CBI
Ministry of Foreign Affairs

Exporting sustainable coffee to Europe

The European coffee market is the leading market for sustainability worldwide. Consumers in Europe are increasingly aware of the origin of their coffee and the industry has consistently tried to meet market demands by adopting various sustainability standards (through certification schemes). The most common certification schemes for coffee are 4C, Rainforest Alliance (merged with UTZ in January 2018), Fairtrade and Organic. The future of certification is difficult to predict; sales of certified have been growing so far, but there has been increasing scrutiny over the impact of certification schemes and an overall growth in private sustainability programs.

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1 . Product description

There are two main types of green coffee beans:

- *Coffea arabica*: Plantations are generally at altitudes over 1,000 metres, making it a so-called highland coffee. The average length of coffee beans of this variety is around 9 mm. Their colour is greenish to blue-green. The coffee beans have a strong, full flavour. *Arabica* beans have a caffeine content of approximately 1.2%.
- *Coffea robusta*: *Robusta* coffee can be considered a lowland coffee, as its plantations are below 1,000 metres. *Robusta* beans are small, round and generally brownish to yellowy green. Their beans have a higher water content than *Arabica* coffee. They generally have a less powerful flavour. *Robusta* beans have a caffeine content of approximately 2.3%.

Sustainability covers environmental, social and economic aspects. Within the coffee sector, sustainability is framed within existing certification schemes which cover both the mainstream and niche markets. Each certification scheme in the coffee sector has its specific focus, procedures and market position. Note that coffee can also be certified according to two or more certification schemes (for example, Organic and Fairtrade), thus covering more than one market segment. The main certification schemes for coffee are:

- Rainforest Alliance (now merged with UTZ);
- Fairtrade;
- Organic;
- 4C (the Common Code for the Coffee Community, which is a verification rather than certification scheme and which was acquired in 2018 by MEO Carbon Solutions).

Specific companies also have their own certification schemes. The most important ones are:

- C.A.F.E. Practices (Starbucks);
- Nespresso AAA .

Smaller niche markets also have certifications which include Demeter, SMBC Bird Friendly, Forest Garden Products certification and Símbolo de Pequeños Productores (SPP).

In Europe, the Combined Nomenclature (CN) uses Harmonised System (HS) codes to classify products that are traded. There is no specific HS code for sustainable certified coffee. The data presented in this document consists of baseline statistics covering the conventional coffee market, supplemented where possible with additional information on sustainable coffee derived from additional sources.

HS Code	Description
090111	Coffee, not roasted, not decaffeinated
090112	Coffee, not roasted, decaffeinated

2 . What makes Europe an interesting market for sustainable coffee?

Europe is the global leader in coffee and sustainable coffee consumption

The European Union is the leading consumer of coffee worldwide, accounting for around 33% of the total global consumption (green coffee equivalent). In 2017, coffee consumption in the European Union was around 52 million 60-kg bags of green coffee (approximately 3.1 million tonnes).

Europe is also the most important market for sustainable coffee worldwide. Certification schemes play a very important role, mirroring the growing consumer awareness and changing industry profile towards sustainability.

The importance of each certification scheme in Europe varies from country to country:

- The total global sales of Rainforest Alliance-certified coffee amounted to 229,564 tonnes in 2017. Around 54% of the total sales took place in Europe, plus 11% in the United Kingdom. Germany, the Netherlands and France are also important European markets. European sales saw a 19% increase in relation to 2016 but declined by 15% in the United Kingdom.
- The demand for UTZ certified coffee (now merged with the Rainforest Alliance) comes mainly from private labels in western Europe and brands in northern Europe. It is most popular in the Netherlands, Germany, Belgium, Switzerland and on Nordic markets. Most of the retailers (for example, Ahold, Aldi, Edeka, Lidl, Jumbo, Migros or REWE), as well as coffee roasters and brands (for example, Jacobs Douwe Egberts, Lavazza, Paulig or Tchibo) in these countries offer UTZ certified coffees.
- Europe accounts for over 40% of the total retail sales of organic products worldwide, at € 33.5 billion. The popularity of organic certification for coffee in specific countries follows the general

