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MOTION FOR A RESOLUTION

further to the Commission statement

pursuant to Rule 37(2) of the Rules of Procedure

by Francisca Sauquillo Pérez del Arco, Margrietus J. van den Berg, Glenys Kinnock, Karin Junker and Eryl Margaret McNally

on behalf of the PSE Group

on the crisis on the international coffee market

European Parliament resolution on the crisis on the international coffee market

The European Parliament,

- having regard to the International Coffee Organisation's Resolution 407 on the Coffee Quality Improvement Programme,
 - having regard to its previous resolutions on Fair Trade,
 - having regard to Resolution 3544/03 of the ACP Interparliamentary Assembly,
- A. whereas the price of coffee has fallen to its lowest level in real terms for at least 100 years, provoking a widespread development crisis for 25 million coffee farmers in over 50 developing countries, where coffee is a critical source of rural employment and foreign exchange earnings,
- B. whereas the crisis has driven many coffee workers and farmers off the land and into destitution, provoking political instability, unrest and humanitarian crises in many countries, including Guatemala and Ethiopia,
- C. whereas commodities account for 75% of all African export income, while coffee alone provides 80% of exports for Burundi, 67% for Ethiopia, 55% for Uganda and 43% for Rwanda,
- D. whereas the General Affairs Council on 19 November 2002 expressed 'serious concern' about the situation facing developing countries which are dependent on coffee exports,
- E. whereas EU Member States comprise 15 of the 21 importing country members of the ICO and account for 46% of the world's coffee imports,
- F. whereas currently coffee can be exported with up to 86 per 300 grams deficiencies and whereas the destruction of 6% of bad quality coffee could balance the coffee market,
- G. whereas the improvement of coffee quality could be an important lever in boosting coffee prices, and whereas quality standards could contribute to a long-term structural solution to the volatility of the coffee market,
- H. whereas the majority of countries most highly dependent on coffee export revenues are either Least Developed or Highly Indebted Countries,
- I. whereas this crisis has a direct impact on government revenues, forcing drastic cuts in health, education and development spending,
- J. whereas four companies – Nestlé, Kraft, Sara Lee and Procter & Gamble – control almost

half of world coffee sales, with total revenues outstripping US\$ 100 billion a year, and their profit margins are increasing,

- K. whereas it is observed that there has not been any significant reduction in the price that consumers in the rich countries pay, while on the other hand poor coffee growers in countries like Ethiopia only get about 1% of the money that the final consumer pays,
 - L. whereas it is noted that many small-holding organic producer farmers are paid less than US\$ 0.10 per kg for coffee which is sold in western countries for around US\$ 26,
 - M. whereas Commissioner Nielson told African Ministers in November 2002 that, 'We will at the end of this year (2002) have accumulated around € 11 billion in unspent commitments or uncommitted money from the 6th, 7th and 8th EDF',
 - N. whereas on 19 May 2003, the ICO and the World Bank will host a High Level Round Table on the coffee crisis in London,
1. Welcomes both the Council and the Commission's recent statements of support for the ICO's quality programme, and the commitment from the Commission to come forward with ideas to address the situation of commodities in general, including coffee; believes that urgent action is needed from the European Union to address the collapse of world coffee prices and alleviate the suffering of millions of coffee-producing farmers and communities dependent on the sector;
 2. Welcomes Commissioner Nielson's commitment in November 2002 to 'examine the possibilities of freeing up and reallocating old (EDF) money at the same time as we go for utilising to the full extent the new flexibility in the 9th EDF';
 3. Welcomes the French proposal to put the issue of commodities, including coffee, onto the agenda of the G8 Summit in Evian in June and calls on leaders at the G8 Summit to address the commodities issue for all developing countries;
 4. Believes that the ultimate solution lies in reforming international trade governance in order to make trade work for the poor at all levels, particularly by removing barriers to diversification, for example by abolishing export subsidies and improving access to Northern agricultural markets; therefore welcomes the proposal from East Africa to put commodities on the agenda of the Cancun WTO Ministerial, and calls on the EU to support this initiative;
 5. Expresses concern about the failure of the Cotonou Agreement's arrangements for addressing shortfalls in export earnings to provide assistance to coffee-dependent ACP countries during the current coffee crisis;
 6. Believes that, given the depth of the coffee crisis, priority should be given to concerted ACP-EU action in the short term to address the immediate consequences of the coffee crisis by adopting a Fast Track Initiative for Coffee Dependent ACP Economies;

7. Believes that such a Fast Track Initiative for Coffee Dependent ACP Economies should be financed in the first instance from existing unutilised funds or the 9th EDF 'B' allocations which in part are made available to 'mitigate adverse effects of instability on export earnings' and should focus on quick-disbursement initiatives designed to:
 - address the adverse effects of the coffee crisis on coffee-dependent households;
 - provide decentralised budget support to coffee-growing areas to mitigate the effects of the coffee crisis on access to health and education provision in coffee-dependent areas;
 - provide additional financial support to ACP central governments commensurate with the revenue losses arising from the current coffee crisis;
8. Recognises the commitment of the Commission to prepare a Communication on Commodities and urges the Commission to complete this before the ICO/World Bank High Level Round Table on Coffee on 19 May 2003;
9. Calls on the Commission to include in this Communication a commitment to provide support for affected countries, in the context of their national development policies, to address the hardship caused by falling coffee prices, *inter alia* through
 - (1) support for producers' efforts to diversify into quality coffee or to move out of coffee;
 - (2) enhancing support services for coffee farmers through the provision of market intelligence and extension advice, support for the creation of cooperatives, and access to credit and inputs;
 - (3) helping coffee producers to profit from better conditions offered by niche markets such as Fair Trade, speciality and organic coffee, particularly through market development;
10. Calls on the Commission and EU Member States to support the ICO's quality improvement programme by:
 - (a) cooperating in monitoring the quality of coffee entering the European market and making the results public;
 - (b) investigating the possibilities of a labelling and rating system in order to inform the consumer about coffee quality and origin;
 - (c) supporting diversification projects;
11. Believes that coffee roasters and traders should adopt codes of conduct for the coffee sector which should be independently monitored and implemented in cooperation with the relevant stakeholders, should comply with the relevant ILO/UN conventions and existing national legislation, and should contain an explicit commitment to pay prices which meet the social and environmental needs of the sector, and calls on the Commission to take a pro-active role in its dialogue with the European coffee roasters and traders to adopt such codes of conduct;
12. Strongly urges the Commission to take up the issue of ICO membership with the US with the aim of encouraging the US to rejoin the ICO;
13. Calls on the Commission to support Fair Trading in coffee, by providing better access to Fair Trade coffee producers;

14. Instructs its President to forward this resolution to the Council, Commission, Member States and the International Coffee Organisation.