

STAKEHOLDERS COFFEE CONFERENCE
WELCOMING REMARKS BY GEORGE CARNER
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Welcome Stakeholders. We're here because we care about coffee and we want to assure that the coffee sector surmounts the current challenges facing it and that Central America emerges as a more sustainable, competitive and profitable supplier of quality coffees.

This conference reflects the growing realization that the coffee crisis and the social economic impacts it is generating in producer countries are cause for concern and require concerted action by all the stakeholders in the coffee sector.

There is little doubt that the international coffee market is undergoing a major structural change in supply due to oversupply of low quality coffee and in demand as more consumers are willing to pay top dollar for a quality cup of coffee. This structural shift requires major adjustments in coffee production and marketing. We can either manage these adjustments or suffer the consequences of a forced adjustment. Sustainable supply of coffee also requires greater participation in profits by the producers.

While recognizing the multiple socio-economic impacts that the current low international coffee prices are creating in producer countries, we need to address each dimension with different strategies.

We have to recognize that one of the first strategies **needs to promoting profitable quality** coffee production. This is fundamentally an issue of competitive enterprise and marketing that requires everybody along the chain to work together to demand differentiated quality coffee and to assure a stable supply at sustainable prices. Central Americans will also have to screen out low quality coffee from their marketing.

A second strategy will be to help uncompetitive producers, i.e. those producing low quality coffee at lower altitudes, diversify into other profitable enterprises. This will take time and probably require accompanying measures to relieve the social impact of this transition.

Central Americans, especially Guatemala and Costa Rica have been increasing their quality coffee exports for years and are in a good position to sustain and increase their competitive position in the global quality coffee market. Nicaragua, Honduras, El Salvador can take more advantage of the market demand for high quality coffee as can the Dominican Republic.

President Bush has announced the interest of the U.S. in exploring a Free Trade Agreement with Central America. The U.S. recognizes that Central America needs to increase its trade capacity to take full advantage of a TLC. This means enhancing competitiveness and productivity, not only in industry but also in agriculture, which plays such an important role in the region's economies.

With all this in mind USAID is launching a new multiyear initiative called the Opportunity Alliance, which seeks to build trade capacity, diversify agriculture, reduce vulnerability to disasters and environmental degradation in Central America and Mexico.

A key objective under the Opportunity Alliance is to promote rural prosperity and competitiveness through diversification to higher value products, business development, more productive technology,

niche marketing, and legal, regulatory and policy reform to both help reduce poverty and better link the rural sector to local and export markets.

Recognizing the urgency of addressing coffee, we are initiating the Opportunity Alliance with a regional specialty Coffee Program, hopefully in time for the next coffee harvest.

This Program will provide technical assistance and foster businesses alliances in each country to strengthen quality management, marketing, certification, and policies to promote an adequate, sustainable, and profitable supply of specialty and alternative coffees from Central America and the Dominican Republic.

This initial program will be accompanied by another program next year to work with producers on diversification through our bilateral USAID Missions. We are coordinating USAID programs with IDB and WB assistance plans

We look forward to this conference helping us define and refine our assistance approaches.

We are also looking to this Conference to provide a forum for Central American governments and cafetaleros to agree on a joint plan of action that can be supported by the international donors, the corporate allies, and non government organizations interested in helping address these challenges.

I'm confident we can successfully address the coffee challenge through concerted regional cooperation, strong public and private partnerships in each country, and practical solutions that play to market realities and tap entrepreneurial talents. Let's get down to business.