market for organic products in Europe. The largest national markets for organic foods are Germany (28% of the European market), France (20%) and Italy (8%).
- Nearly 80% of Fairtrade products were sold in Europe in 2015. The market for Fairtrade coffee is the largest in the United Kingdom and Germany, where the market continues to grow. In the United Kingdom, sales of Fairtrade coffee have increased nearly tenfold in the last 12 years. In Germany, the total Fairtrade sales (not only coffee) reached a record-breaking € 1.3 billion in 2017. The same pattern was experienced in countries with a high Fairtrade per capita expenditure such as Switzerland, where the market grew by 11% in 2017.

Multiple certification is also common in the coffee industry. For example, 43% of UTZ coffee certificate holders was also certified through one or more other scheme in 2017.

Rainforest Alliance and UTZ merged in January 2018 and developed a certification programme under the name of Rainforest Alliance in 2019. This fact means that the markets for the two schemes will also transition into a single market. End of 2019, a new standard will be finalised.

Tips:

- Read the International Trade Centre's report on The State of Sustainable Markets for more information about specific sustainable schemes for coffee.
- Refer to the individual Product Fact sheets on CBI's Market Intelligence platform for Coffee to learn more about sustainability initiatives in individual European countries.
- For more information on coffee statistics, refer to CBI's Trade Statistics.

3 . Which trends offer opportunities on the European sustainable market for coffee?

Sustainability on the rise

The European industry and consumers are generally more aware of sustainability concerns along the coffee value chain. The number of responsible consumers in northern and western Europe as well as in emerging countries is increasing. Key sustainability issues which affect public perception relate to the working conditions of farmers (for example, health, safety, fair wages and pricing), biodiversity and climate change. As such, consumers are increasingly interested in their coffee's origin, which leads companies consistently to improve their impact and traceability policies.

The aforementioned development affects both out-of-home and in-home consumption patterns. Coffee chains in western Europe such as Costa Coffee and Starbucks increasingly offer certified coffees. At the same time, in-home consumption offers opportunities for sustainably produced coffee offering high quality, such as branded coffee beans or pods intended for espresso machines and grinders for home-made coffee.

In addition, governments' procurement policies in western Europe consistently focus on sustainability criteria for the purchase of products such as coffee. The Dutch government, for instance, has elaborated specific for sustainable procurement which also include coffee. All public agencies have started implementing them as well as including conditions in their public tenders. To learn more about Green and Sustainable Public Procurement in the EU, see the website of the European Commission.

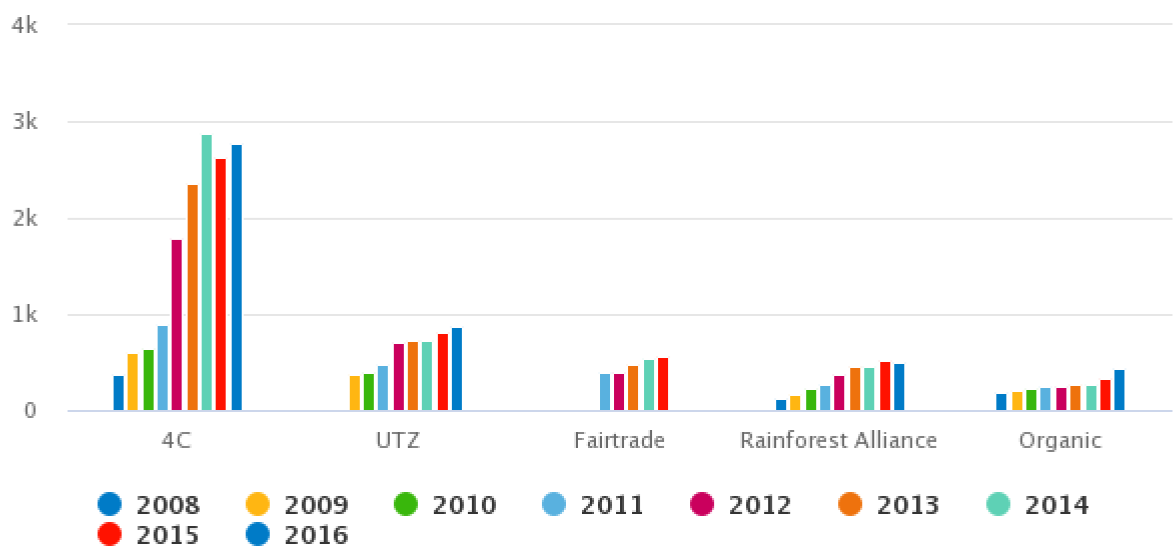
A rise in certified coffee production worldwide

