



# FINAL SECTOR RESULTS - SC

SPECIALTY COFFEES

Reporting the final findings of the Value Chain Analyses for CBI

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## ACRONYMS & ABBREVIATIONS

B2B	Business to Business
BPO	Business Process Outsourcing
BSOD	Business Support Organisation Development
CSR	Corporate Social Responsibility
EEA	European Economic Area. Conformed by: EU countries plus Norway, Lichtenstein, Iceland.
EFF	Exotic Fresh Fruits
EFTA	European Free Trade Association. Conformed by: Switzerland, Norway, Lichtenstein and Iceland.
EU	European Union
FAO	Food and Agriculture Organization
FLO	Fairtrade Labelling Organizations
FNC	Federación Nacional de Cafeteros (National Federation of Coffee-growers)
ICA	Instituto Nacional Agropecuario (National Agricultural Institute)
ICO	International Coffee Association
ICT	Information and Communication Technology
IQF	Individually Quick Frozen
IT	Information Technology
ITO	IT Outsourcing
LAM	Latin America
MB	Million Bags
MT	Metric Tones
NI	Natural Ingredients
SC	Specialty Coffee
SCAE	Specialty Coffee Association of Europe
SME	Small & Medium Enterprises
T&EFF	Tropical & Exotic Fresh Fruits
TFF	Tropical Fresh Fruits
ToR	Terms of Reference
UTF	Underutilised Tropical Fruit
VCA	Value Chain Analysis

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## 1. VCA PROJECT DESCRIPTION

### 1.1 Preface

This sector report is presenting the findings of the research of MarketShare. This report is based on the Terms Of Reference (ToR) of the Value Chain Analysis for Colombia, as presented by CBI.

### 1.2 Project motivation

The Centre for the Promotion of Imports from Developing Countries (CBI) contributes to sustainable economic development in developing countries through the expansion of exports from these countries. It does so by offering an integrated approach of different services targeting SME exporters from developing countries, European importers, business support organisations (BSO's), policy influencers and governmental authorities.

Over the past few years, CBI has been working actively in Colombia: some 70 Colombian exporters are currently receiving export coaching from CBI experts through CBI's Export Coaching Programmes. Most of these are in the Tourism, Fresh Fruit & Vegetables, Home Textiles, Outerwear, Industrial Products, ITO Services and Natural Ingredients sectors. In collaboration with Proexport, CBI has also provided training in European export-related matters for many Colombian SME's over the past few years.

From 2009 to 2012 CBI supported the institutional export support framework in Colombia through an institutional development programme at Proexport. Through this Business Support Organisation Development (BSOD) programme, CBI supported Proexport in the development of a new unified service delivery methodology, knowledge management tools, and upgraded market research and export promotion skills of its staff.

In a new integrated country programme for Colombia (planned to be implemented from 2013 to 2017), CBI would provide such and other services in an integrated way, aimed at a number of specific sectors with European export potential. The envisaged objective of this new country programme would be to boost exports from selected Colombian sectors to European markets. Possibly, a secondary objective may be to boost exports in selected sectors to other (than European) markets.

The principal aim of this VCA is to generate sufficient information to identify the main opportunities and bottlenecks in the export value chains of these sectors, and to assess whether or not a CBI intervention is likely to contribute significantly to increased exports to Europe (and possibly to other regions) by SME's in these sectors, and if so, to build a business case for a new integrated country programme.

The VCA will be used to prepare the 'business case' for the CBI Colombia Country Programme. The business case should provide the justification for CBI to invest resources in the programme, as well as a general description of the programme.

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### 1.3 Project consortium

For the realization of this VCA, MarketShare is counting on three bodies of ample knowledge and experience:

- an Expert Team
- a Coordination Team
- an Advisory Board

The actual study will be carried out by the members of the expert team, while the members of the Advisory Board will be consulted on strategic issues and will provide extra guidance or sector knowledge or contacts. The coordination team will guide and coordinate all activities outlined in this document.

Participating partners in this project are:

Thought Refinery, Luis Eugenio Cifuentes Baeza, El Niño Business Consulting, Organic Services, Pilar Morales Consultancy, David Agudelo, BlackPearl Partners.

### 1.4 Project methodology

#### Strategic Design for Value Chain Analysis

To enrich traditional methodological approaches, we used our team's expertise on processes and tools rooted in strategic design and innovation, also known as "design thinking". Strategic designers bridge marketing and R&D activities through a thorough understanding of both disciplines and methods.

#### Workshops to identify main gaps and opportunities

We began our project with a series of workshops with the sectors' experts and with the CBI with the goal to define the main bottlenecks and identify main issues and opportunities per and across sectors' value chains to study.

Once the data from the workshops was analysed, we proceeded to design the primary and secondary research activities. We included a mixed approach of qualitative and quantitative tools such as surveys, questionnaires, and semi-structured interviews.



**Image PD 1:** Interactive Workshop



### Visualizations of main Value Chains findings

As a core activity of Strategic Design, we visualized the Value Chains' main findings to allow an integrated and richer understanding of stakeholders, bottlenecks and opportunities' correlations. Visualizations in strategic design are assets that allow experts and professionals of different fields to get a clear picture of the main findings in easy and effective ways.

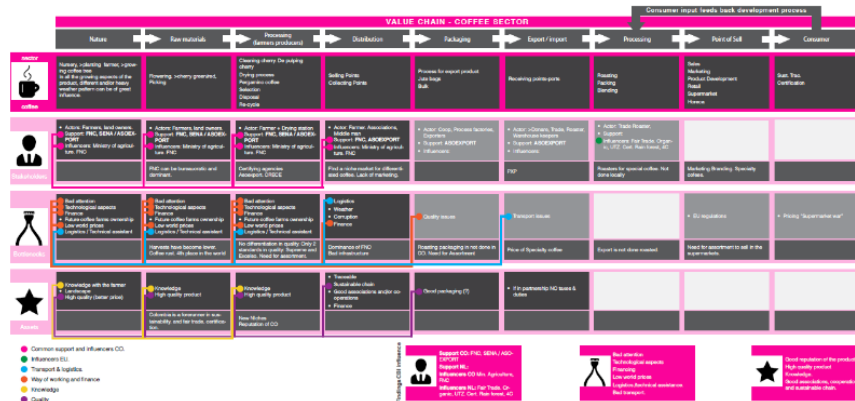


Image PD 2: Example of Value Chain Analyses visual

### 1.5 General project process

Based on the requirements and guidelines from CBI and in close cooperation with MarketShare the following phases were defined:

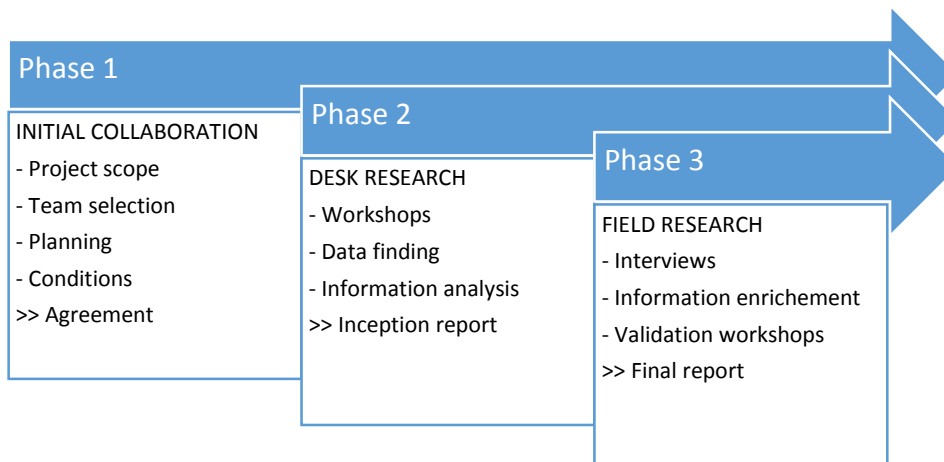


Image PD 3: Project Phases

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## 1.6 Project Scope

In collaboration with Proexport, CBI pre-selected the following sectors to be analysed in this VCA:

1. Exotic Fresh Fruits
2. Processed Specialty Coffees
3. Natural Ingredients for Food, Cosmetics and Pharmaceutical Products
4. Tropical & Exotic Flowers & Foliage
5. Garments
6. IT Outsourcing (ITO) Services

These sectors were pre-selected to be analysed in this VCA in order to assess their suitability to be included in the country programme. They were selected mainly because of:

- Their relative size in Colombian exports. Ideally, there is a minimum of experience exporting the product from Colombia.
- European market demand. There must be clear quantitative and/or qualitative indications that the product is demanded in Europe.
- The opportunities they offer for job creation, poverty reduction and reduction of regional inequality within Colombia
- The opportunities they offer for value addition through processing or product improvement
- The added value CBI could bring to these sectors.

### **Approach and criteria for pre-selection of products and/or services for each sector**

Given the wide range of products and/or service possibilities of each sector, we considered it necessary to establish a certain structure, criteria and scope that allows us to go from global to specific in an organized and controlled way. For this, we adopt the same criteria mentioned above. This structure and criteria allowed us to make a pre-selection of sector and products to focus the research into, and in that way define a clear scope for CBI.

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## 2. EXECUTIVE SUMMARY

### 2.1 Introduction

Colombia is, like other developing countries, facing some tremendous opportunities for economic growth. This due to the economic liberalization worldwide and the technological developments in IT and telecommunications which makes communications cheaper and easier.

However it's also facing the challenge to improve the efficiency and productivity to maintain its position. Also to survive in this competitive market which is becoming more and more international.

