



CBI Tailored market intelligence: Trade structure and channels for Ugandan specialty coffee

Coffee is mostly traded through the main global trading centres. Ugandan commercial coffee is often prepared in these trading centres and exported after value-adding processes. Specialty Coffees from Uganda follow an essentially different trade structure which already starts at the time of harvest, eventually reaching niche markets in the EU through traceable channels

Trade channels

The structure of the coffee trade in Europe is relatively similar to North America and Japan. Coffee is generally purchased from exporters by international trade houses, dealers and traders. In recent years, an increasing number of large trade houses are present in both origin and destination markets. The largest roasters in Europe also maintain their own buying companies, dealing directly with the origin markets. However, for many reasons, roasters still prefer to buy from international trade houses or from specialized importers or agents representing some exporters. Coffee therefore is generally sold FOB (free on board) to importers. Other small roasters often prefer to buy in small lots, on a delivered-in-store or FOT (free on truck) basis. Despite the increasing concentration of the roasting industry capacity, the number of quality-oriented specialized importers, traders, and small and micro roasting plants in Europe is growing. See more at: [The Coffee Guide](#)

It is possible to distinguish three segment markets in Europe: the North European market, the South European market and the relatively new East European market. Each market has its own characteristics and channels, and their own consumer preferences with regard to coffee. More information available at: [CBI Trade Structure and channels for coffee](#).

Figure 1 shows the trade channels for Ugandan coffee, from the producers right to the EU market. Traders, agents and brokers act as channels between producers and their respective customers in destination markets. There is no a particular or specific trade channel for Ugandan coffees, since traders may also work with their own supply channels in several countries. Traders of Ugandan fine coffee are often not exclusively specialised in these products, but also involved in conventional mainstream coffee imports.

Coffee traders

The coffee sector is continuously going through processes of restructuring and further consolidation. Many of the trade houses changed their profit centres to the origin, thus managing the entire supply chain. European coffee is mostly traded and imported by larger trader groups: [Neumann Gruppe \(Ibero\)](#) from Germany, [Volcafé-ED&F Man](#) (Kyagalanyi), originating from Swiss-British companies, and the Swiss-based companies [ECOM \(Kawacom\)](#) and [Sucafina \(Ugacof\)](#). All of these traders are present in Uganda.

For coffee, both mainstream and specialty, most of the trade goes through an importer or a large roaster. The figure of an agent in Europe is becoming less usual, though it still occurs. This structure in the coffee trade helps companies reach the necessary scale and overcome limitations in logistics and distribution in Europe. For specialty coffee, this is especially

important, since small lot volumes can only be shipped with the involvement of experienced exporters and buyers eager to work on relatively small volumes where there are higher margins. Selling directly to an importer may be suitable for quality coffee depending on the target market and destination.

A coffee trader or importer mostly focuses on quality assurance, risk management, logistics and supply chain management. Large importers, with their own sourcing supply chain in origin countries, are well equipped to offer not only a range of products but new services, usually orientated to satisfy roasters' requirements, such as quality assurance storage facilities, inventory management or blending. Large importers are also increasingly recognizing the importance of quality and sustainability in the coffee chain, and are creating subsidiary companies which deal with specialty coffee buyers.

On the other hand, a number of new medium-sized importers and traders are growing, focusing on niche markets and following the path of development in United States' specialty coffee markets.

New traders and importers of green coffee are generally specialized in regions or countries and intend to have direct relation with exporters and producers in producing countries. They are mostly focused on high value coffees and total satisfaction to their customers. The volumes traded are still small but increasingly gaining medium roasters' attention. Some of them are working in sustainable niche markets. Most of them try to create transparent relations between demand and supply using their network and knowledge. Some traders are focused on handling micro and small roasters' demands and working together with them in sourcing.

The role of the agent or broker in the coffee sector is diminishing due to several factors: the consolidation process and the activity of large traders in origin countries; the increasing need for traceability in the industry; and the improvement of communication and the difficulty to retain a commission when providing a relationship with suppliers but no additional services.

However, specialized traders are becoming increasingly important for small- and medium-sized roasters that are working with several sources and need to buy from one point.

Coffee roasters

Although some large roasters are increasing their coffee imports from producing countries themselves, trade in coffee generally follows the structure shown in figure 1: from farmers, to exporters, then to importers and, after logistics and time delivery are assured, to roasters. For smaller exporters, the quantity demanded by roasters often makes it a difficult channel to approach directly. Only large trade houses have the financial capacity and infrastructure to export the coffee production. Small- and medium-sized exporters in producing countries are searching for niche and specialized markets to compete with better margins.

