. Futhermore, with the aim of revitalizing the national coffee sector, a Coffee Recovery Programme was initiated within which a $55 million fund has been created to encourage farmers to rehabilitate nearly 40 per cent of the country's productive coffee area and to improve crop maintenance. Among the institutional changes, the creation in 1994 of a new National Rural Development Agency (ANADER) can be mentioned. The Agency replaces three separate agricultural services, including the coffee and cocoa development service (SATMACI).

140. Despite these changes, CAISTAB retains control over producer and export prices. Contrary to the liberalization goals, the minimum domestic coffee price was increased several times in 1994 to provide incentives for farmers to boost production. Also, taxes on coffee exports, suspended since 1989, were reintroduced following the devaluation of the CFA franc.

141. In India, marketing has been strictly controlled by the Indian Coffee Board since the time of its establishment by the national Coffee Act,1942. Though the official aim of the Board was to protect growers' interests, it actually became a monopolist in coffee marketing. The Board collected all coffee produced by farmers and sold it in auctions on their behalf, either to licenced exporters or to domestic buyers. Following the collapse of the ICA 1983 quota system and the loss of its major market in the former Soviet Union, India faced the challenge of devising a long-term marketing strategy and developing new markets. The dominant role of the Board came to be an obstacle to development of the coffee industry, and the need for a more flexible marketing system became apparent.

142. In keeping with the Government's policy of favouring rapid movement towards a market economy, in 1992 the Coffee Board started a process of deregulation of the national coffee industry. In particular, the Internal Sales Quota System for domestic sales was established and this has allowed growers to sell 30 per cent of their production directly on the domestic market since April 1993. Also, an excise duty on coffee for the 1993/94 season was removed, and this had a positive impact on the coffee industry. In addition, measures to make export earnings convertible at market rates were envisaged with a view to improving the competitiveness of Indian coffee abroad. The Board retained exclusive rights over exports until January 1994, when the Government issued an ordinance establishing a Free Sale Quota (FSQ) which allows coffee growers to market up to 50 per cent of their crop directly, either domestically or abroad, without pooling it through the Board.

143. The FSQ coincided with the steep rise in world coffee prices and, not surprisingly, most of the sales under it were accounted for by exports. The innovation almost immediately injected new life into the country's coffee trade, with sales under it rising by up to 25 per cent by mid-1994. After having obtained direct access to exports, growers lobbied for a rise in the FSQ to 100 per cent in the 1993/94 season, aiming to boost exports at higher international prices. By contrast, local traders claimed that higher world prices pushed up internal ones, which might result in a decline in domestic consumption (which in recent years has generally accounted for about 30 per cent of total production), and they were, therefore, cautious regarding total deregulation of the marketing system.

144. With the planned changes in the role of the Coffee Board, the Indian coffee marketing system might undergo further modifications. In August 1994, the Board itself recommended total liberalization of coffee marketing, with growers able to sell all their crop without the Board's intermediation. The Board is likely to be restructured into a service organization, with its future role seen as one of quality maintenance and arbitration in coffee trade matters.

145. In Uganda, one of the world's leading traditional producers of Robusta and the country most highly dependent on coffee exports, farmers traditionally sold coffee cherries to local co-operatives, which in turn sold coffee to the Uganda Coffee Marketing Board (UCMB) for export processing. The UCMB set the fixed producer price and purchased the entire crop. The Government absorbed the surpluses and shortfalls, and there was no stabilization fund. The UCMB was the sole buyer and exporter of coffee until 1990, when the national coffee sector underwent an important liberalization.

146. In 1991, the monopoly of the UCMB was ended, and the Uganda Coffee Development Authority, responsible for regulatory matters, was established. The Authority licenses growers, processors and exporters, promotes research and extension services and controls export quality. The UCMB was transformed into CMB Limited - a government-owned trading company with private company status. Though growers continued to sell their crop to co-operatives in the internal market, export marketing has been liberalized, and in 1990 four co-operative unions were authorised to market independently. The unions agreed to join their marketing efforts by setting up Union Export Services (UNEX), which does not sell but provides trade and shipping assistance. In 1991, two other unions and five individual producers obtained export licences.

147. While the CBM is still in a relatively privileged position (contrary to the private sector, its exports are not taxed), since 1992 the Government no longer directly intervenes in cooperatives' export practices and the CBM has to compete with other licenced exporters. An important development in policy terms was the introduction by the Government on 1 August 1994 of a 20 per cent tax on coffee exports. Though the aim of the tax was to restore revenue lost since the privatization of the sector, its introduction was opposed by exporters and may result in lower export volumes.[67]

148. In Ethiopia, prices for growers were calculated and published daily by the government authority. These price mechanisms allowed the fluctuations on the market to be reflected in farm-gate prices. Until the early 1990s, the bulk of coffee was sold by co-operatives to the Ethiopia Coffee Marketing Corporation (ECMC), which by the end of 1990 controlled over 85 per cent of national coffee processing and exports. Late in 1992, the Government pledged to adopt a free market policy, and the role of the private sector was proclaimed to be increased; however, at the same time, ECMC planned to export 63,000 tonnes of coffee, while private exporters were authorized to market only 17,000 tonnes.[68] In late 1993, the Ethiopian Coffee Marketing Corporation was disbanded and replaced by two state-owned companies, the Coffee Sales and

Purchase Enterprise and the Ethiopian Coffee Export Enterprise. The latter was recently taken over by the national private sector. As a part of government efforts to liberalize the national coffee sector, customs barriers were dismantled and private traders began to play a more influential role in marketing. At the initial stage of the reform, growers experienced difficulties in coping with new marketing regulations, as well as with low internal prices, which also led to smuggling of coffee to neighbouring countries. Following the rise in world prices in mid-1994, Ethiopian coffee presented at auction has increased markedly in quantity, including coffee which would normally have been smuggled. Exports were predicted to increase sharply to 2.0 million bags in the 1994/95 season, in comparison to 1.2 million bags in 1992/93, as a result of the demonopolization of the coffee industry.[69] 149. In Burundi, where coffee accounts for over three-quarters of the country's foreign exchange revenues, the Burundi Coffee Company (OCIBU) was the sole organisation which dealt with export marketing until 1991, when its monopoly was undermined by the establishment of a new, 34 per cent state-owned, Office de Café. In 1993/94, coffee auctions, run by the Office de Café, where exporters purchase coffee, were introduced. This liberalization of Burundi's coffee trade, undertaken as part of overall marketing reforms, led to a decline of the OCIBU's share in coffee exports to 11 per cent.

150. In the United Republic of Tanzania, the statutory organization which controls coffee marketing, the Tanzania Coffee Marketing Board (TCMB), regularly organizes auctions attended by private exporters. Though, in theory, TCMB acts as an agent for coffee producers, in practice it handles export procedures mostly on its own behest. The Board possesses its own export division which competes with the private sector. Recently an action plan to liberalize the coffee sector was drawn up which is likely to be implemented in 1994-1995. The first step undertaken in this direction was the liberalization in 1994 of coffee-purchasing arrangements with effect from the 1994/95 season. Companies or individuals could be licenced to buy directly from farmers, which previously was the monopoly of the TCMB and heavily indebted cooperatives.

151. In Kenya, the coffee industry is not price-regulated and is based purely on the demand and supply conditions of the market. Likewise, neither buyers nor sellers are in any way restricted in terms of quantities. The above is, however, in no way indicative of a regulation-free environment. Until recently, all parchment coffee had to be delivered to the Kenyan Planters' Cooperative Union (KPCU), which processed 97 per cent of the country's parchment coffee. Once processed into green coffee, all the quantities had to be delivered for sale to the state-run Coffee Board of Kenya (CBK), which represents government, producers, processors and research bodies. CBK does not commercialize coffee onits own account but acts for a fee, auctioning the coffee weekly to licensed private exporters.

152. Prior to October 1992, trading at auctions could be in local currency. However, as part of the liberalization of the coffee industry, it was decided that, starting from 27 October 1992, the auction sales conducted by CBK would be in US dollars. Exporters were permitted to retain 50 per cent of their foreign exchange receipts, to use them for current external payments and to open foreign exchange retention accounts. The new directive had many positive effects. Local commercial banks started to borrow foreign currency from outside Kenya to finance coffee (and tea) transactions at the auctions. Commercial banks were also allowed to open accounts for buyers denominated in US dollars for a limited range of transactions. The accounts were intended to facilitate the flow of foreign currencies for purposes of payments for auction coffee. On the other hand, some local traders were forced to leave the market, at least temporarily, as a result of their lack of access to foreign exchange.

153. In 1993, and especially in 1994, when world prices increased sharply, reforms in processing and marketing systems were implemented in order to cut farmers' costs and increase coffee export revenues. Though government plans to liberalize the coffee sector have not yet come to fruition, some concrete steps have been taken in this direction. For instance, in January 1993 the abolition of the 5 per cent presumptive tax on coffee growers was announced, and in February 1993 it was decided that eligible planters wishing to have their coffee sold and paid for outside the pool could instruct the Board to do so. In May 1994, the Government was preparing to licence new private mills, the operation of which is expected to break the processing dominance of KPCU, forcing it to improve standards. An important decision to allow non-pooled sales at auction, with growers receiving 100 per cent of their export earnings, was also taken.

154. It is worth mentioning that monopolies in coffee processing and marketing have, to some extent, negatively influenced the quality of Kenyan coffee. Until lately, traders' caution regarding the reforms' direction was evident, as some of them preferred to bypass auctions and buy directly from farmers who would be accountable for quality. Direct grower-

trader contacts should improve quality, and implementation of this practice might need further consideration in the context of the liberalization of the national coffee sector.

155. Improved growers' income is likely to boost Kenyan coffee production. The decision to pay farmers 100 per cent of their export earnings would act as a further incentive for increased production. It was predicted that average Kenyan coffee auction prices in 1993/94 would be 50 per cent higher than in 1992/93 as a result of an increase in auction levels and the depreciation of the Kenyan shilling.[70] Higher prices should enable farmers to improve levels of husbandry and productivity. The growing production suggests that Kenya could significantly increase its coffee exports provided marketing techniques are improved and product quality ensured. However, the demand for Kenyan coffee is likely to increase notably, even for that of an inferior quality, on account of the 1994 frosts in Brazil.

B. Producers' co-operation on coffee

(i) Background

156. Post-war Latin American co-operation on coffee formally dates back to 1945, when 14 countries organized themselves into FEDECAME. Brazil and Colombia were represented by their parastatal organizations - IBC and FNC. After 1956, when the discussions on the first international coffee agreement had not proved a success and coffee prices were decreasing, seven Latin American countries decided to sign an agreement (known as the Mexico City Agreement) limiting exports through quota allotments for the coffee year 1957/58. In 1958, this Agreement was reviewed and renamed the Latin American Coffee Agreement (LACA), under which the 15 largest South American coffee producers were united. The Agreement was further extended until 1962, when the negotiations for the first fully-fledged international coffee agreement started.

157. The regional co-operation of African coffee producers started formally in 1960 when the Inter-African Coffee Organization (IACO) was founded. IACO co-ordinates marketing strategies and defends the members` policies and interests in the International Coffee Organisation. It co-sponsors training programmes and seminars to improve marketing techniques and procedures and to raise quality standards. IACO groups together most of the coffee-exporting countries of Africa.[71]

158. African and Malagasy Coffee Organization (OAMCAF) was created in 1960 as a forum to study and co-ordinate production and marketing policies and to co-operate with other organizations for the purpose of defending and stabilizing world market prices. During the negotiations on the first International Coffee Agreement, 1962, OAMCAF opted for group membership. Being the third biggest exporter after Brazil and Colombia, OAMCAF as a group was assured a single representation on the ICO Executive Board. This group membership permitted OAMCAF to pool the export quotas of individual members, which were then treated as a single quota with further possible transfer of quotas within the group.

159. Producing countries attempted to influence the international coffee market by regulating exports in the late 1950s and early 1960s through a series of one-year agreements which were negotiated among them. In 1966 (when the first international agreement on coffee was already in force) a number of producers (Côte d'Ivoire, Ethiopia, Uganda, Guatemala, El Salvador and Mexico) attempted to counter the downward trend in world prices by organizing interventions on the New York coffee market. Brazil joined this group later and an Agreement was signed in Geneva to restrict exports to prevent a further price fall. Also within the framework of the International Coffee Agreement, 1968, after suspension of its economic provisions in December 1972, a series of producers` meetings took place in an effort to continue market support. Members of the Geneva Agreement decided that 21 coffee producers (covering 90 per cent of world exports) would withhold 10 per cent of their harvest from the market in 1973.

160. While participating in the International Coffee Agreement,1968, the larger coffee-producing countries also engaged in market regulation of their own. In August 1973, they organized the stock retention and buffer-stock plan called "Café Mundial".(The scheme was formed following the breakdown of the quota system in 1972 after devaluation of the US dollar). This scheme, however, was dissolved in early 1975 when the four most important producers (Brazil, Colombia, Angola and Côte d'Ivoire) failed to attract smaller exporters to it. Furthermore, the mid 1970 frost did not make it any more necessary.

161. In November 1974, 19 companies representing 85 per cent of world export, formed a producer cartel in Caracas (the Café Sauves Centrales S.A. Company) to coordinate export sales through interventions in the futures market. The company also carried out international stocking of coffee. Another producers' move also took place during the 1976 ICA; as, under the Agreement, the coffee support price composition was not agreed, Brazil, Colombia, El Salvador, Côte d'Ivoire and Mexico coordinated their sales for exports through the Compania Salvadorena, which intervened in the futures market until 1977.

162. In August 1978, when the 1976 Agreement members failed to arrive at a consensus on the reintroduction of its economic mechanisms and coffee prices on the New York market reached their lowest level, a new Bogota Group (comprising Brazil, Colombia, Costa Rica, El Savador, Guatemala, Honduras, Mexico and Venezuela) was established by Latin American producers. The Group set up a fund for stockholding and operations in the London and New York markets and managed to undertake profitable operations through 1978. In 1979, when a coffee price boom took place and trading on coffee futures markets was limited, the Bogota Group experienced large losses on its futures contracts, but in 1980, when prices again decreased, the Group resumed its profitable operations.

163. In May 1980, a new multinational coffee trading company - Productores de Cafe Asociados S.A. (PANCAFE) - was set up by the Bogota Group. The company was designed to represent the interests of the national coffee institutions of the countries comprising the Group by undertaking support activities. These activities consisted in buying coffee from producing countries and up building its own stocks, thus helping to stabilize world coffee prices. PANCAFE began its operations in June 1980 with initial capital of US$ 280 million contributed by members of the Group and over US$ 200 million in profits made earlier by the Group. The shareholding distribution of the company was as follows: Colombia and Brazil - 32 per cent each; Mexico, Venezuela and Guatemala - 8 per cent each; and Costa Rica, El Salvador and Honduras - 4 per cent each. Despite PANCAFE activities designed to withhold coffee from the market, prices continued to decrease through 1980. In September 1980, coffee producers and consumers agreed to resume negotiations on the economic price support provisions of the 1976 Agreement, on condition that PANCAFE cease its activities.