A good business environment and related policies are necessary to improve competitiveness. When such bottlenecks are identified, Policymakers have the opportunity to start reform processes with setting new priorities into the value chain.

This report outlines a pragmatic approach for analysing value chain performances as the basis for identifying binding constraints to growth and competitiveness. This approach is intended to facilitate formulating a targeted support programme, so CBI can use a combination of tools to support its ongoing private sector support work.

As mentioned in the above, Colombia is facing several challenges. This from political, violence, natural disasters and infrastructural problems. However, it is clear that the present government is facing these challenges and working hard implementing solutions for improvement and economic development.

Also the present situation in Europe should be looked at: economic crisis, high ICT usage in all sectors, changing populations due to open borders, mix of cultures and languages, different consumption patterns, and more.

While historically Colombia has had a main export focus to the US, now an FTA is in place for Europe as well, making the European market a very interesting opportunity for Colombia exporters. However, it is important to realize that Europe has a variety of cultures and languages to deal with, in regards to product specifications, import regulations and localized marketing.

### 2.2 General findings & recommendations

Based on the information what Colombia as an export country has to offer, Europe as an import target market with a focus on the six sectors, we can come to the following **general findings**. These findings are about the bottlenecks and opportunities, and thus be more successful with improving trade between the two.

#### GENERAL CROSS SECTOR FINDINGS

1. Price is not the main competitive sales argument to be successful in Europe
2. A typical Unique Selling Point, or added value, should be chosen wisely to be successful in a relatively "spoiled" target market
3. Colombian exporters are not known, or unfamiliar with the European Market Demand. Understanding your customers' needs and whereabouts is key
4. There seems to be more knowledge in the first part of the Value Chain (producing) and less in the second part like exporting and marketing
5. Marketing and branding is not always up to the high European standards
6. More focus could be into niche markets to specific chosen countries or regions
7. Collaboration and joint efforts with other stakeholders should be more stimulated
8. Product development should be based on market/customer demand information

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9. Launching a certification program will improve quality standards, build trust and thus market opportunities
  10. More intensive collaboration between Government, Education and Employers will enhance synergy effects towards export trade
  11. The exchange rate of the Colombia Peso and the Euro is a concern in all sectors
  12. Funding possibilities for all sectors is a necessity to give newcomers a chance to start their export business to Europe

#### GENERAL CROSS SECTOR CONCLUSIONS

1. A better match between supply and demand by **better market information**, so one can adjust its products, portfolio, marketing, partners to the specific local market demand
2. **Intensified collaboration within the sector**, and with the international stakeholders is key, as otherwise its success in the value chain will be as strong as the weakest point in the chain.
3. **Financial tools** should be made available to make export possible not only for existing exporters but mainly for companies that are eligible for export, but not have the export experience and knowledge. Such tools could be export subsidies, information desks, financial software applications or templates to structure and guideline financial planning.
4. **Meeting certifications and labelling** to comply or improve CSR in Colombia and customer expectations on fair trade, organic/authentic product demand, and company transparency.

## 2.3 Summary of sector results

### 2.3.1 Exotic Fresh Fruits

#### Highlights of findings

- In Europe, there is an increasing demand for various fruits due to increased health awareness and thus maintaining a healthy diet.
- Demand for transparency and traceability so customers know the products are unique and produced in a safe, healthy, green and ethical way
- High costs of logistics and distribution and thus resulting in high product costs
- Lack of certifications to access to the European market and meet customer demand for this
- No market intelligence of the demands in the different European countries
- Gap of production quantities to export possibilities
- The CSR effect in this sector within this sector is certainly there

#### Conclusions & Recommendations

- To organize and collaborate more in this sector is the most favourable scenario. This within the country, as in international partnerships. This to receive government support, make commitments, share one vision and thus operate together for the same goal.
- Focus with specific fruit products to specific niche markets based on a solid market intelligence knowledge.

### 2.3.2 Processed Specialty Coffees

#### The highlights of findings

- The market increased interest in authentic products, quest for origin, and prove of this with labelling or certifications.
- The average quality coffee is still an important commodity market with high trading volumes but there is opportunity for a new market with high quality specialty coffees.

- 
- A shift in different use of consuming the coffee product. Such as using coffee more at home instead of in Café's. New target groups such as young people. Also other countries outside Europe discover quality coffees now like China, Russia and Japan.
  - Increasing interest in CSR practices from the producers and the consumers, as they want to know the story behind the product.
  - Most producers are small farms and cannot afford CSR certifications

#### Conclusions & Recommendations

- Next to the regular high volume coffee products there is a niche market for high quality coffee products. Product diversification is a solution which could be based on the three different production regions in Colombia where each region represents a specific coffee taste.
- These different coffee blends should be marketed each with its own brand name and story.
- Also in this respect the European consumer demands transparency regarding its product origin, and demands an authentic product, which should be made clearly visible on the packaging, according the European standards.
- These regional brands should fit the specific demand per country. As such a better and more detailed understanding of the demand side of European countries is necessary to make the right match.
- All these efforts should implemented by the coffee sector as a whole and not by separate producers or roasters separately. It is therefore important that the complete value chain strives towards a tight collaboration with new local and existing international stakeholders.

### 2.3.3 Natural Ingredients

#### The highlights of findings

- There are legal and regulatory factors which makes it difficult to exploit and export natural ingredients
- There is a growing global demand of natural ingredients. The demand is driven by an increasing need for pharmaceutical products and responsibly produced, natural, and healthy food. Although it is a growing markets it remains still niche markets, and being competitive.
- The market is demanding products with less artificial ingredients and with ethical values.
- Conflict areas where armed groups hinder the local famers operations
- The NI sector is not enough organized to offer a centralized and coordinated production scheme
- There is not enough information on market demand to target specific markets

#### Conclusions and recommendations

- To reach maximum efficiency in the NI sector, it is advisable to organize the sector for better coordination in production and joint export activities.
- Improving the financial situation to local farmers with more investment possibilities to grow their business.
- As NI is still a niche market it is very important to match with the specific local demands in Europe. Market Intelligence efforts should be activated on a short term and share these insights in the sector.
- All stakeholders to collaborate more for a more pragmatic certifications and standardisation program which fits more to daily operations.
- Attention to a sustainable production methods where preservation of the environment and at the same time energy savings are possible.

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### 2.3.4 Tropical & Exotic Flowers & Foliage

The highlights of findings

- An increased demand for CSR labelled products especially in the consumer market
- Increasing role of ICT for better marketing communications and to enhance communications in the value chain
- The competition of producers from mainly the African continent with similar products and methods, is harsh
- More product variety by producing specific flowers or new innovations to open the market
- More market research is needed on market demand per country, and better understanding of specific customer needs
- Non efficient logistics is hindering a good cost and margin, and time to market of quality of the products into Europe
- Bad packaging of flowers hinders the quality, overall image of product and suppliers
- New niche buyers are needed who understand the specific issues of these tropical flower products and have access into the right market channels.

Conclusions & Recommendations

- As European countries all have different demands and supply chains, The Netherlands can act as the main trading point, thus closing the distance between the European markets and Colombia.
- In respect to closing the gap it is imperative to establish better and direct communications between supply and demand, by the use of ICT. When using all the advantages of ICT it will create better awareness of tropical flowers as an interesting product in the market.
- At this moment of time tropical flowers and foliage can be seen as a niche product and market. Therefore it is necessary to find a specific import and sales channel for maximum results. From a marketing point of view it would be advisable to market these specific products with a authentic Colombian CSR label to differentiate itself from the common flower products and competition.

### 2.3.5 Garments

The highlights of findings

- The retail channel is changing and finding new positions and collaborations in the value chain.
- The export knowledge is not sufficient and therefore missed opportunities
- Differences between Colombia and Europe on several topics such as language & culture, product designs, business culture etc.

Conclusions & Recommendations

- Competition from cheap production countries is fierce in this industry, and therefore further market analyses is necessary
- In some subsectors there are market growth opportunities, when product innovations are further developed.

### 2.3.6 IT Outsourcing (ITO) Services

The high lights of findings

- Highly specialized software clusters have the largest market share internationally. On the other hand small companies are looking for suppliers of their own size and preferably within local reach.
- Changing buying criteria where price was important is changing to quality as criteria again.
- Different collaboration models are developing where dual development, parts development, and near shoring are the best examples
- Colombia as an IT country is not known in Europe and efforts are not centrally undertaken to improve this situation.
- Colombian suppliers are not very familiar with the specific target groups and their demands in the European markets.
- Privacy and piracy are hot topics in the EU and should be addressed by the Colombia suppliers
- The ITO sector can give solutions to job opportunities
- Time and cultural differences between EU and Colombia to be solved. Also regarding the different working methods and tools.

Conclusions and recommendations

- Colombia ITO suppliers need to close the gap with the European demands by being present with an office or agent in Europe to solve time, cultural differences and working methods.
- More knowledge of the demand by Market Intelligence is necessary also seen the competition from eastern European countries.

## 2.4 Ranking the stars

Based on the research on the six sector and criteria given by CBI, the following table shows an overview of their respective importance and possible influence of the CBI support programme.

