

An overview of fair trade and organic coffees

In 2002, an extensive study on the state of “sustainable coffees” was carried out in 10 European countries and Japan. The study will be published early 2003 by the International Coffee Organization in London.¹ For the occasion of the BioFach, Agro Eco Consultancy took the initiative to present an overview of the sustainable coffee sector, drawing partly, but in a general way, on the aforementioned study, and partly on other sources. Specific data from the study will not be disclosed, but some samples are included.

Sustainable coffees

The European sustainable coffee markets are dominated by fair trade and organic coffees. This is different from the US and Japan, where eco-friendly, mostly shade-grown, coffees are another important category.² An increasing share is occupied by double certified, fair trade and organic, coffees.

There is a growing category of in-company sustainability programs, which typically include fair trade (social) and organic (environmental) elements, but do not subscribe to the established certification bodies. These initiatives come from a diverse group of companies, but all of them exploit major consumer brands. Examples include the Hand in Hand program of the German organic manufacturer Rapunzel and the Utz Kapeh label of the Dutch retail group Ahold.

Certification and labelling

The certified fair trade coffees are labelled by the national Max Havelaar and Transfair organizations, which have jointly delegated inspection and certification to the Fair Trade Labelling Organization International (FLOI). While the formation of FLOI has facilitated a more uniform and consistent certification process, the labels and logos still vary per country, complicating the cross-border exchange of goods. At the national level, however, there is usually only one major fair trade label. The organic certification is regulated by law and is carried out in a rather complicated exchange between government agencies and private, but government-approved, certification and labelling organizations.³ These nationally accredited organizations will often depend on other organizations for inspection and certification in countries of origin, for example IMO/Naturland, OCIA and KRAV.

The sector

The sector counts a vast array of importers, roasters, wholesalers and retailers. Especially medium and small scale roasters have been keen to participate, and their number must be counted in the hundreds. Since the launch of the Max Havelaar label in 1988, mainstream retailers have started to show interest, and have sometimes introduced these products under Private Label, as well as generally offering their

¹ D.P. Giovannucci and others. The state of sustainable coffee: a study of eleven major markets. Forthcoming 2003.

² Sustainable coffees are understood as fair trade, organic and eco-friendly coffees, or any other coffee that makes specific and verifiable contributions to sustainable development.

³ For the EU countries by EC regulation nr. 2092/91 and for Switzerland a similar national legislation. Both the US and Japan recently introduced their own legislation on organic certification.

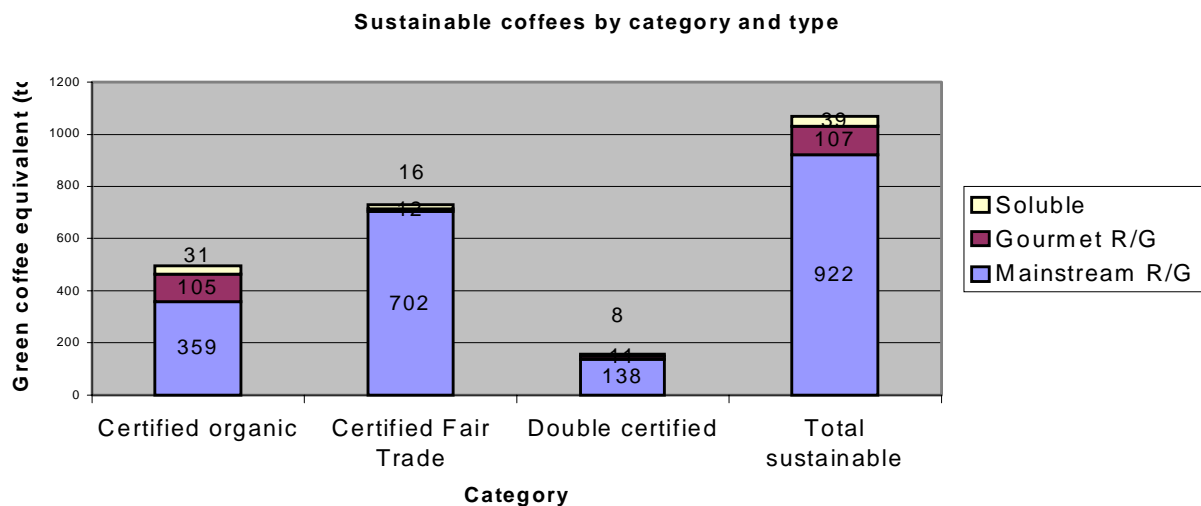
shelves for branded products. Only the large scale multinational roasters have been reluctant to get involved.

There are many importers, some of which have become real specialists in sustainable coffees, sometimes along conventional coffee trade, but some of them are also roasters and distributors purchasing directly from source. The green bean trade is organized at a European level, with major importers being based in Belgium, Denmark, Germany and the Netherlands.

Products and prices

Sustainable coffees are offered in each of the different market segments, such as the mainstream, blended coffees, specialty or gourmet coffees and instants. Although quality has improved considerably over the past decades, sustainable coffees are not necessarily part of the specialty segment either. In Belgium, for example, it was found that only 10 percent of all sustainable coffee was of gourmet quality (figure 1).

Figure 1: Coffee sales by type in Belgium



Price levels are very different between countries, due to different pricing policies and national circumstances. In the UK, most sustainable coffees are offered at prices of specialty coffees, indicating their up-market positioning. In Belgium, Switzerland and the Netherlands, most sustainable coffees are of mainstream quality, and they are offered at competitive prices with similar quality coffees.