164. In November 1980 the members of PANCAFE agreed to halt all further market support operations and to gradually liquidate company stocks which, according to different estimates, varied from 0.6 million bags to 2.0 million bags.[72] However, the members retained their right to reconsider their decision on ceasing company activities if the price stabilization measures of the 1976 Agreement failed to work. The members of PANCAFE further decided that the company would remain in existence and provide a forum for its members to discuss marketing policy. As the economic mechanism of the Agreement was operational through 1981, the PANCAFE members took the decision of the liquidation of the company's remaining stocks (over 0.5 million bags in 1981). The organization was formally disbanded in December 1982.

165. In mid-1989, when coffee prices fell sharply following the suspension of the economic mechanism of the International Coffee Agreement,1983, some producing countries, and particularly African Robusta producers, used production regulation. In November 1989, the President of Uganda called for a general 10 per cent cut in coffee production in order to raise prices.[73] In the summer of 1991 the Latin American producers - including Brazil and Colombia - agreed to withhold 10 per cent of production from the market in order to raise prices of Arabica varieties.[74]

(ii) Producers' Retention Scheme, 1993

166. Following the collapse of talks to renegotiate a new international coffee agreement in March 1993[75] the Central American countries (Costa Rica, Nicaragua, El Salvador and Guatemala) worked out a plan designed to improve coffee prices through an export retention scheme and production control. The plan, later joined by Brazil and Colombia, was for Central American countries to withhold 15 per cent of their production, while Brazil and Colombia were to limit their exports to 17 million and 13 million bags (which represented respectively a 10 and 20 per cent decrease in comparison to these countries' coffee exports in 1992.) A more recent proposal, which superseded the earlier agreement, came from Brazil and was adopted by Latin American coffee producers. According to this scheme, Latin American coffee producers were to retain 20 per cent of their exports starting from October 1993.

167. At the same time, the African producers took with their own initiative. In April 1993, IACO created a committee of experts from Côte d'Ivoire, Kenya, Zaire, Uganda, Togo and Angola which introduced a plan of action defining their alternative mechanism to regulate the market. The plan was to retain 15 per cent of their exports. This plan was supposed to be adopted by the IACO member-countries and to become operational by the beginning of the coffee campaign in October 1993.

168. In view of the lack of progress in the negotiations for a new coffee agreement with economic provisions, Latin American and African producers, later joined by Indonesia, began discussions in June 1993 on a joint agreement to withhold part of their exports from the market in the 1993/1994 season. In September 1993, an agreement was reached on the modalities of the retention

scheme and the statutes for the newly established Association of Coffee Producing Countries (ACPC).[76]

169. The 28 members of ACPC are Angola, Bolivia, Brazil, Burundi, Cameroon, Central African Republic, Colombia, Congo, Costa Rica, Côte d'Ivoire, Ecuador, El Salvador, Ethiopia, Gabon, Ghana, Guatemala, Honduras, Indonesia, Kenya, Madagascar, Nicaragua, Nigeria, Rwanda, Togo, Uganda, United Republic of Tanzania, Venezuela and Zaire. These countries account for about 85 per cent of world coffee output. The Agreement establishes initial and final price ranges. The initial aim of the scheme is to withhold 20 per cent of exports from the market until the 20 day moving average of the ICO composite indicator price reaches 75 US cents/lb. The retention would be reduced to 10 per cent when this price reaches the range of 75.01-80 US cents/lb. When the price reaches the range of 80.01 US cents/lb the retention scheme would be suspended, and when prices are above 85 US cents/lb, stock releases are envisaged. Approved warehouses are authorised to retain exporters` quality coffee and provide them with a Deposit Certificate. Coffee exports are only possible with the ICO Certificate of Origin, which can be obtained upon production of a Deposit Certificate. The scheme is administered by the Retention Management Committee (RMC) to which the national coffee authorities, responsible for monitoring stocks and sales, report. The RMC also appoints auditors who carry out independent verification of stocks. Producers exporting less than 0.4 million bags per year are exempted from the scheme. It was also agreed that Indonesia and Ethiopia would not participate in the scheme for the initial six months and Ecuador for four months.

170. The declaration establishing ACPC states that the Association is not intended to be a cartel of producers and stands for a producer-consumer dialogue. It adds that the new Association is not intended to oppose or to replace the actions within the context of the International Coffee Organization, but to contribute to initiatives leading to increased co-operation between producers and consumers.[77]

171. The news of the possible launch of the producers' scheme and its subsequent implementation had their impact on world coffee prices in 1993. The 15-day moving average of the coffee composite indicators price, which was 54.48 US cents/lb. in June, reached a level of 68.12 US cents/lb in October, despite the beginning of a seasonal period of market weakness.

172. From October 1993, the first month of the operation of the Scheme, until January 1994, the plan had little apparent impact on the market. However, the appearance of the Brazilian Government as a large buyer on the markets following frosts in that country made a notable difference - in February 1994 the indicator price rose to 72.7, in March - to 77.4, and in April - to 81.5 US cents per lb. As a consequence of the increase in the indicator price in March 1994, the retention requirement in Arabicas was dropped to 10 per cent of exports and Robusta-exporting countries were no longer required to retain stocks. The sharp 33 per cent increase in the monthly average of the composite indicator in May 1994 (to 112.4 US cents per lb) and its further 20 per cent growth in June (to 134.02 US cents per lb) was also partly attributed to the success of the implementation of the Retention Scheme, though such factors as declines in United States coffee stocks, concerns about the size of new crops in Central America and Colombia, and (particularly) low forecasts for the 1994/95 Brazil crop as a result of the frosts there, also contributed significantly to this price movement. Indeed, by May 1994 the ICO composite indicator price had reached a level at which, according to the retention plan, stock releases could be started. Nevertheless, even the subsequent release of all previously withheld coffee had no visible impact on the market.

173. The Retention Scheme's operations have been effective in balancing world coffee supply and demand, having

succeeded in effectively reducing the excessive levels of stocks held by consuming countries. In late 1993, these stocks were estimated at 20 million bags - which is equivalent to a quarter of global annual production - overhanging the market and putting downward pressure on prices. Even with the abrupt rise in prices in the first half of 1994, consumers' stocks, though well over their average 1980s levels of 10-12 million bags, had decreased to 15.7 million bags by May 1994,[78] and by mid-1995 they had returned to their normal level of about 12 million bags.

C. Producer-consumer co-operation

174. Although, as indicated, historically producers have frequently taken actions alone, the need for supporting action by importing countries led to negotiations which resulted in the adoption of the first fully-fledged International Coffee Agreement, 1962. This Agreement was followed by the Agreements of 1968, 1976, 1983 and 1994.

(i) Background

175. In 1961, the Coffee Study Group, comprising representatives from coffee producing and consuming countries, prepared a draft to serve as the basis for a long-term International Coffee Agreement. The United Nations Coffee Conference was subsequently convened in July 1962 and in September 1963, and the first International Coffee Agreement was signed. The Conference established the International Coffee Organization, which ever since has administered successive ICAs. One objective of the 1962 Agreement was to prevent prices from falling below the level prevailing in 1962. The final quota distribution for exporting countries was based on three elements, i.e. the average exportable production of the previous four years, the application of a reduction to the countries with larger market shares, and an adaptation for countries with special problems. Importing countries were to limit their imports from producers not participating in the Agreement to the level of 1960-1962. The Agreement established a system of export quotas as the principal mechanism to maintain prices within an agreed range. The export quotas, though, were fixed only for "traditional markets", thus providing the opportunity for producers to create a "two-tier" market, i.e. to sell coffee to non-quota markets. This coffee was often afterwards resold to quota markets, putting downward pressure on international coffee prices. To counteract this trend, a system of controls, using certificates of origin, was instituted.

176. The 1968 International Coffee Agreement established a Diversification Fund with the aim of limiting coffee production and bringing supply and demand into balance. Contributions to the Fund were obligatory for exporters with quotas of over 100,000 bags and were in proportion to exports above that level. The total contributions to the Fund amounted to US$ 111 million - a sum which appeared to be insufficient to have a significant impact on the situation of oversupply prevailing at that period; the Fund was terminated in 1972.

177. The operation of the 1962 and 1968 International Coffee Agreements helped coffee prices to remain relatively stable throughout the years 1963 to 1972, and

production and consumption became more evenly balanced. These Agreements also contributed to strengthening the economies of coffee-producing countries and to the development of international coffee trade and cooperation. However, changes in the supply/demand pattern resulting in the increase in prices led to the first suspension of the quota system in 1973 when the 1968 Agreement was extended with all economic provisions deleted. The International Coffee Organisation continued as a centre for collecting and disseminating information on coffee and as a forum for the negotiation of a new Agreement.[79]

178. Coffee producers and consumers met to discuss a new agreement in late 1975 when the prices abruptly increased after the severe frost in Brazil. An International Coffee Agreement was renegotiated in 1976 incorporating a number of new features: a clear division was made between member and non-member markets, individual quotas were divided in fixed and variable parts, verification of stocks was resumed and the Diversification Fund was abolished. Unlike preceding Agreements, the 1976 ICA allowed for suspension of quotas if prices were high and their reintroduction if prices became too low. Under this system, quotas were introduced in 1980 against the background of the Bogota Group agreement to phase out market activities of PANCAFE during 1981. A Composite Indicatior Price (CIP) for the Agreement was established in 1980.

In the same year, the distribution of quotas was established on the basis of a contingency formula, whereby each country would have its share calculated on the basis of the best historical production level in one of two periods: 1968/72 or 1976/78.

(ii) International Coffee Agreement, 1983

179. The 1983 International Coffee Agreement continued, for its main economic mechanism, to support prices within an agreed range, with the system of export quotas based on an overall agreed quota for "traditional markets". Under this system exporting members were allocated annual quotas (to be filled on a quarterly basis) in relation to a global annual quota set by the Council.

180. The Agreeement successfully maintained prices within the target range until the beginning of the coffee year 1985/86, when news of damage to the Brazilian crop by drought triggered a precipitous rise in prices and quotas were suspended in February 1986. The suspension of quotas did not have an immediate effect on prices, but it soon became evident that the anticipated shortfall was not likely to be as serious as at first believed. The result was an almost equally precipitous decline in prices until the monthly average ICO composite price dropped below the target range in December 1986. Quotas were not reintroduced when prices fell to the trigger point for their reintroduction, because the Council had failed to reach agreement on the distribution of basic quotas for the coffee year 1986/87. Although agreement was eventually reached on reductions in the quotas, and notwithstanding the overall decline in the value of the United States dollar, the ICO daily composite indicator price remained generally below the Agreement`s floor price.

181. The Agreement was extended to 30 September 1991, but with suspension as from 4 July 1989 of its economic provisions, including export quotas. This occurred because the main consuming countries desired a reduction in the agreed price range in the light of the changes in the market situation, whereas the producers wished to restrict supply further in order to safeguard the minimum price of the agreed range. Furthermore, with growing world demand for the milder higher-quality Arabica coffee, its dominant producers were demanding adjustments to the Agreement which would give them more flexibility and market share. This demand was supported by major importers, but was unacceptable for major Robusta producers.

182. Another issue which contributed to the suspension of the extended 1983 ICA's economic mechanism was the problem of the so-called "two-tier" market. Countries non-members of the ICA 1983 accounted for about 10 per cent of world coffee imports. Exporting member countries shipped their excess coffee to non-members at significantly lower prices than those offered to members, and non-negligible quantities were re-exported into importing member countries of the Agreement - a practice prohibited by its rules. Consequently, importing companies which obeyed these rules faced a competitive disadvantage vis-à-vis those which illegally imported the cheaper non-member coffee. More generally, several ICA 1983 importing member countries regarded as unfair a situation in which they had to pay a higher price for their coffee than non-members.

(iii) Renegotiation of a new international coffee agreement

183. Despite lengthy negotiations, members were unable to agree on the terms of a successor agreement, and the 1983 Agreement was further extended to 30 September 1994. In September 1993, producers announced their decision to create their own Association of Coffee Producing Countries,[80] and the United States, the most important coffee importer and consumer and for many years a staunch supporter of the Agreement, indicated that it would not participate in the Agreement after 30 September 1993. As at 12 September 1994, the membership of the International Coffee Organization under the International Coffee Agreement,1983, was 62 countries, comprising 43 exporting Members and 19 importing Members. The European Community was also an importing Member of the Organization.

184. The fluctuations of coffee prices in 1992 and 1993 were influenced by the negotiating process for a new Agreement and by the creation of the Association of Coffee Producing Countries. After a largely sterile meeting of the International Coffee Council in July 1992, prices fell to their lowest levels in that year (the 15-day moving average of the ICO composite indicator price was 45.50 US cents/lb). By contrast, after the Negotiating Group agreed on a number of issues in September 1992, prices improved, reaching 53.78 US cents/lb in October and 64.76 US/lb in December. After the unsuccessful attempt

to negotiate the new Agreement in March 1993, prices fell to 51.20 US cents/lb in April. The subsequent setting-up of the producers` retention scheme, with its envisaged implementation from 1 October 1993, contributed to a price rise in September to the highest level in 1993 (almost 72 US cents/lb). Although, in October 1993, the composite indicator price decreased slightly (to 68.12 US cents/lb), in November it increased again to almost 70 US cents/lb and continued its growth, almost reaching again the ceiling of 72 US cents/lb in December.

(iv) International Coffee Agreement, 1994

185. Following a series of intense negotiations, the new International Coffee Agreement, 1994, was adopted on 30 March 1994. The ICA 1994 does not contain economic provisions but stipulates the possibility of the eventual introduction of economic clauses.

186. The main objectives of the 1994 Agreement are: to promote international cooperation in coffee matters and to provide a forum for intergovernmental consultations and negotiations; to facilitate trade and to enhance transparency in the world coffee economy through the collection, analysis and dissemination of statistical data, and the publication of indicator and other market prices; to act as a centre for the exchange of technical and economic information and to promote studies and surveys; and to encourage increased consumption of coffee.

187. The Agreement acknowledges the exeptional importance of coffee to the economies of many producing countries and recognizes the need to foster the development of resources, as well as the maintenance of employment and income, in the coffee industry. It also recognizes the desirability of achieving a balance between production and consumption so as to avoid excessive fluctuations in prices and acknowledges the relationship between the stability of the coffee trade and the stability of markets for manufactured goods.

188. Since the requirements for entry into force of the 1994 Agreement were not satisfied by the specified date of 26 September 1994, the representatives of 17 exporting countries' and 12 importing countries' Governments which had deposited instruments of ratification, acceptance or approval in accordance with the provisions of paragraph (3) of Article 40 of the Agreement decided that the International Coffee Agreement 1994 could enter into force provisionally among themselves on 1 October 1994 (seeannex XVII)[81].

Chapter VI

CONCLUSIONS AND POLICY ISSUES

A. Conclusions

189. Coffee continues to be one of the major agricultural commodities exported by developing countries and a significant source of export earnings for a number of them. The coffee economy is an important generator of employment and plays a vital role in terms of the socio-economic development policies of producing countries.

190. Changes in market conditions affect world coffee prices and export earnings of producers, thus having a major impact on incomes, employment and living standards in producing countries. At the level of world prices prevailing in the late 1980s and early 1990s, producers by and large faced difficulties in covering their variable production costs. Notwithstanding a recovery of world prices in 1993 and, especially, in 1994, the stabilization of prices at a level remunerative to producers does not appear to be likely in the near term.