Criteria	RANKING SECTORS					
	Fruits	Coffees	NI	Flowers	Garments	ITO
	exotic fresh	processed specialty	food /cosmetics / pharma	tropical & exotic	underwear/shapewear/	services
Potential number of companies interested in participating in a programme	15 (1)	77 (3)	150 (3)	58 (3)	686 (5)	630 (5)
Growth opportunities in European market	4	4	5	4	2	5
opportunity for job creation, poverty reduction and reduction of regional inequality within Colombia (CSR)	4	3	5	4	5	1
Solvability of bottlenecks (in collaboration with other actors)	4	4	4	4	4	5
Interest from the Colombian Government & BSOs to develop the sector	4	3	4	3	5	5
Added value CBI of a programme	4	4	5	3	4	4
<b>Total</b>	<b>21</b>	<b>21</b>	<b>26</b>	<b>21</b>	<b>25</b>	<b>25</b>
GO / NOGO FOR CBI PROGRAMME?	yes	yes	yes	yes	yes	yes

Image ES 1 - Sector Ranking Table

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### 2.4.1 Sector programme recommendations

#### Exotic & Tropical Fruits

The Fruits sector has good market opportunities, bottlenecks that can be solved by a good collaboration within the whole chain which implies giving direction to the sector, and with a positive effect on CSR. As such the CBI programme would have a positive impact on the sector. However the quantity of possible interested clients for this CBI programme seems to be limited at this moment.

#### Specialty Coffees

There are good market opportunities and the CSR issues can be improved although with limited effect. Given the well-known Colombia brand name in general and the production capacity of the coffee sector, one can go one step further with redefining (matching) the coffee product portfolio towards specific markets. The possible clients for the CBI programme is reasonable and if the focus of the programme will be on Market Intelligence to match these specifics, it is advisable to continue with the Specialty Coffee Sector.

#### Natural Ingredients

Based on the mentioned criteria the NI sector is the most interesting sector. The combination of market opportunities, positive effect on CSR issues, and where issues can be solved on a short/reasonable term. Also taken into consideration the possible number of interested Colombian companies this would be a very interesting sector for further development.

#### Tropical Flowers

The Flowers sector is an established sector where is room for improvement in finding the right products for the right markets. It seems this sector has not a high interest or attention from some stakeholders. If all parties in the Value Chain work together there are certainly market opportunities. Nevertheless the quantity of possible interested Colombian companies is average and should be taken into consideration. We advise to continue to develop a CBI programme but needs attention to details.

#### Garments

For the Garments sector are market possibilities but needs serious efforts or resources to be successful. On the other hand the CSR effect is very large regarding effect on labour, working conditions, fighting poverty etc. Also seen the possible interest of participating Colombian Companies in a CBI support programme, we advise to continue a Support programme but with focus on certain product subgroups and with further analyses.

#### ITO

The market opportunities in Europe are fairly large. However some issues has to be resolved to close gap in culture, languages and working methods. The research has shown that these and other bottlenecks, can be solved on a fairly short term. However the effect on CSR is very low, we advise to continue with developing a CBI programme for this sector.



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## 2.4.2 Sector Priority Recommendations

As mentioned all sectors have a good opportunity in the market where a CBI programme can have effect. However if we take a closer look and take all criteria into consideration, we suggest a certain order of urgency or importance per sector.

The following sequence is recommended. This is based on the different criteria as outlined in the Table.

!Please note these criteria can be given some more importance than other criteria, and thus the sequence might change accordingly.

1. NI
2. ITO
3. Coffee
4. Fruits
5. Garments
6. Flowers

### 3. COLOMBIA AS EXPORT COUNTRY

#### 3.1 About Colombia



Colombia is a country located in the northern region of South America, with the following characteristics:

- Size: 1,138,910 sq. km
- Main cities: Bogota, Medellin, Cali, Barranquilla
- Inhabitants: 47 million
- Language: Spanish
- Literacy rate: 94%
- Currency: Colombian Peso / 2,366.00 COP = 1 EUR/€
- Inflation: 3,1 %
- Unemployment: 10,1 %
- GDP: US.D 378.713 Billion
- Natural resources: petroleum, natural gas, coal, iron, nickel, gold, copper, emeralds, hydropower.

Image CO 1: Country of Colombia

#### 3.2 Political & Legal

Today the Colombian government is reaping the fruits of the policy it implemented to a **democratic security** whose objective is to create favourable economic conditions in order to give investors' confidence, especially foreign investors. The government has put efforts into concluding free trade agreements, namely through an association agreement as well as a series of agreements in the area of investments in the European Union, aimed at developing a stable and transparent economic environment in which contributions in capital can prosper.

Next to the existing Free Trade Agreement with the USA, recently the **FTA with Europe** has been signed. This FTA started being effective on August 1, 2013. It offers possibilities for market share increase for products and services which are already present in the Colombian market. According to the EU, Colombian products will be more competitive in Europe.



Image CO 2 - President Santos of Colombia and some of his ministers

### 3.3 Colombian Economy

Colombia's main economic sector is the **trade-services** sector, which represents more than 55% of the GDP and employs nearly 60% of the active population.

In 2002, the **agricultural** sector accounted for 13% of GDP and 24% of total exports as against 60% in 1990. This situation is due in part to the (drugs/violence) conflict, but also to the lack of attention given to this sector and the unfair concentration of land ownership, resulting in the poor use of land.

**Industry** represents around 36% of the GDP and employs nearly 20% of the population. Colombia's main industries are oil, textile, chemical products, metallurgy, cement, cardboard containers, plastic resins and beverages.

Colombia uses fiscal incentives as an instrument to **promote national and foreign investment**, as well as other support programmes to promote development in specific sectors. This contributes to social and political equality.

Colombia as a **business nation** is doing well in comparison to other LAM countries. Colombia has reformed itself as one of the new economically interesting countries of Latin America. All sectors could benefit from the positive rankings. Especially as Colombia is still suffering from a **bad reputation** and could initiate a new and refreshing nation branding campaign.

The government has prompted the launching of a national development plan to **rebuild Colombian infrastructure**, highly damaged by severe flooding in the last years.

Only 2 European countries (The Netherlands and United Kingdom) are in the top 10 of highest export numbers. Interesting would be to enter into **new European countries**, like Germany or France as these are big and strong economies.

### 3.4 Social

Building on the “democratic security” agenda of the previous administration, President Santos campaigned on “democratic prosperity,” focusing on economic development (jobs), security, and poverty reduction. The Santos administration passed an employment and formalization law, which seeks to **create 2.5 million jobs**, formalize 500,000 informal jobs, and reduce annual unemployment to single digits, all by 2014. His legislation to reduce the deficit through fiscal discipline measures was passed in late 2011. [1]

Of all the Latin American countries, Colombia occupies third place after Brazil and Guatemala as regards **inequality**. The richest 10% of families receive 45% of total income, while the poorest 20% receive only 2.7%. On average, the income of a rich man is 58 times as high as that of a poor man. The inequality in the distribution of income adversely affects human development. Development in Colombia is very uneven, varying not only between the urban and rural areas, but also between the various departments. It is one of the principal challenges Colombia will have to face. [2]

### 3.5 Technology

The country **spends very little on R&D** (around 0.3%) and has failed to take advantage of FDI inflows to develop its technological capabilities. The level of expenditure undertaken by Colombia is far below the desirable level of 1% of GDP (as given by the OECD

The **patent regime** in Colombia provides for a 20 year protection period for patents and 10 year term for industrial designs; protection is also provided for new plant varieties.

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## 3.6 Environment

Natural disasters in Colombia are the result of several different natural hazards that affect the country according to its particular geographic and geologic features. Human vulnerability, exacerbated by the **lack of coordinated emergency planning & management**, and the fragility of the economy and infrastructure can influence financial, structural, and human losses.

The **most important natural disaster** in Colombia this regard is the **heavy rainfall**, which is heaviest in the Pacific lowlands and in parts of eastern Colombia, where rain is almost a daily occurrence and rain forests predominate.

The opposite phenomenon of **drought** is also frequent. January through March and July through September are the dry seasons, when abnormally dry periods cause shortage in the water supply to crops and urban centres.

## 4. EUROPE AS AN IMPORT CONTINENT

### 4.1 About Europe



European Union is consisting of:

- 27 countries
- Size: 4 million Km<sup>2</sup>
- Political headquarters: Brussels
- Inhabitants: 505 million
- Languages: 23 official
- Literacy rate: 98
- Inflation rate: 1,20 %
- Unemployment: 12.1%
- GDP: 12,894 Trillion Eur

Image EU 1 – Country map of Europe

### 4.2 Political & Legal

The European Union is a single market. This means that goods, capital, services, and people can move freely among the member countries. Over the years the import of goods into the EU from developing countries has increased. Also the composition of imports from developing countries is changing in favour of manufactured goods.

The market access to the EU is difficult for many exporters of developing countries due to factors like:

1. The diversity of European Market, as it is a group of different national and regional markets offering **different opportunities and approaches**.
2. The European market also has a **Higher competition level**. Which forces companies to continuously increase the product quality, faster product innovations, shorter product life cycles, lower product prices, and providing better services to their clients.
3. To comply with **regulations and market requirements** of international standards, marking, label and certificates.
4. **Restrictions** in terms of tariff and non-tariff barriers such as quota restrictions.

[3]

### 4.3 European Economy

The creation of the single market and the corresponding increase in trade and general economic activity transformed the EU into a **major trading power**. The EU is trying to sustain economic growth by investing in transport, energy and research, while also seeking to minimize the environmental impact of further economic development.