Over 25% of global coffee production is currently certified according to one or more voluntary standards. The publication The State of Sustainable Markets 2018 further estimates that the global coffee area which is certified or verified amounted to a minimum of 25.8% of total production, and a maximum of 45.3% (average: 35.5%) in 2016. However, not all of it is purchased as certified or verified.

Currently, the demand for certified coffee is lower than the produced quantity; not all sustainably produced coffee matches the quality requirements and origin profiles of specific buyers. It should also be acknowledged that the statistics do not precisely reflect the market situation, since companies frequently handle double or triple certification schemes for the same coffee.

Figure 1: Evolution of coffee production per certification scheme

in 1.000 tonnes



Source: The State of Sustainable Markets (International Trade Centre, 2018)

Recently, there has been more research on the actual impact of coffee certification. Does the income of the farmer improve as a result of certification? Does coffee production per hectare increase? Can positive effects on the environment be demonstrated?

The results of evaluation and impact studies do not always demonstrate a clear-cut positive effect of coffee certification. This fact is partly because there are often no baseline data available. It is too early to render a final conclusion on the effectiveness of standards and certification, but some comments can be made at this point:

- Outcomes of coffee certification vary according to place and conditions.
- One-size-fits-all approaches do not work.
- There are other ways to address the sustainability of coffee production; especially climate change needs a more targeted approach.

At the moment, large-scale multinational coffee roasters are reconsidering their policies with respect to sustainable coffee, which might result in a lower demand for certified coffees in future.

Tips:

- Before engaging in any certification schemes, verify with your potential buyers whether these schemes are required and/or whether they provide you with a competitive advantage over other suppliers to the European market.
- If relevant on your specific target market, consider double/multiple certification for coffee so as to establish a competitive advantage over your competitors.

- Certification does not necessarily say anything about the quality of the coffee. If you are interested in exporting quality coffee to the specialty market, learn more about cupping scores at the website of the Speciality Coffee Association (SCA). You can also consider getting a Q-grader certificate to be able to cup and score your Arabica coffee through aroma and taste according to international standards. If you also produce and/or export Robusta coffees, it's also possible to become an R-grader.
- For more information on trends in the coffee market, refer to CBI's Trends in Coffee.

4 . Which requirements should sustainable coffee comply with to be allowed on the European market?

The EU has harmonised its trade and product legislation across its Member States. European buyers have strict requirements for coffee. You can only export your product to European Union countries if you comply with these requirements. In our study of buyer requirements for coffee, you can find a detailed analysis of these requirements. The main requirements related specifically to sustainable coffee are highlighted below:

Corporate responsibility

Europe buyers may expect you to comply with their code(s) of conduct on corporate responsibility. This code can be their own code of conduct or one based on external initiatives such as the Business Social Compliance Initiative (BSCI). The adoption of those standards is the most common among large-scale importers and retailers.

Other sustainability aspects which are receiving more attention on the European market for coffee are:

- carbon neutrality;
- impact on producing communities;
- welfare of farmers and factory workers;
- impact on the local biodiversity.

When these issues are not specifically addressed by legislation, they are covered in codes of conducts from importing companies and/or retailers and are investigated further during audits. Some examples are:

Retailers

- Coop (Switzerland) – sustainability
- Ahold Delhaize (the Netherlands) – sustainable retailing
- Carrefour (France) – CSR mission

Importers, roasters and brands

- El Puente (Germany) – Fairer Handel
- Peets (US) – code of Ethics
- Jacobs Douwe Egberts (the Netherlands) – corporate responsibility
- Nespresso (Switzerland) – ecolaboration
- Lavazza (Italy) – sustainability
- Tchibo (Germany) – corporate responsibility

Tips:

- Keep up to date on new private ethical programmes by checking the global coffee report website.

