



The Worldwide Sustainable Coffee Fund

Meggen, 30 November 2005

ECF
Tourniairestraat 3

1006 Amsterdam

To the attention of all ECF members

Long term development in the coffee sector

Sirs,

We have taken note of the discussions about sustainability at the ICO and express herewith our preoccupation about the developments and would like to invite you to some reflections.

First of all, it is disappointing that the first opportunity was taken to push the proposal of the Coffee Fund off the agenda of the PSCB whilst everybody was clearly aware that we could not be present in Brazil to defend our proposal due to budget limitations of our initiative. Worst, the sadness is not about the rejection of our proposal, but rather because it seems that the arguments we brought forward for the well being of the coffee business have not been recognized.

As we have always pointed out and we will explain again in this letter our concern is the constructive future of the coffee sector, seen with a long term perspective for which transparent and equitable business practices need to be at heart so that we can deliver the highest value to the customer. Coffee is a product that the consumers perceive by their senses as well as a cultural identification; these characteristics outweigh by far the economic incentive for consuming coffee.

The ECF Circular no 39/2005, reporting about the meetings in Brazil in September 2005 indicates under sustainability initiatives that "it was noted that the objectives of the project [Coffee Fund] were well-intentioned, but that the negatives (risk of creating a new cumbersome system, duplication of existing funding options) outweighed the potential benefits".

To this it is to say that the risk of creating a new cumbersome system is absolutely non-founded since the proposal of the Coffee Fund relies on using the existing institutions (National Coffee Boards, research centers, NGOs on the origin side and existing industry association on the marketing side) and therefore no additional institutions need to be created. In other words, the Coffee Fund is about finding a fully transparent financing model for funding business wide solutions – using the existing organizations.

The second point, duplication of existing funding options, mainly refers to the Common Fund for Commodities. The Coffee Fund is complementary to the CFC, since the levels of execution are different: the CFC is a top-down approach (structural) whereas the Coffee Fund is a bottom-up approach (starting at the farmer level). Often the two approaches complement each other perfectly and there is much more a potential for synergy than for duplication.



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We would like to report you that the concept of the Coffee Fund was presented to all major roasting and soluble producing companies. Unfortunately, we have not received any response from Tchibo, Starbucks nor from Kraft Foods. Some of the other companies, like a considerable number of small and medium roasters with who we have had contact, have expressed their sincere interest in the proposal, but, at the same time, indicated that its success is conditioned to the participation of the large majority of the volume in the coffee business. From the offset it has been clear to us that the go / no-go decision of the Coffee Fund will depend on the majority of the industries' participation.

At this instance, it seems relevant to reiterate that the proposal of the Coffee Fund is in the interest of all actors in the coffee business, and this includes the roasting and soluble producing industries. When we first pondered about this concept, it was clear that only a proposal that covers the entire coffee business, from plantation to enjoying a cup, would make a difference. In order that all actors are motivated to participate, care was given that all had to contribute and would be in a position to harvest the benefits in an equal manner.

Central to a success-prone sustainability initiative are the facts that it is transparent and executed by a neutral body in order to have a trustworthy PR effect on the increasingly critical consumers. Only an initiative that has no self-interest in the commercial aspect of coffee can focus on developments for the entire coffee sector with a true and long-term focus. The initiative will also have to address the problems of the so called coffee crisis, i.e. the stagnation in consumption and the reduction in quality production. These two facts are in relation to each other like the hen and the egg, turning in a vicious circle that is to be cut. We are certain that no reader of this document disagrees with this statement.

And these are precisely the missing facts in the ECF supported programme, the 4Cs. The missing transparency – how much is paid by who for what service – ; projects are to be executed by the purchasers – those with commercial interests – ; there is no marketing approach involved – the consumers are not interested in increasing the confusion about multiple labels, but in quality – are the focal points we have raised publicly and directly to the 4Cs. And this, we apologize if we seem repetitive, in the interest of a long term development of the coffee business.

We will stand up for these values until we see that they are implemented. This can be through a solution with the Coffee Fund or without it; critical are the implementation of the values expressed herein. The easiest way of reaching them is through a collaborative approach with all parties involved – and the ECF should play a key role.

We have shown our disposition for collaboration and would appreciate to perceive the same from the ECF.

Yours sincerely,

Worldwide Sustainable Coffee Fund

Walter Zwald Urs Küchler

Cc: ICO, NCA, SCAA, SCAE, EAFCA