Although Europe counts for only 7% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports. The EU is the world's biggest exporter and the second-biggest importer. Around two thirds of EU countries' total trade is done with other EU countries. [4]

Like in other continents, different states have **different economic strengths and weaknesses**. However, the true strength of the European continent is its average economic performance, which is one of the highest. Even the least performing states of the European continent have higher GDPs than countries in other continents. [5]

As the European countries are (moving towards) a single market system, the exporters are to be cautious when **choosing agents and distributors** for their products to ensure success in the European markets. In addition, the single currency (the Euro) is making cross-border markets and distribution possible as well. The level of competition has increased in the EU due to reduction of boarder and market barriers. Exporters should take a great care in choosing a distributor so that exporter is well informed about the latest changes made in the EU requirements along with information about the specific industry in which exporter is planning to launch the product. The pre-EU systems are in some countries still in place although in a modern EU version, and as such business customs and national legal differences, are still in place [3]

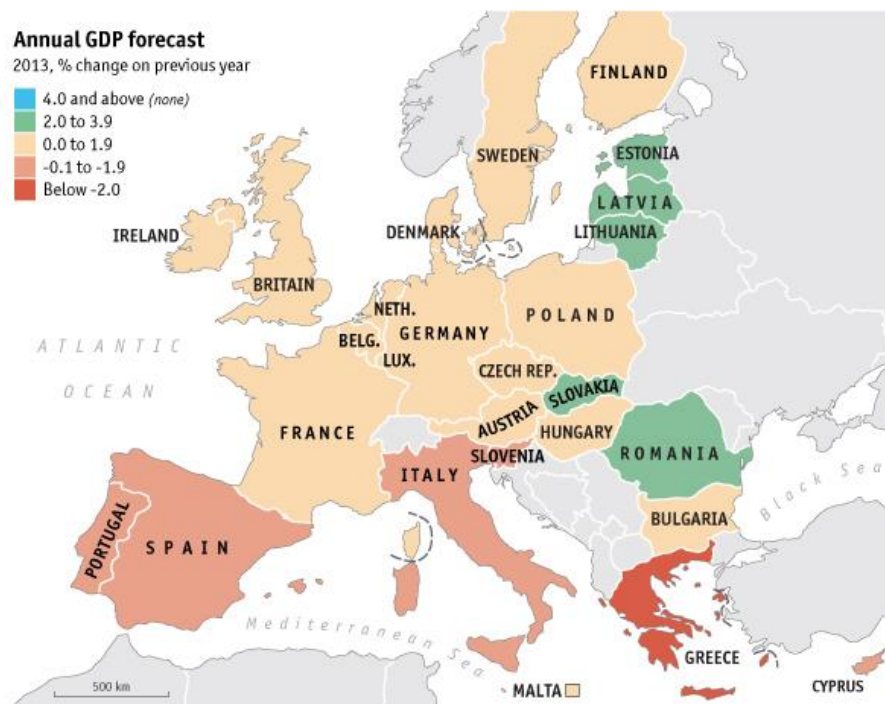


Image EU 2 - Annual GDP forecasts per country

Since the summer of 2012, **financial market conditions** in the EU have improved substantially. As financial and political leaders still trying to resolve this. But this improvement has not yet resulted into the daily life economy. Economic activity has been disappointing in the second half of last year(2012) and there are only now some signals from leading indicators that GDP in the EU is improving. [6]

The **labour market**, however is a serious concern. The employment rate is forecasted to shrink further for some quarters, and unemployment remains unacceptably high in the EU as whole. In the Member States largest adjustment to solve this is needed. [6]

The **relief in financial markets** and the aimed recovery have to be used to press with the political agenda to ensure the sustainability of public finances. But also to overcome financial fragmentation, implement growth-supporting structural reforms, lift employment and strengthen the architecture of EMU. [6]

In the light of high unemployment, domestic price pressures are expected to remain subdued. **Core inflation** has been falling very gradually in 2012 and is expected to hover at a rate around 1.8% in the EU and 1.7% in the euro area. [6]

European Union countries apply the EU tariffs **customs duties**, which are based on the international Harmonized System (HS) of product classification. Duty rates on manufactured goods from outside the European Union generally is less than four percent and are usually based on the CIF-value of the goods at the port of entry. [6]

#### 4.4 Social

The EU faces challenges in its demographic future. Most concerns centres on several related issues: an ageing population, growing life expectancy and immigrant flow.

**Life expectancy** (which rose by eight years between 1960 and 2006) could continue to increase by a further five years between 2006 and 2050 and could result in a larger proportion of people surviving to the ages of 80 and 90 – an age when their health situation can often be delicate. [7]

The **ageing population** will also have an impact on social protection and public finances. On the basis of current policies, ageing will have a serious impact on public spending. Budgetary issues of this type could compromise the future balance of pension and social protection systems in general, and perhaps even the potential for economic growth or the functioning of the single currency. [7]

There is substantial movement of people within the Union i.e. **internal migration**; this has traditionally followed two patterns:

The need to attract, acquire, leverage, and retain customers, remains a primary concern to business. Revenue growth through **customer acquisition and retention** is as important a requirement in e-commerce as it is in other business. Customers, especially in the Western business culture, count speed of service as a key reason that they do business with a company. [8]

#### 4.5 Technology

Research helps boost economic growth, create more and better jobs, and ensure the EU's competitiveness in the global economy. The EU encourages **investment in research and technological development** (R&D) and actively supports it in selected areas. [9]

The EU has set itself the objective of spending 3% of its gross domestic product (GDP) on research by 2020. Investment has nevertheless stagnated at around 1.84% (since 2005) compared to over 2.5% in the United States and 3% in Japan. [7]

Information technologies, and especially the Internet and mobile telephony, have enabled the development of the **Information Society**. This sector represents nearly 4 % of employment in the European Union (EU). The EU intends to promote the development and dissemination of new information and communication technologies (ICT) The EU completed the liberalization of the European telecommunications market in 1998. This framework has since been reformed twice: in 2003 and 2009. [7]

A uniform system of **protection of intellectual property rights**, ranging from industrial property to copyright and related rights, is aiming to found and stimulate creativeness and innovation within the

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European Union. Respect of the basic principles of the internal market (the free movement of goods and services and free competition) is based on standardization of intellectual property at European level. [7]

Northern European countries have the **highest e-commerce penetration ratio**. The three largest traditional markets are the United Kingdom, Germany, and France. Internet penetration continues to climb in Europe, and with its head start in wireless communications future prospects for e-commerce look bright. However, growth has been constrained somewhat by telecommunications regulations. [8]

## 4.6 Environment

The European Environment Agency aims to build on the EEA's *Environmental indicator report 2012*, with the key objectives and targets in EU environmental policy and legislation for the period 2010–2050. It focuses on selected environmental and resource policy areas, specifically:

- energy;
- greenhouse gas (GHG) emissions and ozone-depleting substances;
- air quality and air pollution;
- transport sector emissions of greenhouse gases and air pollutants;
- waste;
- water;
- sustainable consumption and production (SCP);
- chemicals;
- biodiversity and land use.

**Growing environmental agenda and community awareness.** As such the importers in EU are increasingly demanding environment friendly produced goods and urge companies to carry a social code of conduct.

Some European countries emphasize cooperative relationships, while other countries focus on competition and market processes in their corporate governance frameworks. Europe is not a monolithic bloc of countries. Its strength and weakness at the same time is its **variety of management styles and cultures**. European managers are still facing very different business environments, cultures, and corporate governance issues. [10]

## 4.7 General European Trend & Developments

### Outsourcing

The value chain in Europe is not as long and complex as it used to be. More and more producers outsource their production (partly) to other countries. Reasons vary from lower prices, speed of work, quality, high volumes, closer to target markets, etc. A low price is still an important argument although managers are getting more conscious about a good price - quality ratio.



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### More organic / natural products

Customers are more conscious about their health and recognize the advantages of nutritious food products. But not only food products, also clothes made from organic fibres which are avoiding skin irritations etc. are preferred. Stores and supermarkets that only sell organic products are gaining momentum.

### CSR - conscious buying

Customers prefer products that have Ethical values. Garments produced by children in bad circumstances are not accepted anymore. Factories which produce carbon free / with low pollution, are preferred. Adding such a social value is an important (marketing) argument.

In this sense people require a level of transparency of their suppliers/producers. As people are more critical, they want to know what they are buying, and from whom. Buying products out of countries with a good reputation is therefore important.

### Internationalisation

Employees are working now in other countries as of the Schengen agreement. Companies are looking for new international markets to sell. Producers buy in other countries. This as transport time is shortened faster and cheaper, and communications are easier because of technical developments. One might conclude that trade is not only from one country to another (neighbouring) country anymore, but continent to continent (e.g. LAM to Europe) As a result The Netherlands is often used as a logistics and business gateway to the rest of Europe.

### Changing shopping behaviour

How and where people buy their products is changing. This because of the increased use of ICT, Customers are better informed and able to compare prices all the time. With the improved transportation possibilities, products are delivered at your doorstep. Some steps in the buying chain are even skipped because of this. Customers buy directly from producers whereas agents or distributors are not involved anymore.

### Increasing role of ICT

People have access to new ICT tools; small powerful computers, mobile smart phones and high speed internet connections. Everyone is better informed and prepared about new innovations, products and prices. This by consumers as in business.

### Authenticity

As a result of ICT, highly competitive product market, a dens and spoiled population, customers are looking for authentic and original products. Those that stand out from the crowd, have an original design, innovative functionality, produced from authentic materials, produced by small craftsmen shops, etc.

### From east to west?

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On one side the consumer market opportunities are also moving to Eastern European countries. As economies are now more open, labour in these countries are cheap and hired sooner also seen the open labour laws. The size of the middle class is growing steadily, or even rapidly in some countries.

On the other hand production in the Far East is not as eminent as it used to be, because of increased prices, different communications habits, decreasing qualities, etc. This opens new opportunities for the Western hemisphere.