The roasting sector is more concentrated than the trade industry. The two leading roasters in the EU are [Nestlé SA](#) from Switzerland and Kraft Foods from the USA (since 2012, [Mondelez International Inc](#)), followed by [DE Master Blenders 1753 NV](#) (Netherlands), [Tchibo GmbH](#), Aldi (Germany), and [Lavazza](#) and [Segafredo](#) from Italy. Together, these have around 85% of the coffee market.

However, the level of concentration in the roasting sector differs per country, particularly in the South European and East European markets. There is tight competition there among medium-sized roasters to keep their market share. Some examples of important players are: [Melita](#), [Aldi](#) and [Dalmayr](#) in Germany; [Ahold Coffee Company](#) and [United Coffee](#) (UCC) in the Netherlands; [Rombouts](#) in Belgium; and [Löfbergs Lila](#) and [Arvid Nordqvist](#) in Sweden.

France, Italy and Spain show less concentration in the roasting industry, with many local smaller roasters supplying local markets, coffee shops and institutions under their own brand name or through retailers with a private label.

Small- and medium-sized roasters usually buy different origins from large importers, as well as from specialised traders representing specific exporters. Smaller specialised traders who trade in non-conventional coffees (high quality, specific origin, certified coffees) are, together with their customers, promoting knowledge and awareness about coffee quality.

There are 7 major EU trading points for established coffee traders: Hamburg and Bremen (Germany), Antwerp (Belgium), Le Havre and Marseille (France), and Genoa and Trieste

(Italy). In the Nordic countries, imports are generally done through roasters and some agents. East European countries buy from the 7 main EU coffee trading points.

Retail channels

Coffee market retail channels can be categorised in two ways:

1. By place of consumption: usually split into **at-home** consumption and **out-of-home** consumption.
 - *At-home consumption*: The distribution channel that provides primarily for consumption in the home are the supermarket chains, large distribution outlets, grocery shops and speciality shops such as organic retailers.

Individual or business consumers can purchase packaged coffees, in bean or ground form, at:

- Hypermarkets/supermarkets,
 - Specialty coffee shops,
 - Organic retailers,
 - Local shops,
 - Coffee shops (coffee houses),
 - Department stores,
 - Internet shops.
- *Out-of-home* – In each country a proportion of coffee consumption takes place out-of-home. The main outlets for coffee consumption are:
 - Hotels,
 - Restaurants,
 - Cafes,
 - Forecourt retail shops,
 - Coffee shop chains
 - Office utility services,
 - Coffee shops (coffee houses),
 - Specialty coffee shops.

2. By Retail Channel: **Store-based** retailers and **Non-store** retailing

a) *Store based retailers* are:

Grocery retailers (food primarily):

- Hypermarkets/supermarkets
- Discounters
- Small grocery retailers:
 - Convenience stores
 - Independent small grocers
 - Forecourt retailers
- Other grocery retailers:
 - Specialized grocery retailers
 - Open markets
 - Organic grocery retailers

Non-grocery retailers (non-food primarily):

- Hotels
- Restaurants
- Business institutions
- Cafes
- Coffee chain shops
- Specialty coffee shops

b) **Non-store** retailing:

- Vending
- Home shopping
- Internet retailing
- Direct sales

Some interesting links

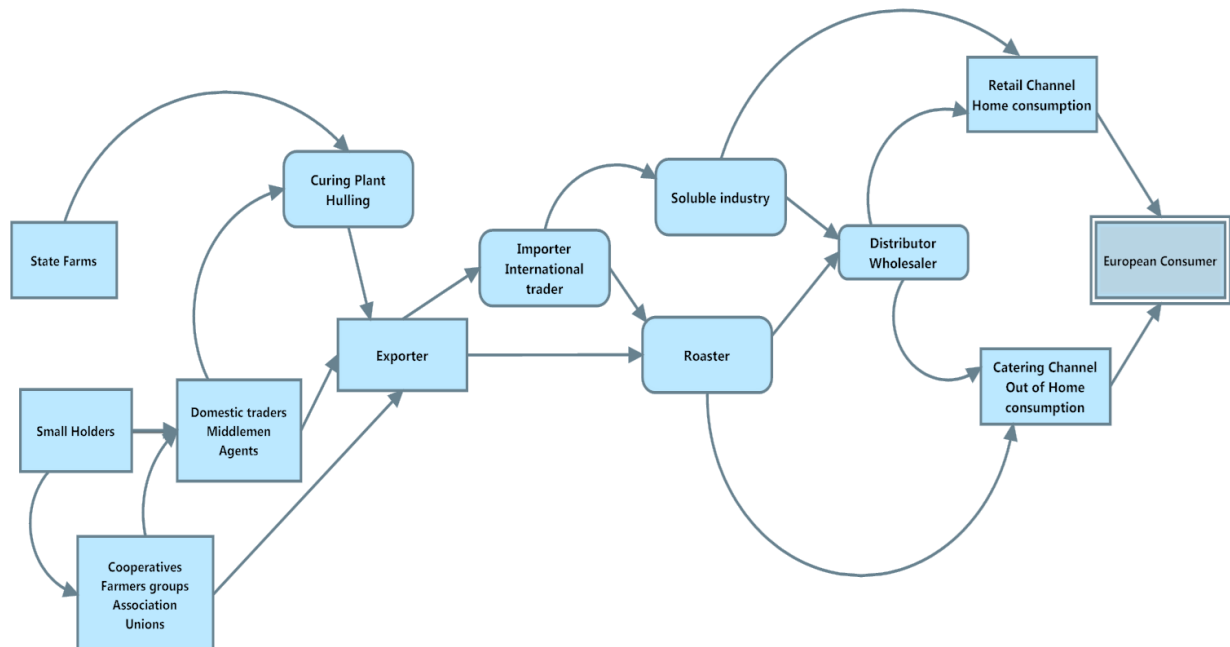
Roaster / Wholesaler

- [24grad Kaffee Rosterei](#) - Germany
- [Brandmeester's](#) - The Netherlands
- [Cafe Direct](#) - UK
- [Carasso](#) - Italy
- [Coffee Culture](#) - Ireland
- [Grower's Cup](#) - Denmark
- [Drago Mocambo](#) - Germany
- [Bertschi Cafe](#) - Switzerland
- [Andraschko](#) - Denmark
- [Louis Donck](#) - Belgium
- [Crop to Cup](#) - USA
- [Com Trading LTD](#) - Turkey

Importer/ Trader

- [Fair Trader](#) - Germany
- [Daarnhouwer & Co](#) - The Netherlands
- [Belco](#) - France
- [Apro Trade](#) - Poland
- [Alberto Hesse Trieste](#) - Italy
- [Cafe Verde](#) - Italy
- [Greencof](#) - The Netherlands
- [Trabocca](#) - The Netherlands
- [Preferito](#) - Italy
- [Armajaro](#) - UK
- [Blue Mountain Europe](#) - UK
- [Ecuatorial Traders](#) - UK
- [Supremo](#) - Belgium
- [InterAmerican Coffee](#) - Germany

Figure 1: Trading Channels in the Coffee Industry in Europe



Source: Adapted from Pots (2007)

Trends in trade structure and channels

Market trends in coffee structure and channels are changing because of fast developments in packaging technology, demand for quality and traceability, increasing knowledge of the product, and increasing demand for healthier (organic), social (fair-trade) and sustainable (Utz, Rain Forest, etc) products. See at: [Compliance with buyer requirements for Specialty Coffee](#).

Some of the major trends are the following:

- An increasing number of small farmers are being organized and associated in cooperatives, associations and unions in order to: cope with market volume requirement, improve their negotiation capacity, improve post-harvest quality, and improve their social and economic conditions;
- An increasing number of consumers are demanding more traceability and transparency along the coffee chain, obliging roasters and traders to adopt new sourcing strategies;
- Exporters and multinational trading groups are not only providing finances to buy coffee, but also providing technical assistance to farmers and farmers' groups, and are creating partnerships to cope with traceability requirements and logistics;
- Importers and roasters are changing, so as to work more closely with their suppliers to achieve certification and traceability;
- Importers are developing strategies to create robust supply chains in origin countries, relying on large traders or developing direct relationships with unions or association of cooperatives;
- Improving communication and integration of the world economy is shrinking the gap between the two ends of the chain: producers, consumers, and all participants in the channels are shortening the value chain.

Useful links and first contacts for information

If you are a producer or exporter of specialty coffee and you intend to initiate exports to the EU, the most relevant and complete source of information is available at: [CBI Market Intelligence Platform](#). CBI can provide you information on the EU market and also on additional trade channels for coffee and specialty coffee.

European diplomatic representations in your country are also an excellent source of information and contacts for EU markets.

Coffee associations are a valuable source of information and reference for Specialty Coffee exporters. Here are some links:

- [African Fine Coffee Association \(AFCA\)](#) - Africa
- [Specialty Coffee Association of Europe \(SCAE\)](#) - Europe
- [European Coffee Federation](#) (ECF) - Europe
- [German Coffee Association](#) - Germany
- [Trieste Coffee Association](#) - Italy
- [Belgian Coffee Association](#) - Belgium
- [Spanish Coffee Federation](#) - Spain
- [British Coffee Association](#) - UK
- [Dutch Coffee and Tea Association](#) - The Netherlands

Recommendations

For exporters, specialty coffee is important to research thoroughly. You must describe the specific trade channels that your own or similar coffees are following. This knowledge allows an understanding of the different actors involved in your business, as well as the final destination and preferences of your end consumers. Understanding these preferences and changes in trade channels gives a considerable advantage over competitors.

This survey was compiled for CBI by Rafael Valcarce P., CBI sector expert

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