191. The bulk of coffee is still exported in its raw form, primarily on account of the tariff and non-tariff barriers on processed coffee in major consuming countries, as well as of processing and marketing difficulties experienced by producing countries and the high degree of concentration of the world coffee trading and processing industries. Consequently, these factors influence negatively the development of coffee-processing industries in most producing countries.

192. Industrialized countries continue to be the major coffee consumers in absolute terms, as well as on a per capita

basis, whereas consumption in most producing countries and big potential markets such as countries of Central and Eastern Europe and CIS remains low. A shift of consumers' tastes towards higher-quality coffee was one of the main reasons for differences in evolution between Arabica and Robusta prices. The impact of the trend towards growing consumption of specialty (gourmet) coffee on coffee production and exports is

not likely to be a significant one, as the share of the former on the market is still relatively small.

193. During the last decade, the coffee market was characterised by persistent overproduction, steady accumulation of stocks in both producing and consuming countries, a general decline of prices and short-term price fluctuations. The major problem of the international coffee market since 1980 was the long-term structural oversupply, whereas the International Coffee Agreement,1983, aimed to achieve an objective of stabilizing short-term price fluctuations by the mechanism of export quotas.

194. Both producing and consuming countries experienced problems on the coffee market, though of a different nature and magnitude. The problems which faced producing countries were, inter alia:

(a) On the national level:

(i) The need to enhance the efficiency of operation of marketing systems in order to provide adequate returns to growers and establish the necessary balance between responsiveness to market signals and adequate control over coffee export revenues. Some countries also suffered from the illegal export flows of coffee to neighbouring producing countries;

(ii) The overproduction problem, triggered by the bearing of fruit by plantings made in the late 1970s and exacerbated by an inelastic supply response, as well as by stagnant demand in consuming countries;

(iii) The hampering of the development of the national coffee processing industry by tariffs and non-tariff barriers in the importing countries, the oligopsony structure of world coffee-processing industry, and technological and marketing problems, as well as by low domestic consumption;

(b) On the international level:

(i) A continuous decline until mid-1994 in coffee export revenues, owing to the sharp price decline on the world coffee market, especially after the suspension in July 1989 of the economic mechanism of the International Coffee Agreement,1983. This problem was especially acute for the least developed countries heavily dependent on coffee exports. With consumers' shift towards Arabicas and especially Other Milds, the consequences of the price decline were more severe for producers of Robusta;

(ii) The producers' attempts to compensate for the low prices after July 1989 by increasing exported volumes through release of their stocks, which resulted essentially in a transfer of a considerable part of the stocks from producing to consuming countries, rather than in consumption growth. Excessive stocks held by consumers were overhanging the market and exerted additional downward pressure on world prices;

(iii) The need to establish a balance between Arabica and Robusta production and exports, taking into account both the necessity to maintain quality standards and changing consumers' requirements;

(iv) The problem of application of modern marketing techniques and exploration of new openings for the international coffee trade.

195. Problems experienced by consuming countries at the national level were mainly connected with:

(i) Further development of consumption, as in some countries the demand virtually reached saturation and consumption growth was very modest;

(ii) The high costs of holding excessive stocks.

On the international level, consuming country difficulties were mainly connected with:

(i) The problem of the procurement of coffee types desired by consumers (and in this connection of adjustments of Arabica and Robusta quotas under the International Coffee Agreement, 1983);

(ii) The existence, until July 1989, of a "two-tier" market which permitted exporters to sell coffee to non-members of the 1983 Agreement at prices significantly lower than market ones, putting importing ICO member countries in a disadvantageous position.

196. In recent years, marketing structures in producing countries have been subject to gradual changes. A movement can be seen from systems of government controls to more liberalized ones where the private sector is responsible for export sales and producer prices reflect export prices. Some countries have already adopted new systems, while in others the process of reform is still ongoing.

197. Cooperation on coffee matters among producers has generally contributed to an improvement of the situation on the world coffee market, especially in periods of low world prices. Thus, although the producers' PANCAFE arrangement was not fully successful, it fostered the negotiating process for subsequent International Coffee Agreements; also the ACPC Retention Plan had a positive impact on world prices.

198. Producer-consumer cooperation on coffee was embodied in the consecutive International Coffee Agreements of 1962, 1968, 1976 and 1983. All Agreements had an economic mechanism which was based on certain price ranges that were to be maintained through allocations of export quotas established only for exporting countries-members of the Agreement. The economic provisions of the International Coffee Agreement,1983, were suspended in July 1989.

199. In March 1994 the new International Coffee Agreement,1994, was negotiated, and on 1 October 1994 it entered into force among the countries which had deposited instruments of ratification, acceptance or approval. Though the Agreement does not contain economic clauses, it stipulates the possibility of their eventual introduction.

B. Policy suggestions

200. The policy suggestions which can be proposed for achieving an equilibrium on the coffee market (by establishing a balance between production, consumption and stocks and achieving prices remunerative for producers and equitable to consumers) encompass national coffee policies in producing countries, producers' supply management arrangements and, finally, producer-consumer co-operation regarding, in particular, the operational possibilities of the International Coffee Agreement,1994.

(i) National coffee policies and marketing systems

201. As certain market distortions (like, for instance, overproduction) can be induced by domestic policies, supply management approaches should be considered as a part of an overall domestic and export coffee policy implemented by individual producing countries.

202. The economic arguments for protecting farmers against excessive movements of world market prices which were a rationale for the controlled export management systems still hold true, as the liberalization of coffee production and marketing systems might eventually expose coffee farmers to considerable risks. However, recent developments in the countries with controlled marketing systems based on fixed growers' prices, have demonstrated that, in a situation of unstable world prices and volatile markets, both Governments and farmers in these countries experience more difficulties

than those in more free market pricing systems.

203. Close control of coffee economies by parastatals often resulted in significant budget costs, especially in periods of low world prices. The system of guaranteed payments to growers usually failed to take account of inflation. Moreover, in some countries growers may not receive the full guaranteed amount because of various quite common (and often unofficial) deductions.

204. By contrast, in an "open" marketing system, producers and exporters are encouraged by direct incentives. A liberalized system, being less rigorous than a controlled one, allows a wider diversity of agents, as well as a wider assortment of marketing methods, it is more flexible and dynamic and it can be better adapted to market changes.

205. In the framework of a consistent coffee strategy, the implementation of more liberalized marketing systems, especially in the context of increased world market price fluctuations, therefore merits further consideration. Governments might re-examine the extent to which they should be involved in national production and export policies, with possible improvements made to existing production and export management schemes. Production capacity in particular could be influenced through variables like planting programmes, investments, and attention to the age structure of coffee trees. The use of such policy instruments as prices, fiscal measures, controls on finance for investment, quality improvement schemes and diversification incentives should be encouraged. Transparency is required from individual producing countries in terms of policy measures instituted or discarded for eventual co-ordinated policy guidelines.

206. The extent of government intervention might be revised in the context of the increased market prices of 1994. Farmers desperately need an influx of resources to make up for the neglect of their farms during the four-years period of historically low real prices. If farmers retained the surplus, they would be in a position to use the additional resources to spend on investment in equipment and education, a strategy likely to improve productivity significantly.

207. The liberalization of the marketing system can also diminish or altogether eliminate the problem of illegal coffee exports to neighbouring countries which is experienced by some countries with fixed producers' prices. Such liberalization could eventually lead to reduced country-to-country price differentials and enhanced price transparency. The fluctuations of growers` prices can be cushioned by an adequate system of export taxes.

208. Governments of coffee-exporting countries should also bear in mind that if export taxes are excessive, farmers and speculators might exercise the option of smuggling coffee to neighbouring countries with a lower tax regime. In the context of illegal coffee flows, individual and common government actions must be considered.

209. In devising national coffee policies, the Governments of producing countries need to take account of the inflationary and exchange rate consequences of a large inflow of "coffee dollars" into relatively small economies. For instance, such an inflow in Uganda resulted in the strengthening of the shilling against the dollar and caused problems for many exporters.

210. It needs also to be borne in mind that in producing countries with relatively large domestic markets, total deregulation of the national coffee trade might negatively influence domestic consumption, especially when the world market is strong, since high world prices might push up domestic prices and put coffee beyond the reach of many local consumers.

211. Diversification is another important part of national coffee policy. One option within the coffee sector might be a re-orientation towards growing "organic coffee", which is produced without chemical inputs and is estimated to have good sales prospects.[82] Currently the global market for organic coffee is still small and represents only a niche in the global market for coffee. Though the "ecologist" market is for the time being stagnant in main cosuming regions like Europs and the United States, a focus on this option in producing countries may not be excluded from the perspective of development policy . Production of organic coffee might increase employment and contribute to the sustainable development of the producing countries by ensuring ecological stabilization in growing areas and preventing farmers from contacts with pesticides.

212. In many countries, a strong case can be made for an improvement in the export credit system. Producers and exporters are often forced to sell coffee when prices are not very attractive, because local currency borrowing is unavailable or, if available, commands very high interest rates. Such distress sales are in general to agents of foreign buyers (with access to foreign credit), who can thus buy at a considerable discount on current FOB prices - many small to medium-sized producers and exporters sell for less than one-half of the current price. The buyer takes a considerable risk during the time that the coffee is stored in the country (part of the reason that prices are so low). Measures can be envisaged to counteract this situation - in particular through the creation of reliable, internationally accepted warehousing facilities, which would strongly enhance access to credit.[83]

213. Another way to help producers cope with world market price instability would be the use by Governments of market-based risk management instruments. Access to these instruments can considerably alleviate the fluctuations in state coffee revenues. It would help to improve the competitiveness of coffee exports by allowing exporters to focus on securing a market and thus be less dependent on current price levels. By using such risk management tools as futures, options and swaps, the Government can guarantee farmers a minimum price ahead of a season thus diminishing the risk of price fluctuations.[84]

214. Adequate attention should also be given to development of direct trade in coffee between producers and consumers with the aim of increasing revenues by appropriating part of the returns presently received by third parties. For instance, as roasters have been expressing demand for a good-quality "gourmet" coffee, exporters might consider developing direct contacts with small roasters with a view to jointly meeting consumers' requirements.

215. Non-traditional trade instruments not involving hard currency, where feasible, could also provide new openings. In this respect consideration could be given to possible deals in countries of Central and Eastern Europe and CIS involving purchase of coffee against the supply of goods and services by the importer, triangular arrangements including activities such as tolling, debt-coffee swaps and direct business arrangements, including the setting-up of joint ventures in both importing and exporting countries.[85]

216. In prolonged periods of depressed markets, producing countries might also consider such measures as diversification out of coffee to other crops, especially for inefficient farmers. More broadly, Governments might wish to diversify their economies to activities more dynamic than agriculture, i.e. to the manufacturing and services sector. Such a diversification, however, requires financial resources for training of farmers and credits for alternative activities. To the extent that supply management schemes (see next section) can increase coffee export earnings, some proportion of these earnings could be devoted to diversification and structural change. Thus supply management could not only alleviate immediate foreign exchange difficulties of producers, but also make a contribution to sustainable growth in the future.

(ii) Producers' supply management schemes

217. In the context of a large and structural oversupply combined with depressed prices, the effectiveness of national coffee policies can be enhanced by producers' co-operation embodied, in particular, in joint supply management schemes. A recent example is the Supply Retention Scheme of the Association of Coffee Producing Countries, put into operation in October 1993 in the context of the suspension of the 1983 ICA quota mechamism and the stalemate in the negotiations on a new agreement. The Scheme was relatively easily negotiated, attracted all major producers, was realistic in its objectives and was not intended to deprive consumers of their choice of coffee varieties. The relatively high percentage cut in exports (20 per cent) was justified by the gross stocks overhanging the market[86] and the low level of world prices. The implementation of the Scheme was one of the factors which contributed to the reduction of freely available producers' stocks in the first half of 1994 and the halting of the process of transfer of stocks from producing to consuming countries.

218. Upon the liquidation of surplus stocks in consuming countries, a more long-term alternative supply management scheme can be considered, namely a production-management scheme. A recent example is the August 1994 agreement

between Colombia, Costa Rica and Nicaragua on a plan to control coffee production in order to prevent higher prices stimulating a wave of overproduction[87]. In such a scheme, producing countries would endeavour to abide by a production policy aimed at keeping world supply in balance with global demand in the medium and long term by ensuring that annual production and consumption levels are in reasonable balance. What constitutes a reasonable balance will again depend on the current world stock situation and on price objectives. In the past, a boom in coffee plantings made in response to short term increases in world prices led to over-investment in the coffee sector and resulted in structural overproduction. In the light of this experience, Governments may feel obliged to restrain new plantings.

219. Should a large stock overhang reappear, producers might consider not resorting again to an export-management scheme but rather eventually establishing production levels below the forecast levels of consumption with a view to achieving a gradual reduction in stocks. Such a system could eventually be implemented with a view to reaching specific price targets in the medium or long term (provided a price range could be negotiated). In such a system, there would be a need to co-ordinate internationally production plans and measures concieved and implemented nationally in order both to achieve collectively the optimal production levels and to induce farmers and individual producers in each producing country to take into account, on an ongoing basis, medium- and long-term prospects of the world market when making investments in production. To this end, a regular exchange of information regarding programmes affecting production in each producing country would need to be organized and transparency enhanced.

220. To overcome one of the major difficulties of production management schemes, i.e. the necessary allocation of formal or informal "production shares" among producers, which should take into account their production trends, a system of yearly uniform percentage cuts in production could be introduced. A uniform percentage cut in production could, in principle, be easier to negotiate, as it would leave the relative size of the coffee output in each country essentially unchanged.[88] On the other hand, the production cuts could be difficult in policy terms as they are likely to involve changes in producers` stock and hence would need an enforced control system. Under a production regulation approach, due consideration should be given to differential production cuts for Arabica and Robusta, taking into account changing demand patterns.

221. The operation of producers' supply management schemes might to a large extent depend on attitudes on the consumers' side. For instance, the ACPC arrangement - which did not focus on significant price increases - was generally accepted by consumers as reasonable. By the time the goals of the scheme were, at least partly, achieved, the market situation encouraged consumers to enter into some viable form of producer-consumer arrangement, as was the case with the international Coffee Agreement, 1994.

(iii) Producer-consumer co-operation

222. Co-operation between producers and consumers is focused on the operational possibilities of the International Coffee Agreement, which for more than thirty years has been a unique instrument of such co-operation attempting to regulate the market. The following suggestions on possible issues of international cooperation on coffee might be examined in the context of an eventual future introduction of economic clauses in the ICA 1994 (this possibility is provided for by the Agreement). First of all, basic economic provisions which were not established in the course of previous negotiations should be addressed, in particular the price range to be defended, quotas to be allocated to individual producing countries, and the imposition of a universal quota for different types of coffee.

223. The viability of the introduction of a universal quota as the basis of the economic mechanism of the Agreement might be further explored. A universal quota is currently perceived by the international commodity community as being the most viable and efficient system of quotas, since it reduces significantly the probability of the emergence of a two-tier market and its related problems. However, the enforcement of a universal quota requires that effective control measures be taken by both exporting and importing members.

224. In the context of a possible introduction of economic clauses in the 1994 Agreement, problems which producers

face should be considered. In particular, their individual quotas for different coffee types should be allocated with due account being paid to the evolution of demand patterns, as well as to changes in production capacities during recent years.