## 5. RESULTS - SECTOR SPECIALTY COFFEES (SC)

### 5.1 Introduction to the SC sector and its analysis

The SC sector in the VCA, focuses on specialty types of coffee outside of the traditional product sold worldwide as a commodity, which is used to mix with other coffees and make a better quality blend. Colombian coffee is one of the country's flag products known all over the world; however, there is very low penetration of origin-specific and specialty coffees from Colombia in the European market. The traditional sales of Colombia have been more focused in supplying the American market. The US market purchased 43.5% of total Colombian exports [5] and the sales are mostly made in green product, which means not roasted and requiring processing from a third party abroad to transform and package it for the end consumer. Due to this, there is not enough knowledge in producing end product for the European or any other market.

The term 'specialty coffee' originated in the United States. It was initially used to describe the range of coffee products sold in dedicated coffee shops, in order to differentiate these coffees from coffee generally available through supermarkets and other retail outlets. The term 'gourmet' is also used but is now applied to so many products that it has lost all relevance [14].

In 1982 the Specialty Coffee Association of America (SCAA), defined specialty coffees as “well prepared coffee, from a single origin and a distinctive taste” [22]. According to the SCAA Specialty Coffees can be divided in 5 types:

Coffees of Origin: Are coffees that come from a country region or farm with a number of unique characteristics due to their special growing place and are sold to the consumer without mixing with other types, origins or qualities.

Organic + sustainable Coffees: Organic are those cultivated without the use of agrochemicals such as fertilizers, fungicides, and insecticides. *Cenicafé* chapter of SC's includes organic as part of the sustainable coffees which also include those with a CSR practice or label such as Fair Trade, UTZ, or friendly with birds [22].

Flavor Coffees: Are coffees who have receives a certain flavor during the roasting process by adding elements or resins from certain flavors such as vanilla, chocolate, hazelnut, amaretto, strawberry, among others. They alone account for a 40% of the specialty coffee market.

Full Roast Coffees: Also called Vienesse, Full City or High Roast [25] are those coffees with a superior degree of roasting than traditional and are destined to the preparation of espressos and cappuccinos. It is not necessarily single origin and can be blended.

Decaffeinated Coffees: Those coffees that are subject to a process to extract the caffeine contained in the green bean. They represent the 10% of specialty coffees and are usually blended.

The Specialty Coffee Association of Europe (SCAE) defines SC as “a **crafted** quality coffee-based beverage, which is judged by the consumer (in a limited marketplace at a given time) to have a unique quality, a distinct taste and personality different from, and superior to, the common coffee beverages offered. The beverage is based on beans that have been grown in an accurately defined area, and which meet the highest standards for green coffee and for its roasting, storage and brewing.” [24]

Both SCAA and SCAE include origin, high quality and unique taste to their definition of specialty, but while the European entity has a more open definition, the American association categorized the type of specialty. Nevertheless, the main difference between the two definitions is that for the European Association SC's are an end product and **crafted**, which means processed [14] and is the definition on which this study will be based.

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Given this lack of precision in definition it is extremely difficult to describe the market in a global way. The best approach appears to be to look at the specialty market from different country or regional viewpoints. However, the very notion 'gourmet' or 'specialty' suggests some degree of exclusivity [14]. Until there is general agreement on what constitutes 'specialty coffee' it is not possible to accurately quantify how much is produced, or how much is consumed. Except to say that the general consensus appears to be that specialty coffee in all its different forms may be approaching 10% of world consumption [14], with nearly 20% of adult ages 25-29 consuming SC's, and two-thirds of all adults consuming coffee at least once per week [16]. Consumption in Western Europe is dominated by roasted coffee, which accounts for around 85% of consumption. Soluble coffee consumption has remained relatively steady at around 6 million bags for the past 10 years.

Coffee production in Colombia is unique with three high mountain ranges and valleys with multiple micro-climates to allow for coffee harvesting all-year round. There can be identified two periods of coffee production concentration: the main harvest period from October to December, produces 60% to 70% of the total and the second harvesting period from April to June, the "mitaca" crop, harvested mainly in the central coffee region of Colombia [2]. The production of Colombian Coffee has declined heavily since 2008, due to "La Niña" weather phenomenon, which has brought severe rainy seasons and diminished the overall production. Other aspects such as bad fertilizing due to high costs, poor maintenance and attention of the farms, which translated into an increase in rust disease "roya" and the borer worm "broca", have participated in the production decline. As a result, the country, which used to be number 2 in world production of coffee behind Brazil, is now positioned in the 4<sup>th</sup> place of world coffee producers after Brazil, Vietnam, and Indonesia.[1] As a result there is an on-going interest in developing new strategies in adding value and re-thinking the old strategy of selling green coffee at high international prices.

Although Colombia has always focused more in exporting to the American market, Western Europe represents the highest consumption of coffee in the world. Statistics show that the EU consumes 36% of the world's coffee with Germany consuming 7%, France 4% as well as Italy, 4% and the rest of Western Europe consuming 21% of the world's coffee. The countries that follow are United States (17%) Brazil (14%) and Japan (6%) [17]. The consumption of coffee per capita in Western Europe is also much higher than in other parts of the world with the first 8 nations in the top ten of per-capita consumption located in Western Europe [17]. Mainstream consumption in the last years has decreased which lead to a decrease in prices at retail point, compromising quality to retain margins. On the other hand there has been an increase in the consumption of specialty coffees of higher quality, making the market more divided in the past years and marking a clearer differentiation between mainstream coffee and specialty [18]. This market has a great potential but also great challenges for Colombian exporters. Western Europe still imports a vast majority of their coffee in green format, with approximately 45'000.000 bags of green coffee imported versus only 1'200.000 bags of processed coffees (Roasted, decaffeinated, and soluble) [18].

The information contained in this report was gathered through desk research (information obtained from documents, Internet search, specialized market databases and sector organization databases); and field research carried in Colombia and Europe through interviews to sector experts of both companies and BSO's. The respondents' identities are kept private and they will be referred to as Specialty Coffee Expert (SCE) and a consecutive number to identify them. They are:

SCE1: Retailer Company – Europe.

SCE2: BSO Expert – Europe.

SCE3: CSR Expert – Europe.

SCE4: Export Company – Colombia.

SCE5: BSO Expert – Colombia.

SCE6: Export Company – Colombia.

SCE7: Export Company – Colombia.

SCE8: Export Company – Colombia.

## 5.2 Demand and Trends in Europe - SC

### 5.2.1 European demand for SC

#### Overview of coffee consumption

According to the International Coffee Organization (ICO) EU is the world largest importer of coffee, accounting for 66% of worldwide imports equivalent to 4 million tons, in 2008. The second and third largest importers are the US (24%, 1.5 million tons) and Japan (7%, 423.602 tons) [18].

Germany is the leading EU importer, followed by Italy, France, Belgium and Spain [25].(See **Table SC 1**)

Period	May '11 -Apr '12	May '12 - Apr '13
Germany	21 118 682	22 022 689
Italy	8 275 329	8 866 470
France	6 984 426	6 743 934
Belgium	5 781 290	5 509 432
Spain	4 825 080	5 194 769
UK	4 165 530	4 104 092
EU	70 455 037	72 402 779

**Table SC 1 – Imports of coffee in Europe (in thousands 60 kg bags)**

Approximately 4% of the green coffee imported to EU is re-exported primarily to the US market. The last decade, global coffee consumption has grown consistently at around 2.5% a year, from 6.3m tonnes in 2000 to 8.1 tonnes in 2010. In traditional markets such as Western EU, Japan and the US consumption grew 12%, in exporting countries 57% and in emerging markets such as Eastern Europe and Asia by 46% [20]. Therefore, the growth has shifted from traditional markets, which do not have a significant growth, to emerging markets, which are growing faster. Furthermore, domestic consumption in producing countries has been increasing highly over the last years.

#### European market for Processed Specialty Coffee

As it was mentioned in the introduction, high quality of *specialty* coffees refer to distinctive flavors, which are the result of the unique characteristics from the soil in which they are grown. In some cases this is translated in ethical norms and benefits to producers through premium prices. In addition, the specialty coffee industry promotes to spread knowledge towards making consumers more aware of coffee characteristics, production costs, amount of labor required, and all the conditions involved in the production and marketing process. According to SCAE, specialty coffee represents around 5 to 10 percent of Europe's total coffee market and around 10 percent of total world coffee production. This market has proven unperturbed by the economic downturn with an annual growth of 1 to 2% [27].

In Europe the coffee consumption is divided mainly in two market segments; the retail that accounts for 70% and the consumption out-of-home to which corresponds the other 30%. This last one refers to consumption in the workplace, restaurants, coffee bars and through vending machines. In relation to certified coffees, governments that implement sustainable procurement policies are emerging as a new segment. Also the consumption at home of SC is becoming popular and another segment is becoming apparent.

Processed coffees on the other hand are a completely different story since Europe is the main processing region for coffee in the world and big corporations have been dedicating to this business for decades. Therefore, the overall contribution of roasted coffee imports from Developing Countries accounts for only 0.6% of total roasted coffee imports by the EU, indicating that exports of roasted coffee remain a limited market for DC coffee producers. The main supplies of roasted coffee to the EU market are sourced inside Europe, which is home base to large roasting companies such as Nestlé, Kraft, Tchibo, Lavazza, Sara Lee, Melitta, Illy, and Segafredo Zanetti [30]. In spite of this, between 2006 and 2010 there was a considerable increase in volume (3.7%) and value (7.9%) of processed coffee imported to the EU from DCs.