- Check whether you can adhere to the guidelines laid down in the industry agreements. They can be a good starting point if you want to certify products. Consider participating or visiting round-table meetings (via conference call) or seminars to meet industry players and other interesting stakeholders.

Sustainability certification (mainstream market)

Sustainability certification covers environmental, economic and social aspects, including health and safety issues. On the mainstream coffee market, the most relevant sustainability and certification schemes, as well as consumer labels for sustainable sourcing, are:

- Rainforest Alliance – Sustainable Agriculture Network (merged with UTZ in January 2018);
- 4C (the Common Code for the Coffee Community, which is a verification rather than certification scheme and which was acquired in 2018 by MEO Carbon Solutions)
- C.A.F.E. Practices
- Nespresso AAA

Each certification scheme is explained fully in CBI's buyer requirements for coffee.

Tips:

- Consult sustainability strategies of important coffee companies active in Europe, as they dictate the certification market back to the level of the producer.
- Learn more about individual sustainable sourcing schemes by consulting their individual websites and/or CBI's buyer requirements for coffee.
- Consult the Standards Impact website set up by the ISEAL Alliance, offering insight into the most recent studies of the impact on and evaluation of certification.
- Consult the website of the Committee on Sustainability Assessment (COSA), the most influential organisation studying the impact of certification.

Niche sustainability certification

Certain certification standards primarily focus on strict and/or specific sustainability principles and therefore apply to niche segments of the coffee market. Specific certifications per theme for this market are listed here:

- Although Organic certification is a non-legal requirement for coffee, in order for a company to market their product as "organic" on the European market, it must comply with EU legislation on organic production and labelling – which is in itself a legal requirement.
- Having your coffee Fairtrade certified is the proven way to show your business performance on social conditions in your supply chain. After certification by an independent third party, you are allowed to put the Fairtrade logo on your product. In general, prices for Fairtrade products consist of a minimum price plus a premium
  - Fairtrade Labelling Organisations International (FLO) is the leading standard-setting and certification organisation for Fairtrade. Products which carry the Fairtrade label indicate that producers are paid a Fairtrade Minimum Price. The current minimum prices and premiums for coffee, whether Organic certified or conventional, can be found in the Fairtrade Minimum Price and Fairtrade Premium Table.
  - Other Fairtrade standards available are Fair Trade Ecocert and IMO's Fair for Life.

- There are multiple certification standards that focus on biodiversity, including Demeter, SMBC Bird Friendly and FGP certifications.
  - Demeter, a biodynamic certification label and regarded as the highest grade of organic farming in the world;
  - SMBC Bird Friendly certification;
  - the Forest Garden Products certification.

Among certifications which focus on social impact, we also have the Símbolo de Pequeños Productores (SPP) with community-based sustainability principles.

Tips:

- Implementing organic production and becoming certified can be expensive, especially for smallholders. In the current market, the return on investment may not be high. However, it can increase yields and improve quality. Consult your potential buyers in order to verify whether Organic certification is required by them.
- There are several different organic labels. The labels that come under umbrella organisation International Federation of Organic Agriculture Movements (IFOAM) are harmonised to a great extent.
- Consult the ITC Standards Map database for the different organic labels and standards.
- Before engaging in a Fairtrade or other sustainability certification programme, make sure to check (in consultation with your potential buyer) that this label has sufficient demand on your target market and that it will be cost-beneficial for your product.
- In addition to certification, transparency of the supply chain is an asset in the specialty segment. Communicate a traceable, clear and direct link between producer and consumer.