225. The eventual economic clauses of the Agreement should be attractive to all consumers, especially major and potential ones, encouraging their participation. This, again, might depend primarily on the establishment of a universal quota with an efficient control mechanism which would eliminate the possibilities of a two-tier market.

226. The objectives of the Producers' Retention Scheme actually match the provisions of the International Coffee Agreement,1994, which, in turn, aims at balancing supply and demand and maintaining an adequate level of stocks to allow prices to be remunerative for producers and equitable to consumers. In this context, the eventual possibility of operating the supply-management scheme within the framework of a producer-consumer arrangement with economic clauses might also be explored. This might substantially increase the effectiveness of both arrangements. Recent findings confirm that, since the objective of the traditional quota mechanism is to maintain the indicator price within an agreed range, the quota system as the economic basis of the Agreement is essentially a mechanism for short-term price stabilization whereas, by contrast, the supply management arrangements are aimed at improving the medium-or long-term trend in prices.[89]

ENDNOTES

1. The designation of Arabica and Robusta groups refers to the classification adopted by the Internatinal Coffee Organization (ICO). Some countries classified as Arabica producers also produce Robusta and vice versa.

2. UNCTAD Commodity Yearbook 1994, United Nations, New York and Geneva, 1994.

3. The coffee year runs from 1 October to 30 September of the following year.

4. From here on, the terms "production" and "exports" will refer to the exporting members of the International Coffee Agreement 1983, representing about 99 per cent of both production and exports worldwide.

5. Calculated on the basis of ICO statistics (EB-3424/95, 1 March 1995, Table 5).

6. OAMCAF comprises nine African coffee-exporting countries: Benin, Cameroon, Central African Republic, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Madagascar and Togo.

7. ICO document EB 3488/94(E), 24 August 1994.

8. ICO Doc. EB- 3517/95(E), 11 January 1995.

9. Preliminary data. See ICO Doc. EB 3529/95 (E), 12 April 1995.

10. Preliminary data. ICO Doc. EB 3529/95 (E), 12 April 1995. See also Annex IV.

11. ICO document PC 649/92(E), 20 April 1993. The ICO Promotion campaign has been stopped in....**? due to ?**. It is expected that the Association of Coffee Producing Countries will embark on a different type of campaign destined mainly at the Far East region.

12. COFFEE. A Survey of the Netherlands and Other Major Markets in the European Community, Center for the Promotion of Imports from Developing Countries, Rotterdam, August 1993; information received from the ICO Secretariat.

13. "Trends in Coffee Trade and Consumption in Countries of Eastern Europe", UNCTAD Workshop on Possibilities for Expansion of Trade in Coffee between Developing Countries and Countries of Eastern Europe, Moscow, 15-19 October 1990.

14. Calculations on the basis of ICO document EB 3461/94 (E), 17 March 1994.

15. T. Akiyama/R.C. Duncan, Impact of the International Coffee Agreement's Export Quota System on the World Coffee Market, Washington, 1989, p. 150; R. Herrmann, "Free riders and the redistributive effects of international commodity agreements. The Case of Coffee", (Journal of Policy Modelling, Vol.8, No. 4, 1986, pp. 606 ff).

16. On the New York coffee futures market, over 70 per cent of the daily volume consist of purely speculative operations carried out by individual speculators, trade houses, brokers, and mostly commodity funds. The figure for London is lower but still over 50 per cent. Both in London and New York, the options volume is almost 80 per cent speculation-driven. The average daily transactions volume on the New York exchange, for example, approaches 2.5 million bags, while in physical trade the sale of 20,000 bags can be considered as

large. (Pierre Leblache. Modern coffee marketing techniques and risk management. Paper prepared for the UNCTAD Workshop for senior government policy makers on government policies affecting coffee export marketing. (Nairobi, 29 November - 3 December 1993).

17. It should be noted, that the reduction in Robusta demand, feared by its producers and traders was a premature one. In 1990s Robusta continues to hold steady at 30 per cent of the world coffee market

18. See footnote 12.

19. N. Islam and A. Subramanian, "Agricultural exports of developing countries: estimates of income and price elasticities of demand and supply", Journal of Agricultural Economics, 1989, pp.221-231.

20. World Bank report No. 814/92, October 1992.

21. ICO Monthly Report on Prices, various issues.

22. Current US dollar prices deflated by the UN index of export unit value of manufactures exported by developed market-economy countries.

23. The Economist Intelligence Unit Limited, EIU World Commodity Forecasts. Food, Foodstuffs & Beverages, August 1994, p. 7.

24. ICO document ED 1565/94 (E), 31 August 1994. Pineda R.E., "The transition towards free trade", Coffee Annual, 1992, Stamford, CT: 43-45, February 1993.

25. Of over 50 exporting countries there were only five exceptions: Ghana, Jamaica, Malawi, Trinidad and Tobago and Zambia.

26. Analysis of coffee exports in Burundi, Cameroon, Côte d'Ivoire, Ethiopia, Kenya, Madagascar, Rwanda, Uganda and United Republic of Tanzania. (Olivier Matringe. Consultant. UNCTAD Workshop on government policies affecting coffee export marketing.(Nairobi, 29 November- 3 December 1993); Reuters,12 March 1993; The Economist Intelligence Unit Country Report. Guatemala. 1st quarter 1994.

27. E D & F MAN World Coffee Situation, June 1994.

28. The Economist Intelligence Unit Limited, 1994 EIU Commodity Forecasts, August 1994, p. 7.

29. World Bank, "Market outlook for major primary commodities", October 1992, Report No. 814/92.

30. There is a wide range of other coffee transactions, small grower-big grower or co-operatives, grower-broker, grower-governmental agency, broker-trader, broker-governmental agency, broker-processor, etc.

31. World Bank, "Market outlook for major primary commodities", Report 814/92, October 1992, p. 5.

32. ICO documents EB 3445/93(E), 7 December 1993, and EB 3487/94(E), 5 August 1994. Data for 1992/93 and September 1993 are preliminary.

33. The Coffee Trade, Readings on Futures Markets, ITC, Geneva, 1992, p. 55.

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34. "Coffee: A survey of the Netherlands and other major markets in the European Community" Centre for the Promotion of Imports from Developing Countries, August 1993, p. 30.

35. See also UNCTAD document TD/B/C.1/309, 31 August 1990, p. 27.

36. World Bank Report No. 814/92, "Market outlook for major primary commodities", October 1992.

37. Reuters, 4 July 1994 and 22 July 1994.

38. Deutscher Kaffee-Verband, Caffee-Text, Vol. 1990, No.1 p.6; Hartmut Brandt, The Formulation of a New International Coffee Agreement, German Development Institute, Berlin, 1991.

39. When the export-quota system is operative, the global quota and each exporting member quota, as well as members exempt from the basic quota, are determined at the beginning of each coffee year. Exporting members cannot exceed their quota levels for importing members. When the quota system is not operative, there are no constraints on exports from member countries.

40. For instance, in 1990 there were 1,774,000 futures contracts and 114,000 option contracts on the New York Coffee, Sugar and Cocoa Exchange, only 1 per cent of which resulted in physical delivery.

41. For instance Nestlé is one of the biggest highly vertically and horizontally integrated food companies in the world, ranking eighth by its foreign assets in the list of the 50 largest non-financial TNCs.

42. These factors are indicated in the International Coffee Agreement 1994 (Chapter XI, Article 31) as obstacles to consumption.

43. The problem of the development of the processed coffee industry in producing countries is reflected in the International Coffee Agreement, 1994. Members to the Agreement recognize the need of developing countries to broaden the base of their economies, through, inter alia, industrialisation and the export of manufactured products, including the processing of coffee and the export of processed coffee. The Agreement states that, in this connexion, its Members "shall avoid the adoption of governmental measures which could cause disruption to the coffee sector of other Members."

44. In the United States` case, this is a result of a requirement of Brazil for the development of its national instant coffee industry. Given favourable exchange rates and prices of domestic components of production, Brazil`s instant coffee was for some time capable of competing on the United States market. The United States taxed only coffee substitutes containing coffee, at the rate of 3.3 c/kg.

45. ICO document EB/2546/85.

46. In case of soluble coffee, the GATT-bound rate is applied.

47. (a) All least developed countries; (b) the Andean Group (Colombia, Peru, Ecuador and Bolivia) - in the framework of the anti-drugs initiative; (c) from 1992 selected Central American countries (Panama, Costa Rica, Honduras, Nicaragua, Salvador and Guatemala). Groups (b) and (c) were until 31 December 1994.

48. ICO document, WP Controls Sub-Group No. 9/92 (E), 28 October 1992.

49. Hartmut Brandt, The Formulation of a New International Coffee Agreement, German Development Institute, Berlin 1991.

50. _Ibid._

51. GATT secretariat document MTN. TNC/W/122, 29 November 1993, p. 36.

52. GATT, _The Results of the Uruguay Round of Multilateral Trade Negotiations. Market Access for Goods and Services: Overview of the Results_, Geneva, November 1994, pp. 21-22.

53. African, Caribbean and Pacific States, associated with the EU under the Lomé Convention.

54. See, for example, Hartmut Brandt. _The Formulation of a New International Coffee Agreement_, German Development Institute, Berlin, 1991, p. 77.

55. _Financial Times_, 30 April 1993.

56. Calculations on the basis of UNCTAD, _Handbook of International Trade and Development Statistics_, 1990, 1994, and UNCTAD, _Commodity Yearbook_, 1994.

57. Seidl A.C., "A voz da lavoura indignada", _Revista do Café_, Rio de Janeiro, 72(779): 4-11, May-June 1992.

58. Information received from the National Growers Federation of Colombia. 1994.

59. The FUNCAFE organization, which held national stocks and was largely responsible for coffee financing, was also revitalized. Important investments in coffee growing and the country`s coffee sector were announced in 1993.

60. Reuters, 30 April 1993; F.O. Licht's _International Coffee Report_, Ratzebourg, 7 (16): 235, 19 April 1993; _Complete Coffee Coverage_, Stamford, CT., No. 309; 270. 8 April 1993.

61. Reuters, 26 November 1992.

62. _Coffee and Cocoa International_, 29 April 1992.

63. _F.O. Licht's International Coffee Report_, Vol. 8, No 7/25.11.93.

64. Reuters, 12 May 1993.

65. _Complete Coffee Coverage_, Stamford, CT, No.643: 601-602. 8 July 1994.

66. _Marchés tropicaux et méditerranéens_, Paris, No. 2486, 1696-1703, 2 July 1993.

67. "Ouganda - café: baisse des exportations depuis l'instauration de la taxe de 20 %, "_Marchés tropicaux et méditerranéens_, Paris, No. 2544, 1703. 12 August 1994.

68. _Marchés tropicaux_, 6 November 1993.

69. Reuters, 26 August 1994.

70. Reuters, 2 August 1994.

71. IACO is current members are the following 25 countries: Angola, Benin, Burundi, Cameroon, Central African Republic, Congo, Côte d`Ivoire, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Nigeria, Rwanda, Sierra Leone, Togo, Uganda, United Republic of Tanzania, Zaire, Zambia, Zimbabwe.

72. Reuters Coffee Newsletter, London. No. 225/80, 17 November 1980; Latin America Commodities Report, London, No. CR-80-23, 1. 21 November 1980.

73. Financial Times, 21 November 1989.

74. Ibid., 15 August 1991.

75. Jeune Afrique, N. 1695, du 1 au 7 juillet 1993, p. 4.

76. The texts of the Agreement on the creation of the Association of Coffee-Producing Countries and of the Coffee Retention Plan are reproduced in the ICO documents 63-I(E) Add.2 and 63-I(E) Add.1.

77. "Declaration of Coffee-Producing countries to the Council of the International Coffee Organization", ICO document ICC 63-1(E).

78. E D & F MAN Coffee Limited, World Coffee Situation Monthly Bulletin, various issues.

79. See International Coffee Organization, Basic Information. Objectives, structure, history and operation, London, January, 1994.

80. See section on producers' co-operation.

81. For more recent status of the ICO 1994 membership see also Status of Multilateral treaties. Note by the UNCTAD secretariat. TD/B/INF.192, 13 July 1995.

82. Papers of the Association of German Coffee Importers, Hamburg, 2 April 1990.

83. See "Analysis of coffee exports in Burundi, Cameroon, Côte d`Ivoire, Ethiopia, Kenya, Madagascar, Rwanda, Uganda and the United Republic of Tanzania (Olivier Matringe. Consultant. UNCTAD Workshop on gowernment policies affecting coffee export marketing.(Nairobi, 29 Novenmer - 3 Decenber 1993).

84. For more detailed proposals on the use of risk management instruments see: UNCTAD "Modern coffee marketing techniques and risk management". By Pierre Leblache. Consultant. New York, USA, November 1993. "Government policies affecting coffee export marketing.Workshop for senior government policy makers, Nairobi,29 November-3 December 1993. "UNCTAD Documents: UNCTAD /COM/15. 15 March 1993. UNCTAD/COM/16. 22 April 1993. TD/B/CN.1/10. 27 August 1993.

85. See UNCTAD, "Report on the Workshop on Possibilities for Expansion of Trade in Coffee Between Developing Countries and Countries of Eastern Europe", Moscow, 15-19 October 1990.

86. It has been argued that, given a normal stocks level, the reduction of export volumes could be much smaller. For instance, average yearly export cuts of 2 per cent might have increased coffee prices more than one-third above the base "no policy" price. See A. Maizels, R. Bacon, G. Mavrotas, The Potential for Supply Management by Developing Countries: The case of Coffee, Oxford, January 1993.