The countries whose imports of processed coffee from DC's represent the biggest share in their market are: Slovenia (20%), Italy (3.9%), Cyprus (1.9%), and the UK (1.6%). In terms of total imports of roasted coffee regardless of their origin the biggest importers in Europe are: France (24%), Germany (11%) and Netherlands (10%). Brazil is the largest Developing Country supplier of processed coffee to the EU, representing 39% of total imports from DC's, followed by Bosnia & Herzegovina with 11%, China with 7.4% and Colombia with a 6.9%. In the period 2006-2010 Colombia's exports of roasted coffee to the EU decreased approximately 19% while other DC's increased their exports by 10% over the same period.

### Northern EU

Specialty coffee in EU is a niche market in a continent in which the offer of good quality coffee is highly available. Mostly the real enthusiasts searching for something different compose the specialty target. The Northern EU specialty market is part of the world's largest market for coffee. There is in this region a massive increase in the number of micro-roasters operating. Usually they serve local areas, or very select targets via web. These small producers will need to depend on specialty importers or agents to access efficiently to this market. The entrance of huge Europe's roasters into this sector is probably happening also because they appreciate its potential. Therefore the competition of small specialty roasters is high and probably their market share less in comparison to the US case. For exporters the area to cover is broad, with a broad variety of preferences for quality coffee.

The largest coffee market in Europe is **Germany** with a market share of 23% [8]. The total coffee consumption in 2012 was of 526,860 MT [9]. In the country are a considerable number of roasters from which Tchibo and Kraft Foods are the main players. Germany is also the largest organic food market in Europe however the organic coffee imports were just 8,400 MT in 2009 and 7,620 in 2010. Despite this substantial decrease some companies are making efforts to have more sustainable coffee. Such is the case of Kraft foods, which aims to reach its goal of 100% sustainable coffee by 2015.

The **Netherlands** compared to Germany, Italy and U.K. has the highest consumption per capita. The average coffee consumption per day is three cups a day. In 2010 the consumption of roasted coffee reach 120,000 MT [9]. The biggest player in the Dutch market is Sara Lee with the brand Douwe Egberts, which has a market share of 50%. In the country the market for sustainable and certified coffee is growing rapidly. The largest supermarkets use 100% certified coffee for private labels and Fair Trade or Organic for private specialty products. The coffee industry collectively committed to increase by the year 2015 the market share of sustainable produced coffee to 75%[10].

The **United Kingdom** is the fourth largest coffee consumer in Europe with a market share of 8.3%. The country consumption in 2009 was of 193,000 MT or 8.3% market share of the total [11]. The UK stands for having a preference for the consumption of instant coffee. Currently this one represents the 75%

while roasted and ground coffee just reach 25%[12]. The UK consumers have accepted the Fairtrade widely. The country accounts for the second country with highest per capita consumption of Fair-trade after Switzerland. Overall the UK consumer is very critical and the certifications are not enough. It is important for these buyers to verify ethical and environmental practices throughout the value chain.

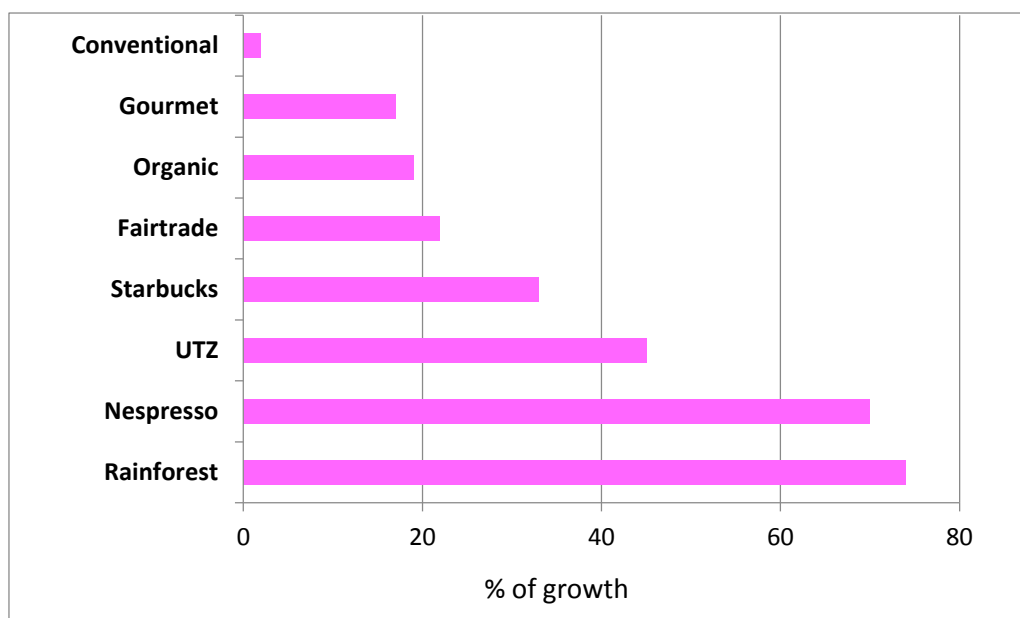
### Southern EU

The Southern EU specialty market is mainly **Italy**, which behaves completely different from all the other EU countries. The country is the second biggest consumer of coffee in Europe with a market share of 15%[8]. The consumption in 2001 was 349,000 MT. In contrast to Germany the main roasters are small businesses that supply the local market and there are some few well-known internationally corporations like Lavazza, Illy and Segafredo. So there are over 1,500 independent roasters that supply to a multiple number of Eastern European markets as well as small roasters that operate nationally. These roasters usually acquire ready-made, ready-to roast green coffee blends from specialty importers to offer mainly to the espresso consumers segment. Even though of these small specialty roasters are still successful in the market, they are facing a strong competition from larger and medium roasters whom introduce the single serve pod systems. These have been growing at an annual rate of 20% over the last few years.

In Italy Fairtrade coffee consumption in 2008 was just 371 tonnes but is currently growing according to FLO. And although the organic market is popular in the country, the one for organic coffee just accounts for the 0.5% of the total.

### Certified Coffee

In recent years, sustainable coffee initiatives such as Fair Trade, Rainforest Alliance, UTZ Certified, Nespresso (AAA), Starbucks (CAFE), among others, have thrived with growth rates that diminish the conventional coffee markets for the last decade. (See **Image SC 1**)



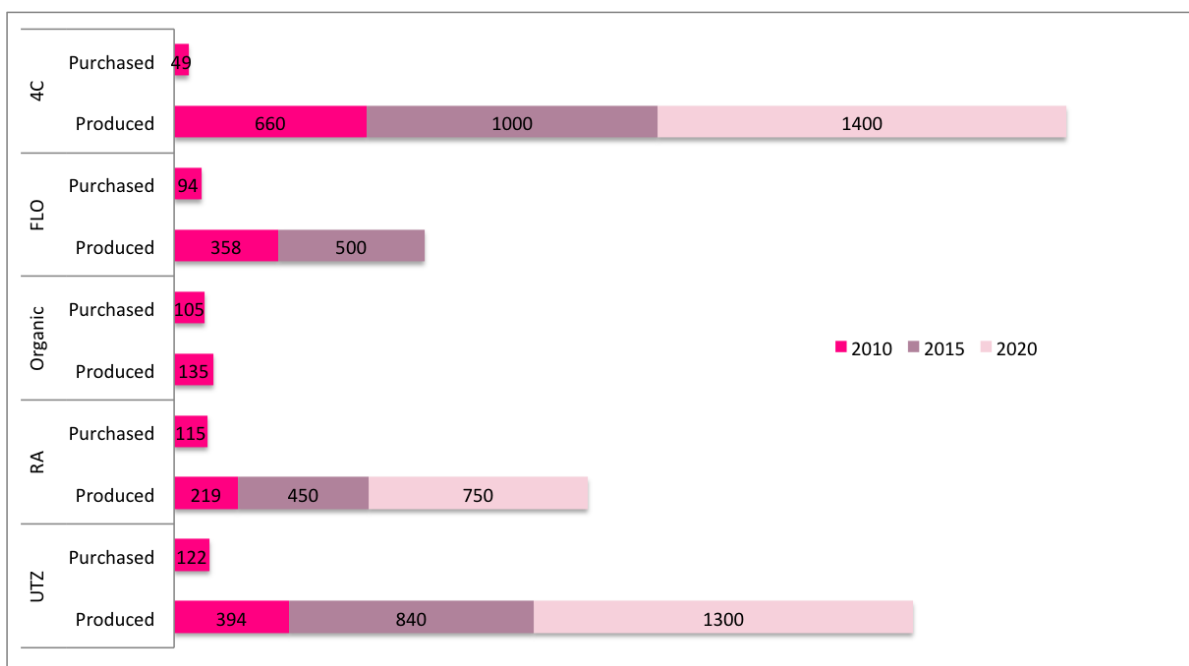
**Image SC 1** – Annual average growth rate of 3<sup>rd</sup> party verified and private labels (2006-2009 sales)  
Source: World Coffee Conference 2010 [23]

The great majority of certified countries come from Latin America, where Mexico and Peru are the major providers [23]. Unfortunately there is a large gap between sustainable coffee volumes available and actually purchased. Besides the obvious reason that the demand for sustainable coffees does not match the production levels, some other factors play a role in explaining the current gaps.

Firstly, the demand for coffee depends on various attributes of quality, including taste and origin. Not all the sustainable coffee available matches the buyer's criteria. Coffee standards systems indicate that to match supply and ensure demand, it is necessary to have on offer a broad range of qualities and origins. Secondly, double and triple certifications blur statistics of sustainable coffee volumes [13]. This basically means that very little production of certified coffees is actually purchased as an added value product; not all certified coffees are specialty coffees. This is an important distinction for the purpose of this study that should be taken into account when placing certified, sustainable or organic coffees into the specialty coffees segment.