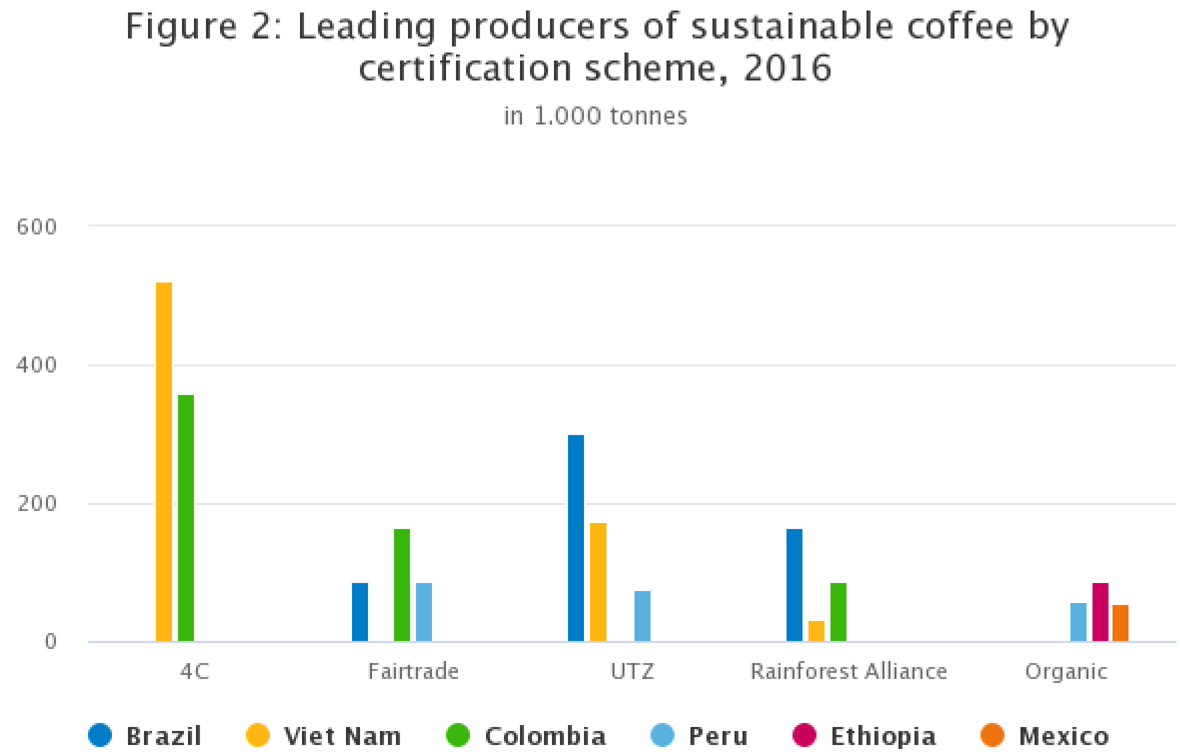
5 . What competition do you face on the sustainable coffee market in Europe?

Brazil is the largest supplier of green coffee beans to Europe. In 2017, Brazil's supplies amounted to nearly 883,000 tonnes (26% share of the total European imports in volume), followed by Vietnam (20%), Honduras (6%) and Colombia (6%)

These countries are also the largest producers of total? certified coffee. They are especially leading on the markets of 4C, UTZ, Rainforest Alliance and Fairtrade coffee. The latest data provided by 4C (2016) shows that Brazil, Colombia, Vietnam, as well as Indonesia and Peru, accounted for 71% of total 4C-verified production. In 2017, 75% of UTZ certified coffee volume came from Brazil, Vietnam, Honduras, Peru and Colombia (34% from Brazil). In the case of the Rainforest Alliance, Brazil, Colombia, Vietnam and Honduras accounted for nearly 60% of the total production in 2017 (35% from Brazil itself). For Fairtrade, Colombia (29%) and Brazil (16%) together represented 45% of the total production in 2015.

Other smaller yet important suppliers of green beans to Europe are India (161,000 tonnes), Uganda (150,000 tonnes), Indonesia (145,000), Peru (122,000), Ethiopia (84,000 tonnes), Guatemala (44,000 tonnes), Nicaragua (33,000 tonnes) and Mexico (27,000 tonnes). Although they represent a smaller share of the total green coffee European imports, some of them play an import role in specific sustainability certifications.