87. It should be note that the agreement to limit production is still only an aim and does not yet exist in reality.

88. Ibid.

89. Ibid.

ANNEX I

Total production of ICO exporting members

COFFEE YEARS 1986/87 TO 1992/93

(000 bags)

Exporting Member		1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL MEMBERS		96 028	98 399	92 619	93 458	95 081	100 822	90 548
SUB-TOTAL: MEMBERS ENTITLED TO BASIC QUOTA		90 938	93 032	87 123	87 485	89 870	95 191	85 519
COLOMBIAN MILDS		13 295	15 657	13 553	14 536	17 145	20 144	16 117
Colombia	(O)	10 753	12 756	10 543	12 920	14 231	18 222	13 823
Kenya	(O)	1 856	2 113	2 086	746	1 995	1 133	1 481
Tanzania	(J)	686	788	924	870	919	789	813
OTHER MILDS		24 531	22 042	23 906	22 608	22 877	23 473	22 233
Costa Rica	(O)	2 640	2 203	2 374	2 300	2 362	2 759	2 999
Dominican Republic	(J)	801	1 203	853	737	877	321	638
Ecuador	(A)	2 018	2 057	2 195	1 818	1 837	1 610	1 619
El Salvador	(O)	2 342	2 301	1 512	2 788	2 564	2 290	2 867
Guatemala	(O)	2 942	3 052	2 991	3 473	3 271	3 496	4 318
Honduras	(O)	1 553	1 519	1 680	1 767	1 368	2 321	1 919
India	(O)	3 618	1 941	3 033	1 785	3 166	2 866	2 156
Mexico	(O)	5 603	4 635	6 001	5 050	4 675	4 727	2 901
Nicaragua	(O)	766	647	645	689	461	711	528
Papua New Guinea	(A)	1 015	1 088	1 126	1 002	809	858	984
Peru	(A)	1 233	1 176	1 496	1 199	1 087	1 498	1 224
BRAZILIAN & O. ARABICAS		31 960	35 860	26 839	28 869	29 615	28 955	28 722
Brazil	(A)	28 986	32 977	24 140	25 430	26 705	25 894	26 928
Ethiopia	(O)	2 974	2 883	2 699	3 439	2 910	3 061	1 794
ROBUSTAS		21 152	19 473	22 825	21 472	20 233	22 619	18 447
Angola	(A)	282	182	184	120	49	79	79
Indonesia	(A)	6 134	6 592	6 842	7 241	8 094	8 536	7 521
OAMCAF		(8 454)	(6 669)	(7 916)	(8 246)	(5 962)	(8 237)	(4 846)
Benin	(O)	18	31	46	0	0	0	2
Cameroon	(O)	2 200	1 375	1 990	1 928	1 682	2 168	1 162
Central African Rep.	(O)	250	251	348	287	226	408	183
Congo	(J)	13	39	31	19	3	4	3
Cote d'Ivoire	(O)	4 571	3 523	3 846	4 799	2 940	4 129	2 245
Equatorial Guinea	(O)	9	6	4	4	4	3	2
Gabon	(O)	13	28	33	6	4	2	3
Madagascar	(A)	1 122	1 125	1 300	1 038	941	1 091	1 160
Togo	(O)	258	291	318	165	162	432	86
Philippines	(J)	830	968	1 388	1 145	973	1 149	787
Uganda	(O)	2 816	2 553	3 259	1 935	1 955	2 088	2 160
Vietnam	(O)	523	753	1 040	1 006	1 390	1 307	2 341
Zaire	(O)	2 093	1 756	2 196	1 779	1 810	1 223	713
SUB-TOTAL: MEMBERS EXEMPT FROM BASIC QUOTA		5 090	5 367	5 496	5 973	5 211	5 631	5 029
ARABICAS		4 246	4 267	3 998	4 227	4 183	3 926	3 540
Bolivia	(A)	174	171	179	151	125	135	233
Burundi	(A)	599	601	549	501	622	632	437
Cuba	(J)	432	450	479	477	444	373	311
Haiti	(J)	443	504	448	416	415	536	510
Jamaica	(O)	22	32	17	21	22	39	26
Malawi	(A)	92	59	103	105	120	133	81
Panama	(O)	196	195	134	177	215	194	196
Paraguay	(A)	261	261	278	304	135	46	64
Rwanda	(A)	685	691	643	568	590	575	468
Venezuela	(O)	1 115	1 096	957	1 248	1 230	1 075	1 115
Zambia	(J)	3	8	25	23	29	28	26
Zimbabwe	(A)	224	199	186	236	236	160	73
ROBUSTAS		844	1 100	1 498	1 746	1 028	1 705	1 489
Ghana	(O)	13	9	9	16	38	76	36
Guinea	(O)	108	140	91	181	45	90	77
Liberia	(O)	71	60	89	21	11	3	3
Nigeria	(O)	20	26	34	28	30	45	49
Sierra Leone	(O)	98	147	101	252	43	54	36
Sri Lanka	(O)	40	93	80	60	97	82	39
Thailand	(O)	463	612	1 077	1 147	749	1 337	1 228
Trinidad & Tobago	(O)	31	13	17	41	15	18	21

(A) Crop year commencing 1 April
(J) Crop year commencing 1 July
(O) Crop year commencing 1 October

Source: Supply of coffee: Crop years commencing in 1986 to 1993 and coffee years 1986/87 to 1992/93, ICO Doc. EB 3492/94(E), 28 September 1994.

ANNEX II

Gross opening stocks of ICO exporting members

COFFEE YEARS 1986/87 TO 1992/93

(000 bags)

Exporting Member		1986/87 (1)	1987/88 (2)	1988/89 (3)	1989/90 (4)	1990/91 (5)	1991/92 (6)	1992/93 (7)
ALL MEMBERS		44 931	47 732	63 945	64 403	56 210	56 366	58 023
SUB-TOTAL: MEMBERS ENTITLED TO BASIC QUOTA		44 045	46 875	62 600	62 637	54 822	54 743	56 352
COLOMBIAN MILDS		11 870	8 701	11 416	10 376	6 897	7 945	8 940
Colombia	(O)	10 566	7 568	9 413	7 985	5 967	6 751	8 106
Kenya	(O)	1 011	982	1 704	2 012	637	933	617
Tanzania	(J)	293	151	299	379	293	261	217
OTHER MILDS		4 609	4 269	7 345	7 438	3 855	4 596	4 772
Costa Rica	(O)	1 002	929	953	795	343	120	229
Dominican Republic	(J)	126	2	465	533	388	494	177
Ecuador	(A)	346	161	696	757	592	551	590
El Salvador	(O)	451	136	589	228	245	512	356
Guatemala	(O)	120	45	575	395	77	245	153
Honduras	(O)	93	88	218	260	101	54	318
India	(O)	1 217	1 947	1 686	1 734	826	1 615	1 457
Mexico	(O)	687	847	1 352	1 913	974	748	985
Nicaragua	(O)	88	115	102	74	56	63	44
Papua New Guinea	(A)	122	0	441	281	146	175	130
Peru	(A)	358	0	267	468	107	19	334
BRAZILIAN & O. ARABICAS		18 390	21 785	30 817	30 095	30 044	29 227	25 875
Brazil	(A)	16 493	20 313	29 006	28 152	27 244	25 567	21 223
Ethiopia	(O)	1 897	1 472	1 811	1 943	2 800	3 660	4 652
ROBUSTAS		9 176	12 121	13 023	14 728	14 026	12 974	16 765
Angola	(A)	293	214	118	154	157	120	79
Indonesia	(A)	1 854	1 797	2 689	1 979	1 270	1 740	4 568
OAMCAF		(2 904)	(5 592)	(4 907)	(6 324)	(7 141)	(5 589)	(6 50[illegible])
Benin	(O)	0	13	0	0	0	0	0
Cameroon	(O)	916	1 716	1 424	1 838	1 344	1 086	1 434
Central African Rep.	(O)	44	117	67	30	100	150	429
Congo	(J)	0	2	0	3	12	11	12
Cote d'Ivoire	(O)	1 155	2 885	2 369	3 280	4 796	3 352	3 574
Equatorial Guinea	(O)	0	7	8	5	2	4	2
Gabon	(O)	0	0	0	2	2	2	[illegible]
Madagascar	(A)	742	765	942	1 039	826	946	895
Togo	(O)	48	88	97	127	59	39	154
Philippines	(J)	369	442	450	769	1 046	1 168	1 370
Uganda	(O)	2 906	3 359	3 524	3 600	3 100	2 900	2 900
Vietnam	(O)	31	34	149	223	181	195	85
Zaire	(O)	818	683	1 186	1 679	1 131	1 262	1 262
SUB-TOTAL: MEMBERS EXEMPT FROM BASIC QUOTA		886	856	1 344	1 766	1 388	1 623	1 670
ARABICAS		720	797	1 223	1 482	1 127	1 324	1 374
Bolivia	(A)	27	83	90	112	70	69	63
Burundi	(A)	163	254	365	334	297	261	289
Cuba	(J)	51	33	72	134	186	264	242
Haiti	(J)	19	24	18	19	24	9	72
Jamaica	(O)	0	0	0	0	0	0	8
Malawi	(A)	1	0	6	63	42	73	72
Panama	(O)	11	31	32	15	18	40	61
Paraguay	(A)	195	144	103	218	185	167	152
Rwanda	(A)	145	27	225	250	12	0	0
Venezuela	(O)	81	201	282	224	142	350	363
Zambia	(J)	5	0	1	20	20	20	24
Zimbabwe	(A)	22	0	29	93	131	71	29
ROBUSTAS		166	59	121	284	261	299	296
Ghana	(O)	4	4	1	2	4	10	43
Guinea	(O)	6	9	39	10	45	10	10
Liberia	(O)	0	0	0	6	0	8	8
Nigeria	(O)	0	0	0	0	0	0	0
Sierra Leone	(O)	0	0	0	13	127	74	45
Sri Lanka	(O)	13	10	15	3	10	6	1
Thailand	(O)	144	26	66	250	70	191	185
Trinidad & Tobago	(O)	0	0	0	0	5	0	4

(A) Crop year commencing 1 April
(J) Crop year commencing 1 July
(O) Crop year commencing 1 October

Source: Supply of coffee: Crop years commencing in 1986 to 1993 and coffee years 1986/87 to 1992/93. ICO Doc. EB 3492/94(E), 28 September 1994.

ANNEX III

Domestic consumption of ICO exporting members

COFFEE YEARS 1986/87 TO 1992/93

(000 bags)

Exporting Member		1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL MEMBERS		19 866	19 106	20 473	20 480	20 610	21 213	20 818
SUB-TOTAL: MEMBERS ENTITLED TO BASIC QUOTA		18 232	17 470	18 829	18 575	18 766	19 245	18 999
COLOMBIAN MILDS		1 805	1 909	1 808	1 307	1 289	1 457	1 371
Colombia	(O)	1 700	1 800	1 700	1 200	1 235	1 400	1 300
Kenya	(O)	100	100	100	100	50	50	50
Tanzania	(J)	5	9	8	7	4	7	21
OTHER MILDS		4 619	4 211	4 722	4 248	4 281	4 443	4 173
Costa Rica	(O)	225	225	375	375	375	375	375
Dominican Republic	(J)	313	317	319	321	320	320	320
Ecuador	(A)	302	330	345	350	350	350	350
El Salvador	(O)	131	170	180	180	280	280	230
Guatemala	(O)	300	300	300	300	300	300	300
Honduras	(O)	160	165	174	192	188	257	240
India	(O)	1 301	815	1 067	667	867	1 000	775
Mexico	(O)	1 600	1 600	1 700	1 600	1 374	1 200	1 300
Nicaragua	(O)	90	95	68	70	34	138	55
Papua New Guinea	(A)	2	4	4	3	3	3	3
Peru	(A)	195	190	190	190	190	220	225
BRAZILIAN & O. ARABICAS		9 167	8 667	9 667	10 200	10 200	10 400	10 300
Brazil	(A)	7 000	7 500	8 500	9 000	9 000	9 000	9 000
Ethiopia	(O)	2 167	1 167	1 167	1 200	1 200	1 400	1 300
ROBUSTAS		2 641	2 683	2 633	2 821	2 996	2 945	3 155
Angola	(A)	34	23	19	20	25	32	28
Indonesia	(A)	1 167	1 180	1 205	1 229	1 246	1 288	1 327
OAMCAF		(588)	(594)	(454)	(497)	(497)	(500)	(520)
Benin	(O)	0	0	0	0	0	0	0
Cameroon	(O)	83	83	83	83	83	83	83
Central African Rep.	(O)	33	33	35	30	33	37	27
Congo	(J)	4	9	9	6	3	3	3
Cote d'Ivoire	(O)	217	217	50	50	50	50	50
Equatorial Guinea	(O)	0	0	0	0	0	0	0
Gabon	(O)	1	1	1	2	2	1	1
Madagascar	(A)	250	250	275	325	325	325	355
Togo	(O)	0	1	1	1	1	1	1
Philippines	(J)	488	520	587	705	728	750	755
Uganda	(O)	70	70	70	70	70	75	75
Vietnam	(O)	94	96	98	100	230	100	250
Zaire	(O)	200	200	200	200	200	200	200
SUB-TOTAL: MEMBERS EXEMPT FROM BASIC QUOTA		1 634	1 637	1 644	1 904	1 844	1 967	1 819
ARABICAS		1 406	1 406	1 385	1 616	1 493	1 639	1 429
Bolivia	(A)	57	51	39	36	41	45	49
Burundi	(A)	1	1	1	3	3	2	2
Cuba	(J)	212	211	215	216	213	207	195
Haiti	(J)	220	220	220	220	248	330	330
Jamaica	(O)	9	10	4	6	7	11	6
Malawi	(A)	0	1	2	2	2	2	2
Panama	(O)	77	45	42	63	63	67	67
Paraguay	(A)	15	15	15	15	15	15	18
Rwanda	(A)	1	1	1	1	1	1	1
Venezuela	(O)	804	841	833	1 042	890	950	750
Zambia	(J)	0	0	2	2	2	1	1
Zimbabwe	(A)	10	10	10	10	8	8	8
ROBUSTAS		228	231	260	288	351	328	390
Ghana	(O)	2	2	2	3	17	17	17
Guinea	(O)	23	21	21	25	25	25	63
Liberia	(O)	3	3	3	3	3	3	3
Nigeria	(O)	13	13	24	25	28	36	36
Sierra Leone	(O)	2	9	9	9	9	9	9
Sri Lanka	(O)	35	35	35	50	67	67	28
Thailand	(O)	136	136	150	167	195	160	225
Trinidad & Tobago	(O)	14	12	16	7	8	12	10

(A) Crop year commencing 1 April
(J) Crop year commencing 1 July
(O) Crop year commencing 1 October

Source: Supply of coffee: Crop years commencing in 1986 to 1993 and coffee years 1986/87 to 1992/93. ICO Doc. EB 3492/94(E), 28 September 1994

ANNEX IV
Imports by ICO importing members from all sources

OCTOBER-NOVEMBER 1987/88 TO 1992/93

(000 bags)

Importing Member	OCTOBER-SEPTEMBER					
	Quotas in effect		Quotas suspended			
	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
TOTAL	65 030	66 467	73 612	70 238	74 351	73 359*
U.S.A.	18 151	18 913	22 210	19 155	22 803	20 472
E.E.C.	35 239	35 932	37 975	37 738	37 916	38 610
Belgium/Luxembourg	2 139	1 947	2 164	1 722	1 798	1 687 1/
Denmark	1 002	993	1 015	986	1 003	1 051 2/
France	6 077	6 036	6 279	6 598	6 524	6 320
Germany	11 993	12 891	13 581	13 551	13 363	14 101
Greece	513	610	664	460	362	299 3/
Ireland	133	116	128	119	95	104 4/
Italy	4 464	4 562	4 703	4 936	4 850	5 380
Netherlands	3 063	2 890	3 060	3 138	3 134	2 840 5/
Portugal	445	479	552	542	602	625 6/
Spain	2 643	2 629	3 034	2 861	3 222	3 124
United Kingdom	2 768	2 780	2 797	2 825	2 961	3 078 7/
Other importing Members	11 640	11 622	13 426	13 346	13 632	14 277
Austria	1 192	1 593	1 762	2 033	2 249	2 021
Cyprus	44	55	51	46	45	43
Fiji	1	1 8/	1 8/	1 8/	1 8/	1 8/
Finland	1 025	1 076	1 158	1 021	1 046	1 191
Japan	5 171	5 146	5 737	5 637	5 445	5 824
Norway	723	684	768	771	700	709
Singapore 9/	644	459	935	954	1 356	1 651 10
Sweden	1 699	1 546	1 813	1 769	1 669	1 769
Switzerland	1 142	1 064	1 201	1 114	1 122	1 069

Due to rounding the totals may not always reflect the sum of the relevant components
* Preliminary
1/ Includes estimates for March-September 1993
2/ Includes estimates for January-September 1993
3/ Includes estimates for September 1993
4/ Includes estimates for July-September 1993
5/ Includes estimates for May-September 1993
6/ Excludes intra-EEC trade for September 1993
7/ Excludes intra-EEC trade for August and September 1993
8/ Estimated for October-September 1988/89 to 1992/93
9/ Includes estimated imports from Indonesia
10/ Includes estimates for August and September 1993

Source: Importing members: Imports and Consumption, October-September 1987/88 to 1992/93, ICO Doc. EB 3461/94(E), 17 March 1994.