**Image SC 2** shows certified coffee production volumes in 2010 and projections for the following decade, versus the quantities actually purchased as sustainable. It is quite obvious that a vast majority of the certified coffees are not purchased as such. When coffee is produced sustainably, but not sold as a sustainable product, the potential benefits of preferential market access, more direct commercial relations and premiums may not be available. Nevertheless, a major objective of implementing coffee production standards is to improve the livelihoods of producers. Although prices and premiums are important variables in this regard, they are often not the only or even the most important elements that determine the overall sustainability of a given producer.

As it happens with habits, trends and likes; European countries have differences in their preferences and the penetration of certified coffees. In Germany, certified coffees represent 3% to 7% of the total coffee consumed. This country prefers greatly organic coffees, representing 90% of certified coffees, and 10% Rainforest Alliance. Italy on the other hand, has very low interest in certified coffees with only 1% of the total of coffees being certified. 50% of these are organic and 50% Fairtrade. In the UK Fairtrade is very strong with 90% of the certified market followed by 10% of Rainforest Alliance. Certified coffees represent 20% of the total of consumed coffees. In the Netherlands, the penetration of these types of coffee is between 38% and 40% with UTZ dominating the market at 90%, followed by Fairtrade with 10%. [13]

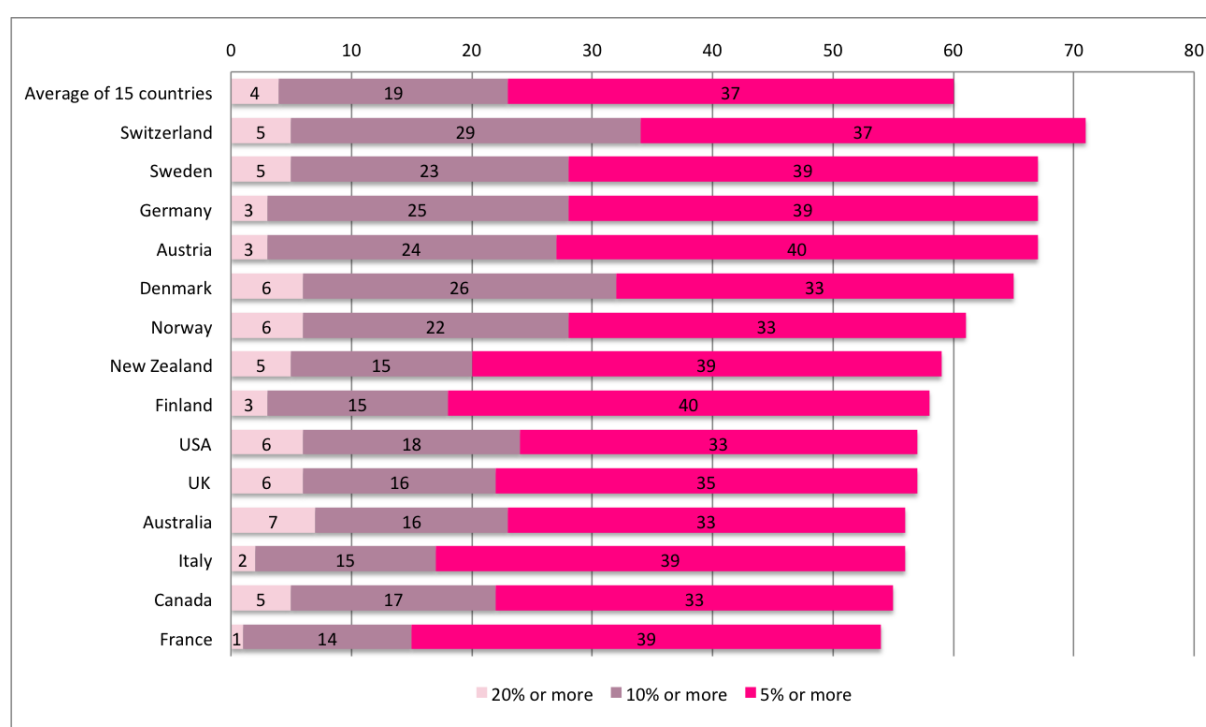




**Image SC 2** – Volume of available and purchased certified and verified coffees in 2010 and future projections (in thousand MT). Source: TCC [13]

For organic coffees, Peru and Mexico are currently the largest producers in the world, with tens of thousands of tons of coffee beans, mostly harvested by small indigenous farmers. Other leading producers in organic coffee are Honduras, Ethiopia, Indonesia, Colombia and Nicaragua.

Roughly 50% of the world supply of organic coffee is produced by small farmers' organizations, which are members of FLO-International (Fair Trade Labeling Organization). The other half of the world production is supplied by small farmers' organizations, which are not FLO-registered although some are members of Fair Trade programmes, and by private small, medium and large-scale farmers not belonging to Fair Trade programmes [23].



**Image SC 3** – Willingness to pay more for certified products. Source: GlobeScan market research for FLO International (Label Perceptions Survey) [23].

Another important aspect to take into account when considering a certificate strategy is the willingness of consumers in paying a premium price for such products. **Image SC 3** shows how much extra would some countries consider paying for a certificated coffee. In Switzerland for instance, 71% would consider paying extra. 6% of the Danes, Norwegian and UK would be willing to pay 20% more if the coffee is certified and this certificate is trustworthy [23] while only 1% of the French would be willing to pay so much more and only 54% would even consider paying more at all. This reveals that consciousness and willingness to pay extra for this type of products do not always go hand in hand and that as with many other points, Europe is everything but unified, reinforcing the idea of independent strategies to enter markets per country.

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## 5.2.2 European trends - SC

World coffee consumption has grown steadily around 2.5% per year. Growth is fastest in emerging markets in Eastern Europe and Asia, and in producing countries [13]. It is estimated that the global consumption of coffee year 2010/11 was 130.9 Million Bags; consumption referring to imports of 60 Kg bags of green coffee for roasting and packing. Of this total, 69.4 MB were consumed in importing ICO member countries, 20.5 MB were consumed in non-member countries, and the remaining 41.0 MB were consumed in producing countries [14]. There has been very little growth in coffee consumption in Western Europe over the last five years, with consumption showing possible declines [14]. This decline has forced big companies to reduce costs in production by lowering quality to preserve margins. On the other hand, the same reduction in quality may be responsible for an increase in the growth of consumption of specialty coffees in Europe [27].

### Domestic gourmet coffee

As a result of the global economic crisis, the consumers prefer to drink coffee at home and in this way have fewer expenses. The roasters are responding to this trend by introducing into the market single-serve coffee systems (such as Nespresso and Senseo), which make easier to have fresh made coffee at home, together with the introduction of specialty or single origin products into the main distribution channels so consumers can now have gourmet coffee at home every morning. Nespresso report a 30% increase in sales in a year basis since 2006. These premium products give the consumer the possibility to have a gourmet coffee and the convenience to enjoy the coffee in the comfort of its home, at any time of the day.

This trend can be seen clearly in developed markets such as Western Europe, North America and Japan where the high quality coffee is becoming more popular.

### Affordable luxuries

Consumers are becoming harder to please, more demanding and are no longer satisfied with just anything. They are looking for an overall experience, which make them feel their money was well spent. Luxurious and expensive products are no longer in demand, consumers expect from common products the highest quality and standards. Consumers have become savvier and are using technology to research, compare, review and find the best offer. Therefore more than price, intangibles as the sustainability degree of coffee play an important role nowadays.

There is an on-going focus in the fast food chains sector on selling high-quality specialty coffee that is the case of Mc Café and Burger King. SCE3 said during the interview “over the past years the European coffee drinker has become more and more sophisticated, so the demand for delicious coffee is growing” and the retailers are aware of this increasing opportunity selling coffee everywhere.

### Coffee is becoming the next wine

Consumers are interested in recognizing flavor’s and scents. SCE3 mentioned that there is a movement of special coffee experiences in Scandinavia and Copenhagen in which people are really pushing boundaries in specialty coffee. They want to become experts and to be educated through the exploration of their senses about food quality and sensory experience. SCE1 explained “*There is a lot of people talking about single origin, farmers, variety, processing, the freshness, the cup tasting, and very sensational flavor profiles. That is a very relevant, but in the whole market place is still a very small movement*”. There are every time more coffee connoisseurs who are looking for better coffee experiences and who are very knowledgeable about different qualities and flavors. They are looking all the time for more exclusive products.

### Quest for origin

As a citizen it is hard to know and trace down the food origins and processing. In industrialized countries people are increasingly feeling alienated from the food sources, as a consequence they want to connect with the origin as a way to be reassured of the quality of what they drink. Even though consumers are overwhelmed by unlimited options of certified and sustainable coffee, they just want to know where and how this product has been produced and handled. More (and better) information, especially on-line is making consumers aware and more sensitive to the needs of developing (food producer) countries and to understand the real origin make them feel that they are giving some support. A global study found that 33% of European and North American consumers are willing to pay more for products and services that give back something to society [15]. The coffee industry is ideally relevant for sustainable production and social change. This is what consumers want to see. During field research was also mentioned by SCE3 *"We believe in a more sustainable future for coffee, we pay a premium price on the quality and we buy coffee mostly through direct relationships with farmers or with like-minded coffee traders who also believe in the same philosophy, with complete transparency to the farm level of the producer"*. It can be concluded that this aspect is important not just for end consumers but also for importers.

### Continued growth in sustainable and responsible consumption

As mentioned previously, sustainability and CSR practices are a growing trend. A strong trend among large retailers is to set up their own private standards (Salisbury's 100% Fairtrade coffee & tea, Albert Heijn's Puur & eerlijk, Carrefour's Solidair, EcoPlanet and Bio, Lidl's organic brand Fresh Meadow). These labels facing the customer are rapidly growing and impact directly the growing home consumption trend described above and reach a niche market interested in knowing where their products come, under what conditions and the impact of their consumption.