For example, Mexico was the main producer of organic coffee worldwide in terms of production area in 2016. The country only accounts for 1% of European imports of green coffee, but it plays a dominant role when it comes to organic-certified supplies. Other examples are Peru, which was the third-largest producer of Fairtrade and organic coffee in 2016; Ethiopia, the second-largest producer of organic coffee in production are 2016 (and largest in production volume); or Guatemala, one of the largest producers of Rainforest Alliance-certified coffee worldwide (5.9% of total production).



Source: The State of Sustainable Markets (International Trade Centre, 2018)

Tip:

- Identify your potential competitors and learn from them in terms of using multiple certifications and other sustainability aspects as a competitive advantage. See, for example, COAGRICSAL (Honduras), ANEI (Colombia), Oromia Coffee Farmers Cooperative Union (Ethiopia), Fazenda Bela Época (Brazil) and FEDECOVERA (Guatemala).

6 . Through which channels can you get sustainable coffee on the European market?

Coffee is generally purchased from exporting countries by international trade houses, dealers and traders. The largest roasters in Europe also maintain their own in-house buying companies, which deal directly with countries of origin. Apart from these companies, roasters tend to buy their coffee from international trading houses or from specialised import agents who represent specific exporters in producing countries. These characteristics are true for both conventional and sustainably produced coffee.

Nonetheless, the market channels for sustainable coffee are characterised by chain of custody protocols. Chain of custody certification is applicable to all companies in the supply chain that own and handle the product and that make sustainable certified claims about the product. These protocols provide evidence that the product originates from well-managed, certified sources, while verifying that it has not been mixed with products from uncertified sources at any point in the supply chain, except under strict management control.

Transparency strategies by European importers and their clients often result in certification. A positive result of increasing transparency is that a transparent supply chain makes it easier to link up with small-scale traders and manufacturers of certified and specialty products. Larger coffee roasters with sustainability commitments aim to have a direct link to the farmer based on trust between the roaster, the certifier and the importer.

Tips:

- For more information on the European market channels for coffee, see CBI's channels and segments for coffee.
- A wide variety of coffee and/or company characteristics on sustainability can attract smaller roasters, particularly those who are looking to buy from the original source. See CBI documents Top 10 tips for doing business with European coffee buyers and Finding buyers for coffee for more information on market entry strategies.
- Check out the website of Organic-bio, showing a list of European companies that buy organic (and often Fairtrade certified) coffee.
- Read the Coffee Guide by the International Trade Centre (ITC) for a detailed overview of the world coffee trade and advice on coffee trade practices.

7 . What are the premium prices for sustainable coffee?

The end-market prices for coffee vary depending on which segment of the market is targeted. Our study of channels and segments in the European coffee sector provides an overview of the upper end, middle range and lower end on the coffee retail market, as well as their main characteristics. Typically, the export prices of green coffee only account for around 5–25% of the end-market prices, depending on the coffee quality, the size of the lot and the supplier's relationship with the buyer.

Sustainability certification does not always affect the retail prices of coffee, but most offer a premium to producers and/or exporters. Premiums differ per country, producer and buyer because of several aspects such as quality, proportion of in-kind premium and negotiation powers.

- Rainforest Alliance: Under the single standard (after the merger with UTZ), the premium is negotiated between the certificate holder and the first buyer. Rainforest Alliance claims that having a fixed premium amount is not possible due to the diversity of countries and contexts following certification programs. The organisation also acknowledges that a premium is necessary to create an incentive for producers and companies to start investing in sustainable farming, and that the premium should at least repay costs for such sustainable practices. Additionally, there is full transparency on premium expenditure, with data about this recorded in the traceability system.
- Fairtrade: Mandatory minimum price which distinguishes between *Arabica and Robusta* coffee, between conventional and organic, and between natural and washed, plus a Fairtrade premium;
- Organic: Usually, a mark-up of 15–30% over the baseline prices paid for organic-certified coffee.

Tip:

- Price premiums for certified coffee may range widely, depending on the quality and the certification scheme. Make a thorough cost calculation (fees, learning costs, workload and possibly lower yields), and ensure that you provide the required quality and comply with the standards correctly if you move into certified coffee.