Distribution and market share

As a nation-wide distribution was being achieved for both organic and fair trade coffees in most European countries, sales expanded quickly. With the founding of national fair trade labelling organizations in each country, and the recent surge of interest in organic products, most supermarkets now carry a selection of both fair trade and organic coffees. While the out of home or food service channel remains important in many countries especially for fair trade, the traditional specialized retail channel has become a little bit less important (figure 2).

Market channels for sustainable coffees (2001)

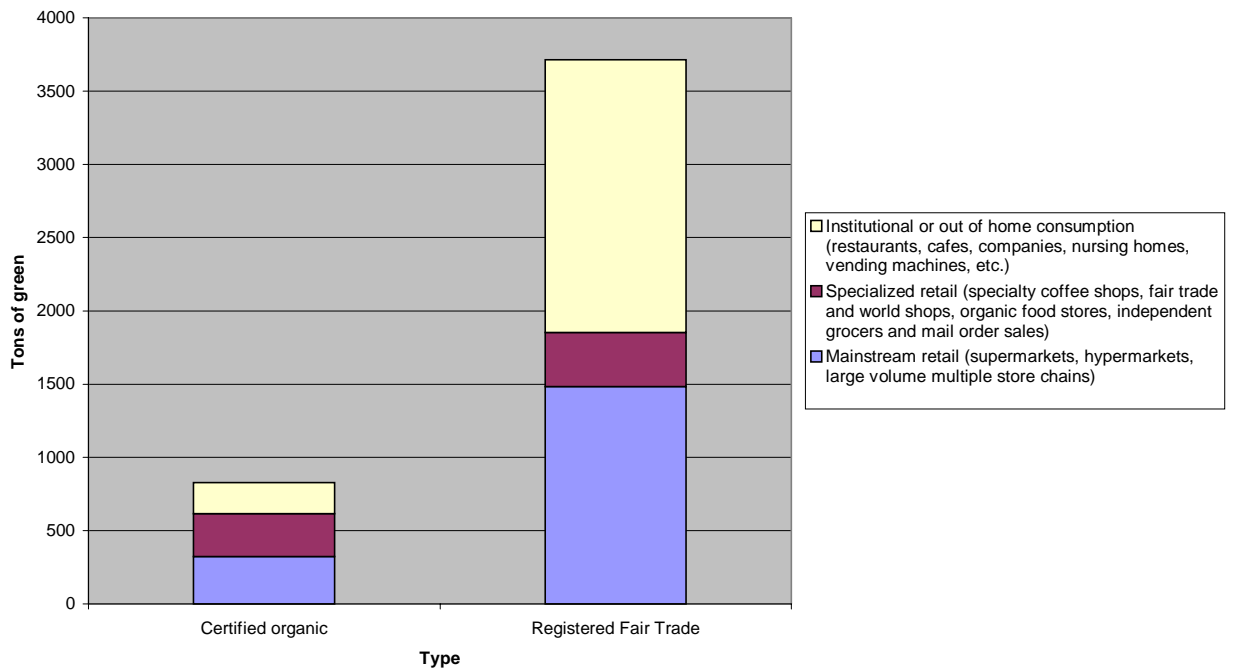


Figure 2: Sales channels for sustainable coffees in the Netherlands

Market shares are still modest. The highest market shares were found in Switzerland, Denmark and the Netherlands. Organic coffees typically have a lower share than fair trade, although they are dominant in Sweden and have an equal share in Germany.

Supply

Since the first efforts in the 1970s and 1980s, the supply base of sustainable coffees has become much wider, triggered by the expanding consumption. FLOI now registers 164 producer organizations in 20 countries, counting over half a million of producer households.⁴ Mexico is the major supplier, followed by Peru, Nicaragua, Guatemala, Colombia and Costa Rica. This clearly indicates the dominance of Latin-America. Organic coffee is supplied from almost the same countries and there is a remarkable overlap between the producer base of fair trade and organic coffees, also witnessed by the figure of 15000 tons of organic green coffee exports from FLOI-registered producer organizations in 2000 -almost equal to the total fair trade exports.⁵

Despite the extensive supply base, there is an unfulfilled demand for specific coffee qualities and types. There is both a shortage of ingredients for mainstream quality blended coffees as of gourmet coffees for the high-end of the market. There was a general call on producers to offer more differentiated qualities, for example washed and unwashed varieties of the same coffee, or according to the taste characteristics of different regions –and not blend everything into one mix.

⁴ Only 17 of these supplied any fair trade coffee in 2000, since the registered organizations in Brazil, Papua New Guinea and Ecuador did not.

⁵ Data from FLOI. Not all of this volume is also fair trade –and thus double- certified, but part is certified organic only.

Premiums

Fair trade coffees are currently paid at a fixed minimum price, which translates in a very high price difference with conventional coffees due to the depressed situation on international coffee markets. Organic coffees typically receive more modest prices, although the very best qualities are rewarded at similar levels as fair trade.

Market shares are still modest. The highest market shares were found in Switzerland, Denmark and the Netherlands. Organic coffees typically have a lower share than fair trade, although they are dominant in Sweden and have an equal share in Germany.

Outlook

As the overall coffee consumption is declining in most of the countries studied, both fair trade and organic coffees continue to grow at high rates. Although the actual figures vary per country, the sector outlook was generally positive. More specific figures will be disclosed in the forthcoming document.

Agro Eco Consultancy

Freek Jan Koekoek

P.O.Box 63

6720 AB Bennekom

the Netherlands

phone 0031.318.420405

fax 0031.318.414820

office@agroeco.nl

www.agroeco.nl