ANNEX V

Re-exports by ICO importing members to all destinations

OCTOBER-SEPTEMBER 1987/88 TO 1992/93
(000 bags)

	OCTOBER-SEPTEMBER					
	Quotas in effect		Quotas suspended			
Importing Member	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
TOTAL	9 119	8 786	9 223	10 489	11 492	11 353*
U.S.A.	1 282	1 075	879	933	1 259	1 635
E.E.C.	5 875	6 289	6 749	7 198	7 475	7 236
Belgium/Luxembourg	802	776	881	1 015	1 092	916 1/
Denmark	72	98	104	90	93	95 2/
France	739	805	864	1 021	1 004	932
Germany	2 777	2 985	3 220	3 216	3 359	3 244
Greece	5	5	12	18	24	158 3/
Ireland	25	16	10	7	4	5 4/
Italy	199	262	352	429	422	600
Netherlands	541	629	561	649	627	506 5/
Portugal	10	23	29	33	39	31 6/
Spain	255	157	236	250	263	229
United Kingdom	451	535	480	470	550	519 7/
Other importing Members	1 962	1 421	1 595	2 359	2 758	2 482
Austria	178	277	355	667	1 017	547
Cyprus	5	8	11	9	7	1
Fiji	-	- 8/	- 8/	- 8/	- 8/	- 8/
Finland	106	36	23	20	21	152
Japan	8	14	18	33	28	37
Norway	2	4	7	6	3	3
Singapore	1 266	853	936	1 373	1 387	1 448 9/
Sweden	36	54	76	93	141	136
Switzerland	361	175	169	159	155	158

Due to rounding the totals may not always reflect the sum of the relevant components
* Preliminary
\- Less than 500 bags
1/ Includes estimates for March-September 1993
2/ Includes estimates for January-September 1993
3/ Includes estimates for September 1993
4/ Includes estimates for July-September 1993
5/ Includes estimates for May-September 1993
6/ Excludes intra-EEC trade for September 1993
7/ Excludes intra-EEC trade for August and September 1993
8/ Estimated for October-September 1988/89 to 1992/93
9/ Includes estimates for August and September 1993

Source: Importing Members: Imports and Consumption, October-September 1987/88 to 1992/93. ICO Doc. EB 3461/94(E), 17 March 1994.

ANNEX VI
Net imports by ICO importing members from all sources
OCTOBER-SEPTEMBER 1987/88 TO 1992/93
(000 bags)

	OCTOBER-SEPTEMBER					
	Quotas in effect		Quotas suspended			
Importing Member	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
TOTAL	55 911	57 681	64 389	59 749	62 859	62 006*
U.S.A.	16 869	17 838	21 331	18 222	21 544	18 837
E.E.C.	29 364	29 643	31 226	30 540	30 441	31 374
Belgium/Luxembourg	1 337	1 171	1 283	707	706	771 1/
Denmark	930	895	911	896	910	956 2/
France	5 338	5 231	5 415	5 577	5 520	5 388
Germany	9 216	9 906	10 361	10 335	10 004	10 857
Greece	508	605	652	442	338	141 3/
Ireland	108	100	118	112	91	99 4/
Italy	4 265	4 300	4 351	4 507	4 428	4 780
Netherlands	2 522	2 261	2 499	2 489	2 507	2 334 5/
Portugal	435	456	523	509	563	594 6/
Spain	2 388	2 472	2 798	2 611	2 959	2 895
United Kingdom	2 317	2 245	2 317	2 355	2 411	2 559 7/
Other importing Members	9 678	10 201	11 831	10 987	10 874	11 795
Austria	1 014	1 316	1 407	1 366	1 232	1 474
Cyprus	39	47	40	37	38	42
Fiji	1	1 8/	1 8/	1 8/	1 8/	1 8/
Finland	919	1 040	1 135	1 001	1 025	1 039
Japan	5 163	5 132	5 719	5 604	5 417	5 787
Norway	721	680	761	765	697	706
Singapore	-622	-394	-1	-419	-31	203 9/
Sweden	1 663	1 492	1 737	1 676	1 528	1 633
Switzerland	781	889	1 032	955	967	911

Due to rounding the totals may not always reflect the sum of the relevant components
A negative sign indicates net exports
* Preliminary
1/ Includes estimates for March-September 1993
2/ Includes estimates for January-September 1993
3/ Includes estimates for September 1993
4/ Includes estimates for July-September 1993
5/ Includes estimates for May-September 1993
6/ Excludes intra-EEC trade for September 1993
7/ Excludes intra-EEC trade for August and September 1993
8/ Estimated for October-September 1988/89 to 1992/93
9/ Includes estimates for August and September 1993

Source: Importing Members: Imports and Consumption, October-September 1987/88 to 1992/93 ICO Doc. EB 3461/94(E), 17 March 1994.

ANNEX VII

Inventories and stocks of green coffee in ICO importing member countries and in free ports at the end of September 1988 to 1993

(000 bags)

	SEPTEMBER					
	Quotas in effect	Quotas suspended				
Importing Member	1988	1989	1990	1991	1992	1993
GRAND TOTAL	11 414	10 651	19 703	16 207	17 740	17 139*
TOTAL Importing members	7 631	6 900	12 994	10 865	13 566	14 399
U.S.A. 1/	3 528	2 673	5 186	4 487	7 908	8 532
E.E.C. 2/	2 082	1 972	4 852	3 559	3 204	3 223
Belgium/Luxembourg	421	620	1 014	1 375	1 273	1 134 3/
Denmark	89	89 3/	89 3/	89 3/	89 3/	89 3/
France 3/	435	455	648	674	583	526
Germany	600	300	2 500	800	600	800
Italy 3/	150	150	150	150	150	150
Netherlands	71	52	59	73	68	63 3/
Portugal 3/	14	14	14	14	14	14
Spain	158	133	183	217	233	233
United Kingdom	144	159	195	167	194	214
Other importing Members 4/	2 021	2 255	2 956	2 819	2 454	2 644
Austria 5/	208	217	267	333	367	333
Finland	236	207	277	250	268	270
Japan	1 083	1 417	1 833	1 633	1 258	1 458
Norway	109	96	124 3/	124 3/	124 3/	124 3/
Sweden 3/	87	87	87	87	87	87
Switzerland	296	231	368	392	358	380 5/
CHANGE FROM PREVIOUS YEAR						
TOTAL Importing members	-459	-731	6 094	-2 129	2 701	833
U.S.A.	-776	-855	2 513	-699	3 421	624
E.E.C.	22	-110	2 880	-1 293	-355	19
Other importing Members	95	234	701	-137	-365	190
STOCKS IN FREE PORTS						
TOTAL	3 783	3 751	6 709	5 342	4 174	2 740
Germany	600	900	3 500	2 000	1 400	800
Italy	1 872	1 391	1 765	1 694	1 386	1 296 3/
Netherlands	1 311	1 460	1 444	1 648	1 388	644 3/

A negative sign means that stocks have been reduced from the previous year

* Preliminary

1/ The United States Department of Commerce discontinued its publication of data on inventories with effect from the end of the second quarter of 1981. Data on inventories shown in this table are estimates derived on the basis of net imports and roastings of green coffee. Derived data should be used only as an indicator of trends in inventories and not as an indicator of the absolute level of inventories held by the coffee industry in the USA

2/ Excludes Greece and Ireland

3/ Estimated

4/ Excludes Cyprus, Fiji and Singapore

5/ Estimated by the Member

Source: Importing members: Imports and Consumption, October-September 1987/88 to 1992/93, ICO Doc. EB 3461/94(E), 17 March 1994.

ANNEX VIII

Net imports of all forms of coffee from all sources by importing ICO non-members

Calendar years 1987 to 1992

(000 bags)

	Quotas suspended	Quotas in effect		Quotas suspended		
Non-member	1987	1988	1989	1990	1991	1992
TOTAL	12 373	11 921	13 764	11 928	12 075	12 000 1/
IMPORTING NON-MEMBERS	11 395	10 662	12 757	10 935	10 713	
EUROPE	4 364	4 384	5 661	4 268	3 278	
Bulgaria	95	162	85	102	17	175
Former Czechoslovakia	585	573	586	659	525	472
Hungary	693	825	443	574	500	
Poland	560	620	824	335	243	1 650
Romania	152	152	157	395	269	341
Former Soviet Republics	1 215	1 144	2 639	1 080	1 000	
Former Yugoslavia	982	829	841	1 032	638	
Others	80	78	86	91	86	
AFRICA	2 476	1 444	2 528	1 742	2 152	
Algeria	1 849	760	1 738	1 040	1 481	
Morocco	216	296	318	360	334	
Others	411	389	472	343	337	
ASIA	1 704	2 076	1 824	1 987	2 239	
Israel	233	317	272	272	331	
Korea, D.P.R. of	53	222	75	-	-	-
Korea, Rep. of	407	513	695	842	801	
Lebanon	130	205	97	164	314	
Saudi Arabia	385	305	176	259	153	
Others	496	515	509	449	641	
NORTH AMERICA	1 804	1 819	1 826	1 978	2 072	1 920
Canada	1 800	1 814	1 822	1 974	2 068	1 916
Others	4	5	4	4	4	5
OCEANIA	879	756	780	769	773	
Australia	762	648	667	636	646	771
New Zealand	117	107	115	133	126	132
Others	-	1	-1	-	1	
OTHER IMPORTING NON-MEMBERS	167	182	137	190	198	
PRODUCING NON-MEMBERS	978	1 259	1 007	993	1 362	
Argentina	565	575	500	494	747	
Malaysia	100	323	151	150	172	
South Africa	245	229	268	276	280	229
Others	68	131	87	73	163	

Note: Based on imports, exports and re-exports by non-members
A blank denotes that information was not available
Due to rounding the totals may not always reflect the sum of the relevant components
- Less than 500 bags
1/ Estimated

Source: Importing members: Imports and Consumption, October-September 1987/88 to 1992/93. ICO Doc. EB 3461/94(E), 17 March 1994.

ANNEX IX

Value of exports of all forms of coffee by ICO exporting members to all destinations in current terms

OCTORER - SEPTEMBER 1987/88 TO 1992/93
(000 US dollars)

Exporting Member	OCTOBER-SEPTEMBER Quotas in effect 1987/88	1988/89	Quotas suspended 1989/90	1990/91	1991/92	1992/93	Column (6) as % of average of Col(4)&(5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL	8 881 981	9 221 669	6 673 197	6 609 051	5 683 755	5 301 529*	86
SUB-TOTAL: MEMBERS ENTITLED TO BASIC QUOTA	8 396 523	8 745 056	6 296 798	6 307 262	5 429 877	5 074 436	86
COLOMBIAN MILDS	1 857 369	2 099 365	1 679 428	1 666 036	1 591 683	1 473 680	90
Colombia	1 524 661	1 719 815	1 400 972	1 386 104	1 369 085	1 159 304	84
Kenya	240 530	266 718	206 735	193 852	163 040	241 030	135
Tanzania	92 177	112 831	71 720	86 080	59 557	73 346 1/	101
OTHER MILDS	2 292 151	2 672 256	2 049 224	1 820 114	1 514 802	1 446 400	87
Costa Rica	309 327	317 406	241 692	270 517	209 330	209 843 1/	87
Dominican Republic	63 003	65 742	46 770	43 242	25 570	32 139	93
Ecuador	143 247	188 082	106 711	113 765	86 823	75 131 1/	75
El Salvador	321 888	283 014	261 471	212 238	166 243	232 635	123
Guatemala	346 313	401 324	328 360	285 770	267 811	287 828	104
Honduras	191 168	224 364	158 168	145 905	140 486	134 681	94
India	201 727	243 965	175 767	136 133	144 769	111 708	80
Mexico	403 952	530 968	429 789	386 591	280 531	185 941 1/	56
Nicaragua	94 055	101 607	70 956	47 186	46 439	34 137	73
Papua New Guinea	110 115	178 140	115 254	83 588	74 481	84 372	107
Peru	107 354	137 643	114 285	95 179	72 318	57 984 1/	69
BRAZILIAN & O. ARABICAS	2 431 976	2 135 639	1 391 073	1 730 147	1 452 642	1 245 312	78
Brazil	2 164 511	1 877 995	1 220 731	1 612 572	1 354 194	1 116 623	75
Ethiopia	267 465	257 644	170 342	117 574	98 448	128 689	119
ROBUSTAS	1 815 027	1 837 797	1 177 073	1 090 965	870 750	909 045	93
Angola	22 514	13 564	5 354	3 296	3 922	2 479	69
Indonesia	518 089	595 640	356 413	379 056	243 353	295 803	95
OAMCAF	(855 463)	(696 454)	(517 905)	(465 118)	(418 624)	(363 415)	(82)
Benin	4 213	3 976	0	0	0	97 1/	
Cameroon	196 857	167 498	154 535	114 193	93 686	47 566 1/	46
Central African Rep.	28 384	30 366	9 791	7 437	4 718	4 836 1/	80
Congo	3 806	1 545	251	34	5	19	98
Cote d'Ivoire	514 634	375 144	291 252	309 021	271 187	278 211 1/	96
Equatorial Guinea	420	532	298	53	149	51	51
Gabon	2 428	2 759	161	79	57	115	169
Madagascar	73 267	82 697	43 360	23 402	30 404	22 233 1/	83
Togo	31 453	31 936	18 258	10 900	18 414	10 286 1/	70
Philippines	50 563	50 520	9 391	7 584	3 695	2 349	42
Uganda	263 148	301 073	139 585	121 381	102 059	107 119 1/	96
Vietnam		61 520 2/	50 240	56 637	58 156	106 243 1/	185
Zaire	105 251	119 027	98 184	57 894	40 940	31 637 1/	64
SUB-TOTAL: MEMBERS EXEMPT FROM BASIC QUOTA	485 458	476 612	376 399	301 789	253 878	227 093	82
ARABICAS	396 712	376 293	301 200	269 035	194 301	169 553	73
Bolivia	19 441	17 337	18 148	8 141	6 989	3 594 1/	48.
Burundi	84 651	87 711	51 407	71 712	47 576	32 923 1/	55
Cuba	40 553	44 580	36 553	22 273	22 363	13 091	59
Haiti	41 188	35 283	17 997	17 646	10 068	9 718 1/	70
Jamaica	11 973	8 814	9 580	11 851	14 840	18 284	137
Malawi	7 747	5 883	11 254	8 664	9 617	8 090	89
Panama	20 850	15 627	10 877	13 667	9 693	11 958 1/	102
Paraguay	32 526	15 402	16 734	6 019	3 562	4 711	98
Rwanda	84 276	92 753	80 164	61 540	40 123	31 066 1/	61
Venezuela	26 390	31 062	27 126	14 174	10 336	28 934 1/	236
Zambia	1 318	474	2 069	3 071	1 924	2 677	107
Zimbabwe	25 800	21 368	19 291	30 276	17 208	4 507 1/	19
ROBUSTAS	88 747	100 319	75 199	32 754	59 577	57 539	125
Ghana	885	567	650	620	865	1 450 1/	195
Guinea	9 780	9 420	5 514	2 441	2 920	731 1/	27
Liberia	6 926	8 723	1 372	0	0	0	
Nigeria	1 335	990	110	46	229	407 1/	295
Sierra Leone	15 272	6 791	6 862	4 162	3 195	1 655 1/	45
Sri Lanka	5 664	5 500	133	1 559	859	337 1/	28
Thailand	48 478	67 772	58 867	22 952	50 893	51 922	141
Trinidad & Tobago	406	557	1 691	974	617	1 037 1/	130
BRAZIL	2 164 511	1 877 995	1 220 731	1 612 572	1 354 194	1 116 623	75
COLOMBIA	1 524 661	1 719 815	1 400 972	1 386 104	1 369 085	1 159 304	84
ALL OTHER ARABICAS	3 289 035	3 685 741	2 799 221	2 486 656	2 030 148	2 059 017	91
ROBUSTAS	1 903 773	1 938 117	1 252 272	1 123 719	930 328	966 585	94

Due to rounding the totals may not always reflect the sum of the relevant components
In columns (1) to (6) a blank denotes that information was not provided by the Member. In column (7) it denotes that there is no relevant percentage
* Preliminary
1/ Estimated
2/ Partial

Source: Volume, Unit Value and Value of Exports by Exporting Members to all destinations, Coffee Years 1987/88 to 1992/93. ICO Doc. EB 3445/93(E), 7 December 1993.

ANNEX X

Unit value of exports of all forms of coffee by ICO exporting members to all destinations

OCTOBER-SEPTEMBER 1987/88 TO 1992/93 (US cents per lb)

	OCTOBER-SEPTEMBER						
	Quotas in effect		Quotas suspended				Column (6) as % of average of Col(4)&(5)
Exporting Member	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL	107.45	97.37	62.15	67.24	55.16	52.07*	85
SUB-TOTAL: MEMBERS ENTITLED TO BASIC QUOTA	107.14	97.02	62.04	66.99	55.26	52.12	85
COLOMBIAN MILDS	127.26	124.14	76.00	85.05	68.02	65.92	86
Colombia	126.51	126.59	77.09	85.81	66.92	60.32	79
Kenya	140.76	120.16	77.36	88.85	88.10	129.25	146
Tanzania	110.51	102.11	57.17	68.70	54.52	57.76 1/	94
OTHER MILDS	117.43	105.83	70.60	77.06	60.74	55.35	80
Costa Rica	119.70	111.23	76.87	84.86	69.55	60.93 1/	79
Dominican Republic	112.43	106.74	62.97	72.41	60.88	54.84	82
Ecuador	90.88	79.49	49.43	56.27	53.43	43.34 1/	79
El Salvador	129.57	126.39	76.29	79.53	57.77	58.81	86
Guatemala	117.81	105.71	71.11	77.08	61.58	54.18	78
Honduras	118.06	115.82	68.97	77.30	58.99	53.69	79
India	109.98	96.18	65.60	68.13	54.08	57.56	94
Mexico	119.79	107.32	74.03	82.88	64.46	57.55 1/	78
Nicaragua	125.72	126.95	84.18	84.95	59.24	54.03	75
Papua New Guinea	129.47	105.08	76.82	81.39	62.62	62.15	86
Peru	113.00	94.17	63.06	73.04	56.76	40.58 1/	63
BRAZILIAN & O. ARABICAS	101.24	90.22	56.18	64.65	50.13	48.90	85
Brazil	97.50	86.08	53.23	62.90	48.21	46.66	84
Ethiopia	146.84	139.09	93.17	104.64	111.31	83.86	78
ROBUSTAS	89.71	75.60	45.98	45.10	41.59	38.83	90
Angola	83.20	79.52	41.68	40.72	33.77	37.88	102
Indonesia	86.65	70.95	40.09	44.93	41.61	41.54	96
OAMCAF	(95.66)	(87.11)	(56.48)	(50.12)	(45.72)	(38.44)	(80)
Benin	72.02	65.13	..	..	..	40.58 1/	
Cameroon	93.96	84.81	49.95	46.48	38.63	32.40 1/	76
Central African Rep.	80.08	65.68	39.60	39.24	38.86	24.02 1/	62
Congo	91.35	63.22	50.14	27.52	20.32	28.79	120
Cote d'Ivoire	101.81	98.29	68.10	53.80	53.15	42.71 1/	80
Equatorial Guinea	67.41	60.38	31.90	26.15	24.77	22.97	90
Gabon	67.17	69.97	31.08	34.98	26.55	27.26	89
Madagascar	79.33	67.37	35.42	35.68	28.13	22.74 1/	71
Togo	84.66	84.06	59.40	45.57	44.03	36.40 1/	81
Philippines	86.84	79.26	43.31	46.86	59.68	79.58	149
Uganda	85.81	73.11	44.62	44.01	38.33	38.38 1/	93
Vietnam		61.33	40.05	37.35	33.36	37.00 1/	105
Zaire	75.60	59.86	34.90	29.59	30.33	29.32 1/	98
SUB-TOTAL: MEMBERS EXEMPT FROM BASIC QUOTA	113.17	104.28	64.00	72.93	53.14	51.07	81
ARABICAS	123.07	119.51	76.74	81.59	65.75	57.52	78
Bolivia	130.13	110.99	86.92	72.63	54.97	53.03 1/	83
Burundi	130.71	114.47	72.67	82.73	59.75	43.50 1/	61
Cuba	153.55	166.86	132.39	110.88	90.15	78.37	78
Haiti	107.32	117.64	71.34	73.17	53.24	45.12 1/	71
Jamaica	409.84	506.16	497.54	575.27	561.31	527.03	93
Malawi	111.99	102.25	68.26	75.22	55.10	52.28	80
Panama	105.25	108.71	73.61	79.49	69.99	60.72 1/	81
Paraguay	85.47	66.60	39.28	33.11	59.04	65.00	141
Rwanda	129.39	113.82	75.28	77.35	52.90	50.19 1/	77
Venezuela	115.14	128.64	71.27	81.13	69.35	53.49 1/	71
Zambia	138.22	87.95	72.54	85.11	61.89	75.20	102
Zimbabwe	122.04	145.10	77.73	79.53	67.17	52.23 1/	71
ROBUSTAS	83.25	70.55	38.43	38.96	32.69	38.40	107
Ghana	69.13	67.26	45.22	31.57	24.86	26.95 1/	96
Guinea	83.35	72.34	34.42	33.89	34.40	38.42 1/	113
Liberia	91.40	82.36	42.71	..	..	..	
Nigeria	79.68	76.64	29.64	20.72	20.24	21.77 1/	106
Sierra Leone	83.90	65.36	40.37	36.26	32.47	32.47 1/	94
Sri Lanka	81.39	73.10	33.68	35.49	33.21	35.47 1/	103
Thailand	82.14	68.93	38.38	40.07	32.53	38.73	107
Trinidad & Tobago	250.16	262.30	43.79	63.55	233.39	169.50 1/	114
BRAZIL	97.50	86.08	53.23	62.90	48.20	46.66	84
COLOMBIA	126.51	126.59	77.09	85.81	66.92	60.32	79
ALL OTHER ARABICAS	121.34	109.78	72.32	79.00	64.00	61.01	85
ROBUSTAS	86.47	74.90	45.44	44.89	40.87	38.80	90

In columns (1) to (6) a blank denotes that information was not provided by the Member. In column (7) it denotes that there is no relevant percentage

.. No Exports

* Preliminary

1/ Estimated

Source: Volume, Unit Value and Value of Exports by Exporting Members to all destinations, Coffee Years 1987/88 to 1992/93. ICO Doc EB 3445(E) 7 December 1993.

ANNEX XI

Retail prices of roasted coffee in ICO importing member countries in current terms

SEPTEMBER 1988 TO 1993

(US cents per lb)

	SEPTEMBER					
	Quotas in effect	Quotas suspended				
Importing Member	1988	1989	1990	1991	1992	1993
U.S.A.	284.0	309.8	302.5	269.2	253.7	249.3
E.E.C.						
Belgium	322.4	303.2	331.3	285.5	325.3	
Denmark	380.7	370.6	389.6	358.7	394.4	
France	258.6 2/	261.6 2/	273.1 2/	246.4 3/	276.2 3/	217.6 3/
Germany	439.0	410.6	462.3	409.8	475.5	416.3
Greece						
Ireland						
Italy	441.6	449.1	543.1	558.2	616.1	
Netherlands	302.4	289.3	310.8	287.3	337.3	
Portugal	388.0	358.7	426.2	421.8	537.3	413.1
Spain	333.5	297.9	373.0	340.4	363.8	271.4
United Kingdom 1/	1 015.8	1 019.1	1 099.3	1 016.5	1 057.0	858.3
Other importing Members						
Austria 2/	447.6	425.0	504.5	443.4	537.8	511.6
Cyprus 2/	293.1	288.1	291.2	274.2	302.3	260.1
Fiji						
Finland	292.4	291.3	300.9	256.1	277.8	189.9
Japan	1 029.1	938.2	979.1	1 011.1	1 108.9	
Norway	347.2	333.8	352.1	306.8	328.7	249.8
Singapore	271.3	292.1	315.3	709.0	754.9	
Sweden	357.3	344.3	352.8	318.7	335.1	267.4
Switzerland	421.4	403.0	531.8	416.6	496.3	452.4

A blank denotes that information was not provided by the Member.

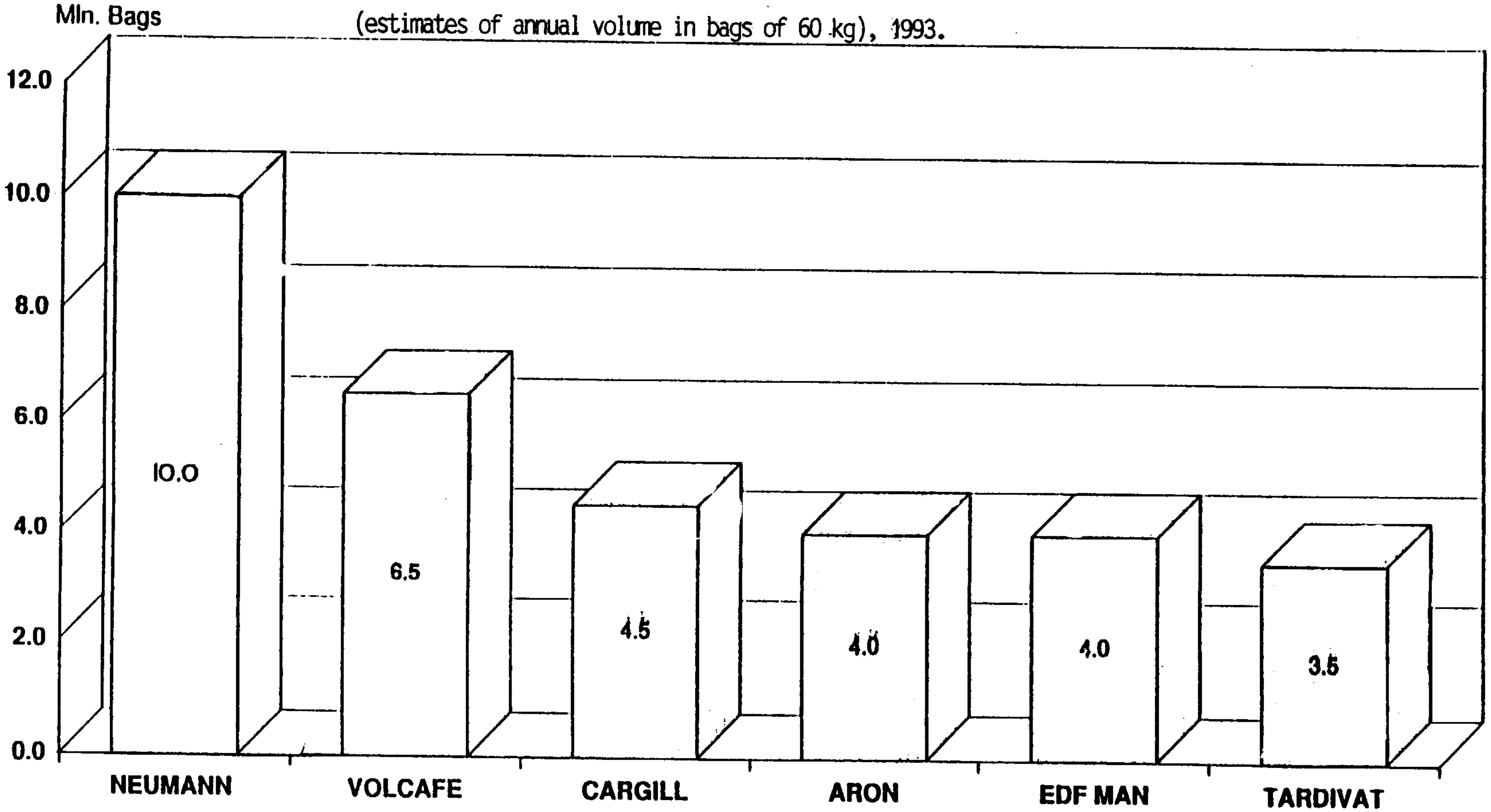
1/ Soluble coffee
2/ Average of the upper and lower limits of retail prices of all types and qualities of coffee.

Source: Unit value of imports of green coffee, retail prices of roasted coffee. gross value added of roasted coffee and value of imports of all forms of coffee, September 1988 to 1993 and October-September 1987/88 to 1992/93. ICO Doc. EB3465/94 (E), 28 March 1994.

ANNEX XII

The world's leading green coffee trading companies

(estimates of annual volume in bags of 60 kg), 1993.

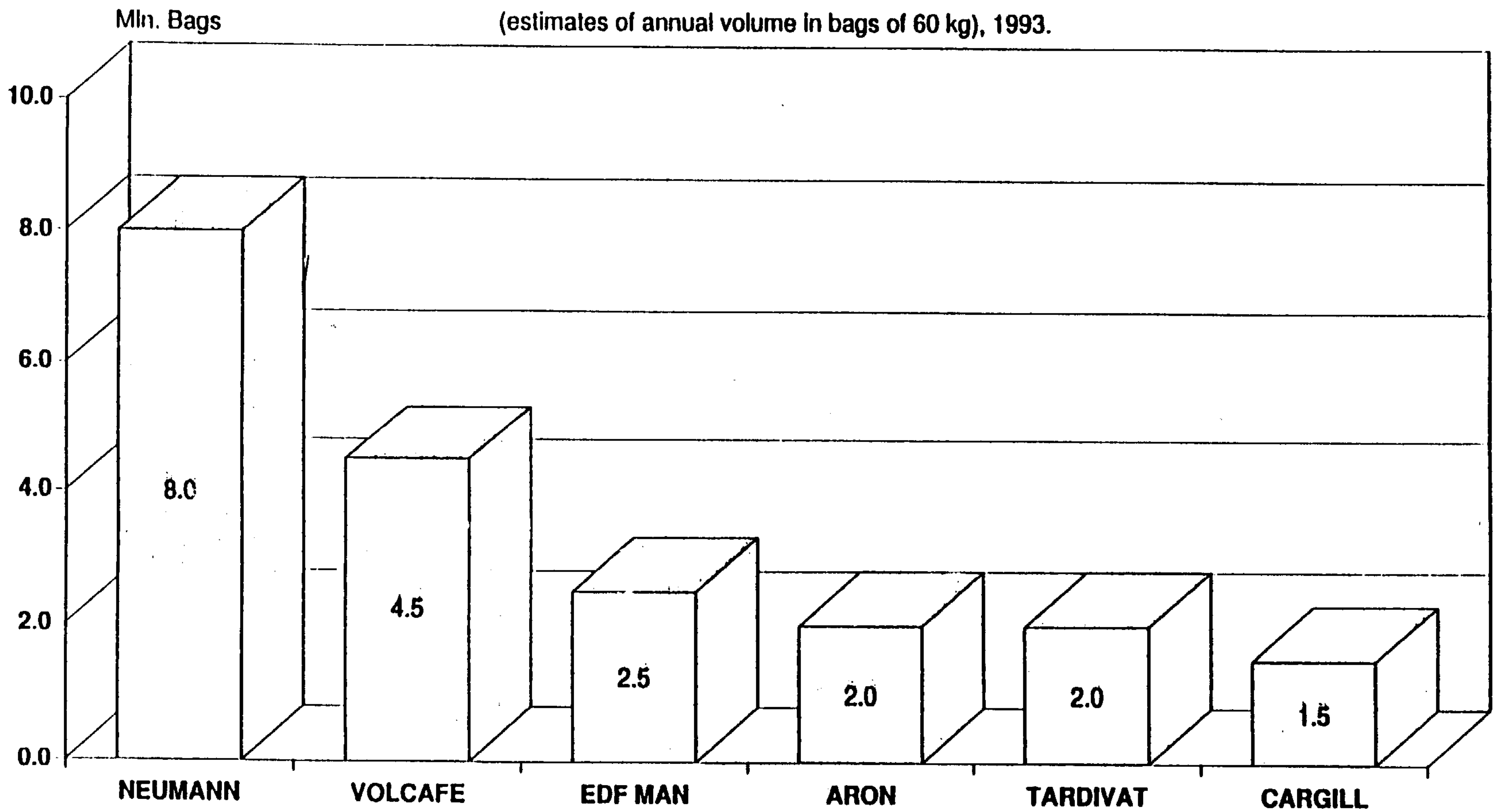


Source: Volcafe estimates.

ANNEX XIII

The major european green coffee trading companies

(estimates of annual volume in bags of 60 kg), 1993.

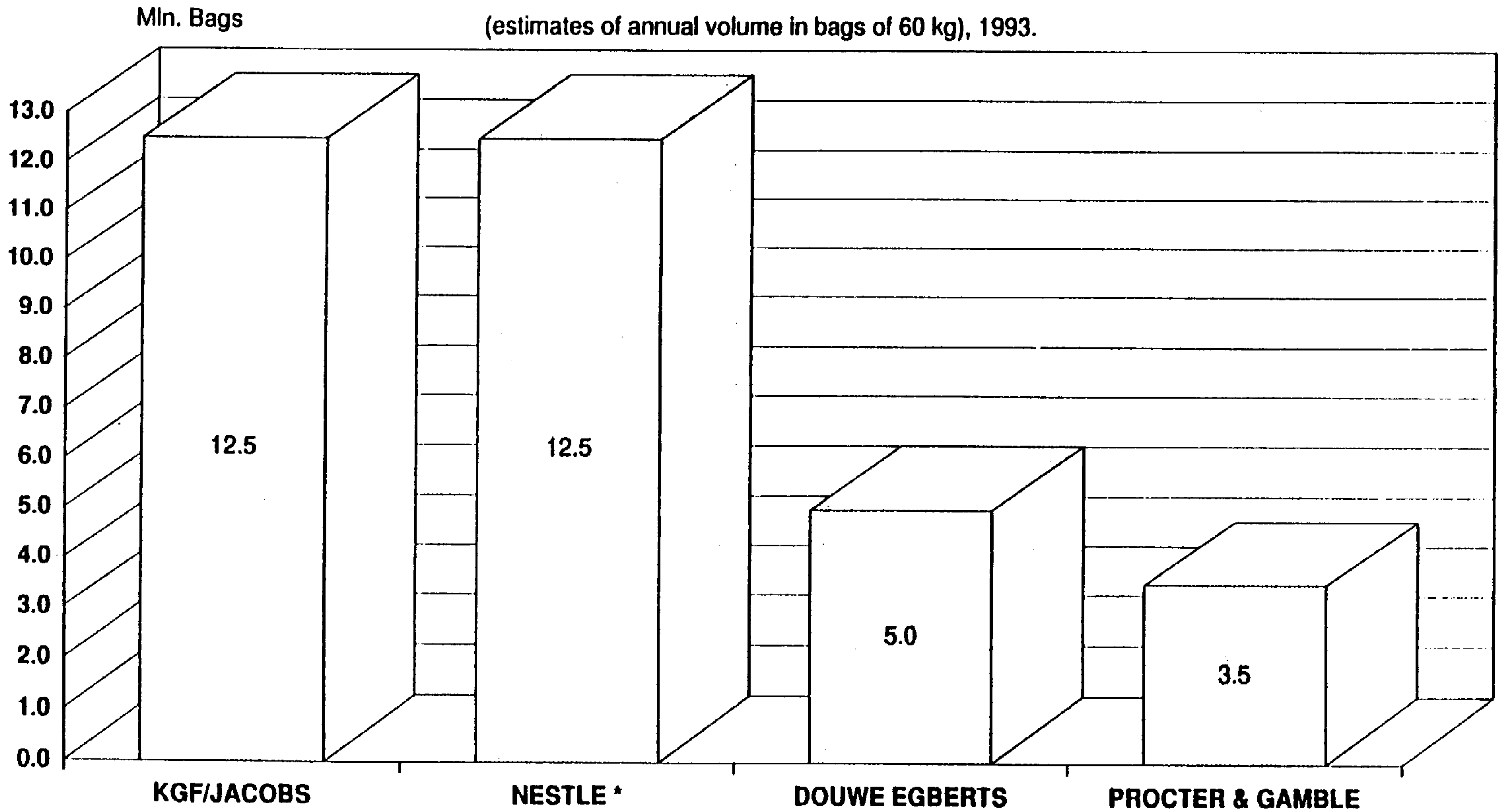


Source: Volcafe estimates.

ANNEX XIV

The major roaster/manufacturer groups worldwide

(estimates of annual volume in bags of 60 kg), 1993.



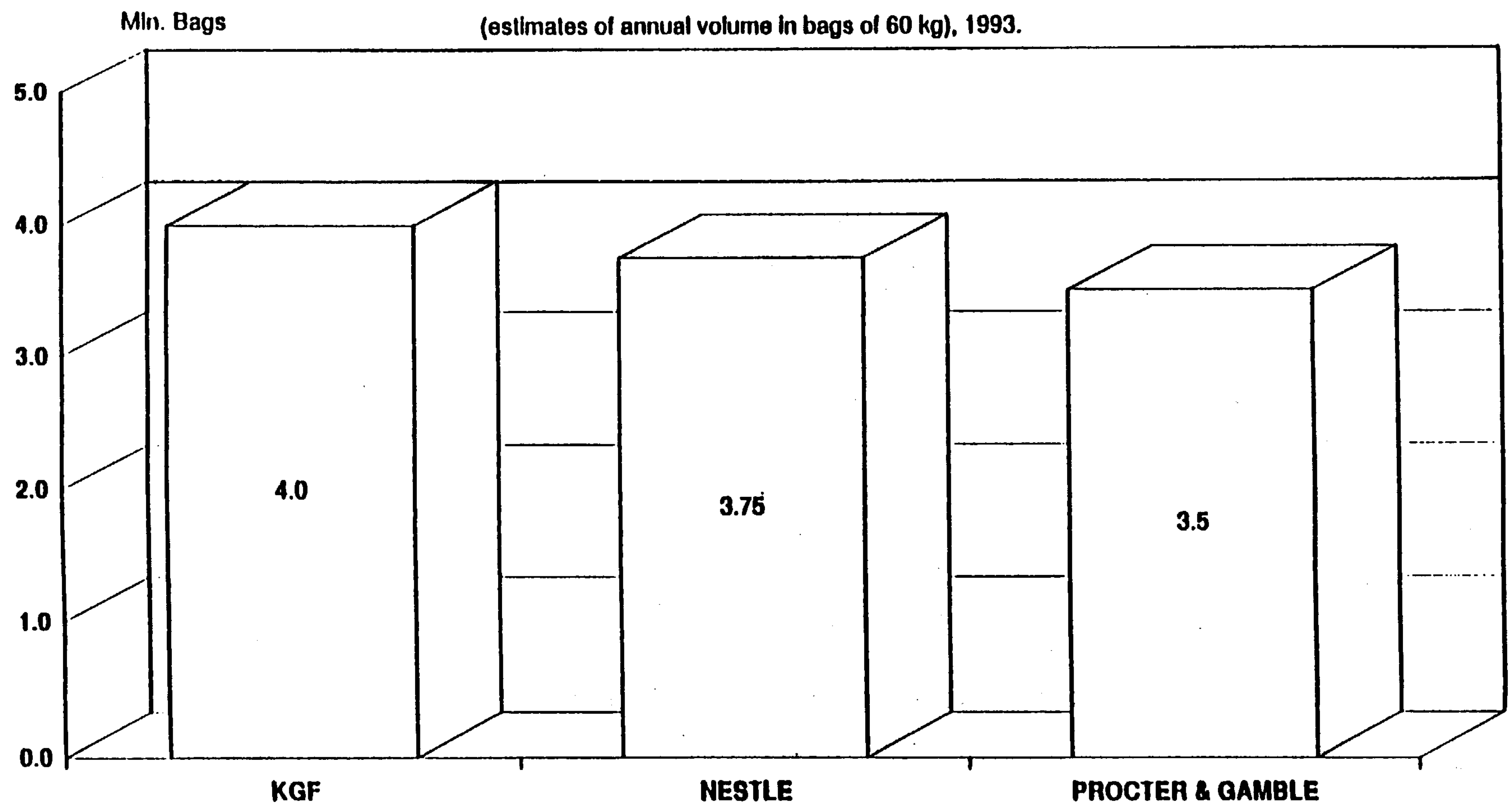
* Incl. coffee manufactured in coffee producing countries

Source: Volcafe estimates

ANNEX XV

The three major North American roasters/manufacturers

(estimates of annual volume in bags of 60 kg), 1993.

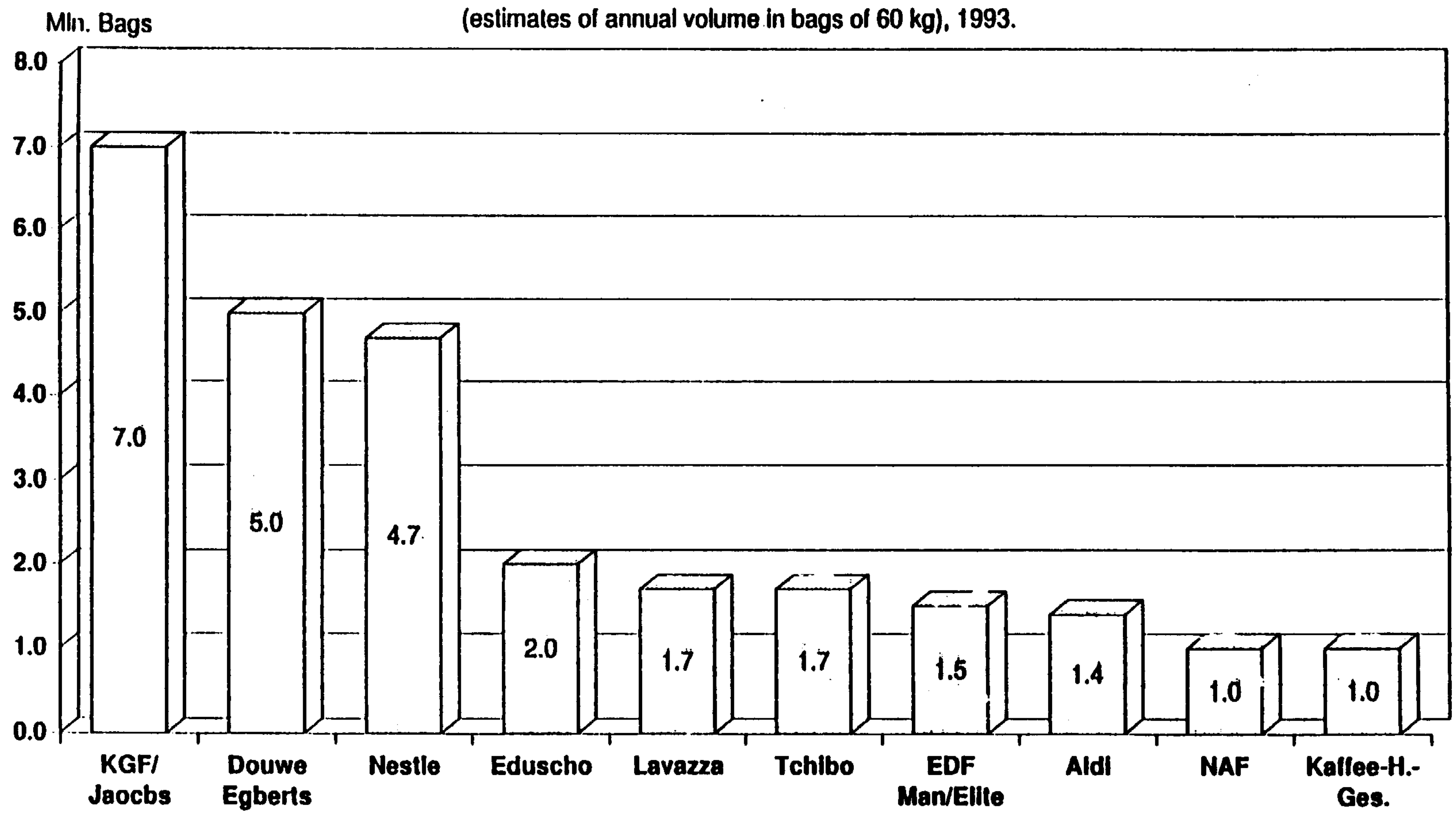


Source: Volcafe estimates

ANNEX XVI

The ten major European roaster/manufacturer groups

(estimates of annual volume in bags of 60 kg), 1993.



Source: Volcafe estimates.

ANNEX XVII

Governments which have completed the formalities required for the entry into force of the international Coffee Agreement 1994

Exporting countries **(17)**

Brazil	P
Burundi	P
Colombia	P
Costa Rica	P
Côte d'Ivoire	R
Cuba	P
Ecuador	P
Guatemala	P
India	R
Jamaica	R
Kenya	R
Madagascar	P
Malawi	R
Paraguay	P
Trinidad and Tobago	R
Uganda	R
Zaire	P

Importing countries **(12)**

Belgium/Luxembourg	P
Denmark	R
Finland	P
France	P
Germany	P
Greece	P
Netherlands	P
Norway	R
Spain	P
Sweden	R
Switzerland	P
United Kingdom	R

P = Provisional application
R = Ratification, acceptance or approval

Source: ICO Doc. ICC 65-3 (E), 30 September 1994.