### Young adults, serious coffee drinkers

The consumption of cups per day by consumers between 18 and 24 years is an increasing trend. This market segment has a different view of coffee, resulting from the coffee cafes culture. That is the case of Starbucks, which report a 10% growth in sales volume worldwide during FY09/10 and a 6% increase in the number of stores in EU.

This generation made these cafés their place to socialize and hangout. A clear example is the Starbucks chain, which improved their coffees with different flavours, creams and flavours, this results in more appealing coffees for younger generations. SCE1 referred and explained with detail this trend. He stated that when they started the business, a lot of teenagers did not drink coffee because it was perceived as a beverage only for the older people. He mentioned *"It was very boring, and always the same kind of house brand supermarket coffee blends"*. The interviewed said that this trend started around 1996 – 2000- 2005 and this was growing within student cities, also from the atmosphere of being in a coffee house, with music, reading material and socializing. He refers to a new type of out of home coffee drinking. At the end SCE1 concluded *"I think this is one of the trends we have been part for a long time and it is still very relevant. And I think it will be growing to less cosmopolitan areas."*

### 5.2.3 Legal Requirements

Complying with the food safety requirements is not as simple as it may sound. The EU's food policy is comprehensive and one of the strictest in the world. It ensures that food is traceable throughout the food chain, from the farm, where the food is grown to the Table SCs, where the food is consumed by EU consumers (so-called 'farm-to-fork' approach). As such, all actors in the food supply chain, including

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producers and exporters in developing countries, are involved in making sure that only safe food enters the EU market. [29] The food policy of the EU consists of two basic elements that govern food products that enter the EU. They are:

**Legislation on the safety of the food.** (Regulation (EC) 178/2002), also known as The General Food Law, lays down general definitions, principles, obligations and requirements which apply to all food brought on the EU market.

**Food Control.** (Regulation (EC) 882/2004), which lays down the control regime for food. These controls can be carried out at all stages of import and marketing in the EU.

Within these regulations there are very important aspects to take into account for the SC sector. These are:

**Hygiene management HACCP (Hazard Analysis Critical Control Point)** It is a methodology, based on principles, which food processors, packagers and distributors must use to identify the potential hazards that can be introduced while the food is under their care. These principles included: Compliance with the EU microbiological criteria for food; Procedures to achieve the hygiene targets of the Regulation; To follow procedures necessary to ensure hygiene; Compliance with temperature control requirements; Maintenance of the cold chain (when required); Sampling and analysis. The safety of the food upon entry in the EU heavily depends on hygiene procedures practiced during the handling of the product from production site to the borders of the EU. For this reason, many EU buyers require their food suppliers outside the EU to practice hygiene procedures equivalent to those established in the EU.

**Food Labelling.** Directive 2000/13/EC lays down the requirements of all pre-packed food products sold in the EU. As from 13<sup>th</sup> of December 2014; EU Regulation 1169/2011 on the provision of food information to consumers will apply. Defines the rules about labelling requirements for allergens, genetically modified food, gluten-free labelling, lot marking, packaging, nutrition labelling, organic labelling, packaging gas, sweeteners, liquorice, phytosterols & phytosterols, quinine and caffeine. Above all, labelling food products may not mislead consumers about the characteristics of the product and attribute health claims without EU authorization.

**Packaging and packaging waste.** The Directive 94/62/EC rules the materials permitted for all types of packaging which vary depending on the content of the package; the amount of material used (and eventually turned to waste); concentration of heavy metal in packaging; reusability, recyclability, technical specifications and labelling of materials contained in the packaging. These regulations vary in different countries of the EU (such as UK and Netherlands) especially in terms of the amount of material used to avoid unnecessary waste.

**Maximum Residue Levels (MRLs).** Maximum amount of pesticides in food allowed in the EU. Ensures that pesticide residues don't constitute an unacceptable SC risk for consumers. It is lay down by the Regulation EC 396/2005, which is fully harmonized and applies equally in all state members.

## 5.3 Supply and Trends in Colombia - SC

### 5.3.1 Colombian trends - SC

#### **Specialty Coffees to reach a growing niche market in Europe.**

Colombian organizations like FNC and Proexport are aware of the importance of competing with differentiated specialty coffees. Some strategies like building the retail coffee brand and stores Juan Valdez Café which has variety in origin, strength, and presentation (soluble, ground, beans, pods, decaf). There is a recently increased initiative from other smaller parties to sell their high quality coffee pushed by the low world coffee prices which have been decreasing in the past years (see **Image SC 4**)

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and the general concern of coffee growers about, the appreciation of Colombian Peso against the US Dollar which makes exporting at low market prices an even worse deal. There is a need for differentiation. The quality and the reputation are already built. Recently, Colombia participated with organic and specialty coffees and other products in BioFach 2012 in Nuremberg, Germany where they exhibit the potential and interest in this sector.

#### **Colombian farmers increasing interest to produce Specialty Coffees.**

With the recent growth of the specialty coffee market in U.S. and E.U, new opportunities arise for growers to earn premium prices for their crop, as long as they are willing to adopt the production and post-handling practices that increasingly informed customers are expecting of them. Lately this new lucrative coffee niche have been given Colombian growers a new incentive to replace coca production with alternative crops. The increased income that farmers can receive from specialty coffees production is driving them to return to this licit crop. Specialty coffee also is a possibility for farmers that cannot expand the size of their farms, to earn more from the same plot of land. The Specialty Coffee exported by Colombia has had a rapid growth from 220,000 in 2006 to over 2,000,000 in March 2012. \*USAID Specialty Coffee Program (April 2012)

#### **Adoption of CSR practices by producers.**

Similar to what happens in many sectors, CSR practices that are visible to the end consumer are a major trend in many developed countries and perhaps Europe is the forerunner of this trend. The case of Fair Trade and Sustainable coffees is already very present in supermarkets on products to prepare at home, and coffee retail chains also use it as a marketing strategy to attract niche market and charge a premium price. This trend that is generated in importing countries is reflected in producer countries creating a constant pull to adapt these CSR practices. The interviewed managers of roasted coffee companies in Colombia believe that to adapt certification schemes will increase the company's competitive advantage and this is result mostly of international stakeholders' pressure. During desk research data was found that restate this trend. According to the manager of the FNC. The supply of Colombian coffee with some level of certification has grown rapidly in the last decade. In 2004 the country had 1.745 certified producers, six years later in 2010 the number increase to around 100.000. So is clear how Colombian growers are producing coffees through differentiated protocols that are promoted in worldwide markets to the most demanding consumers.

#### **Increase of exports of Specialty Coffees in South Korea and China.**

Colombia has started to trade at an increasing rate to Asia, and in the coffee sector, China and South Korea are two destinations where exports have increased. New economic agreement like the FTA agreement with South Korea and increasing exports to China which has always been a traditional tea drinking nation but whose younger population are gradually adopting western habits are awakening to this sector. It is expected to grow 7.8% between 2011 and 2016 which taking into the account the massive population is represents a great potential.



Image SC 4 – Price of the Colombian coffee. 2009-2013. Source: Grupo Bancolombia.

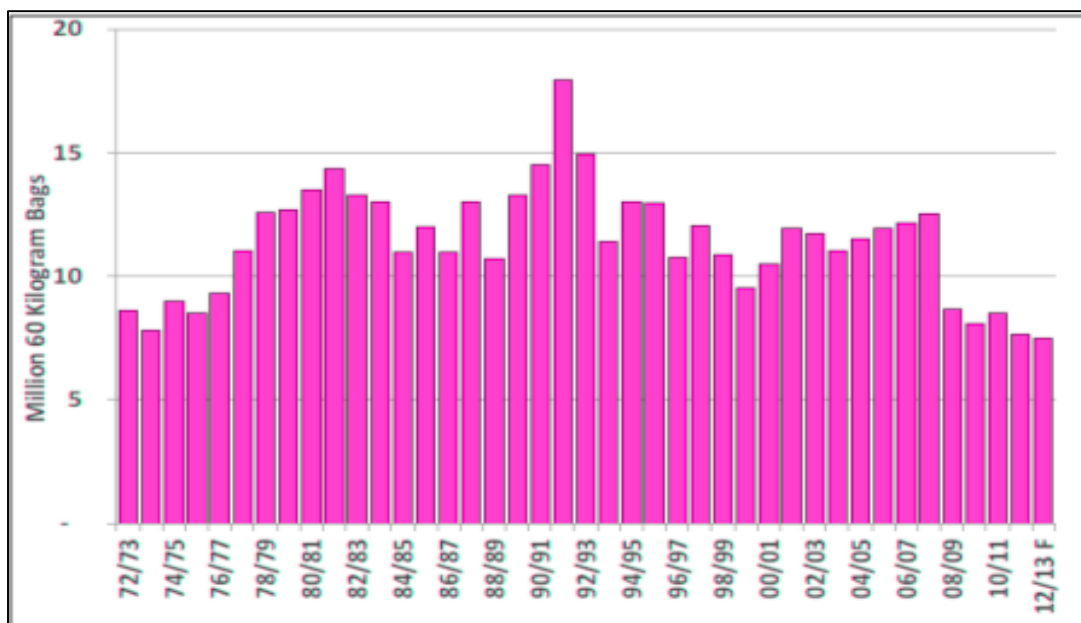


Image SC 5 – Colombia's coffee production of the last four decades. Source: USDA.

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### 5.3.2 Colombian supply - SC

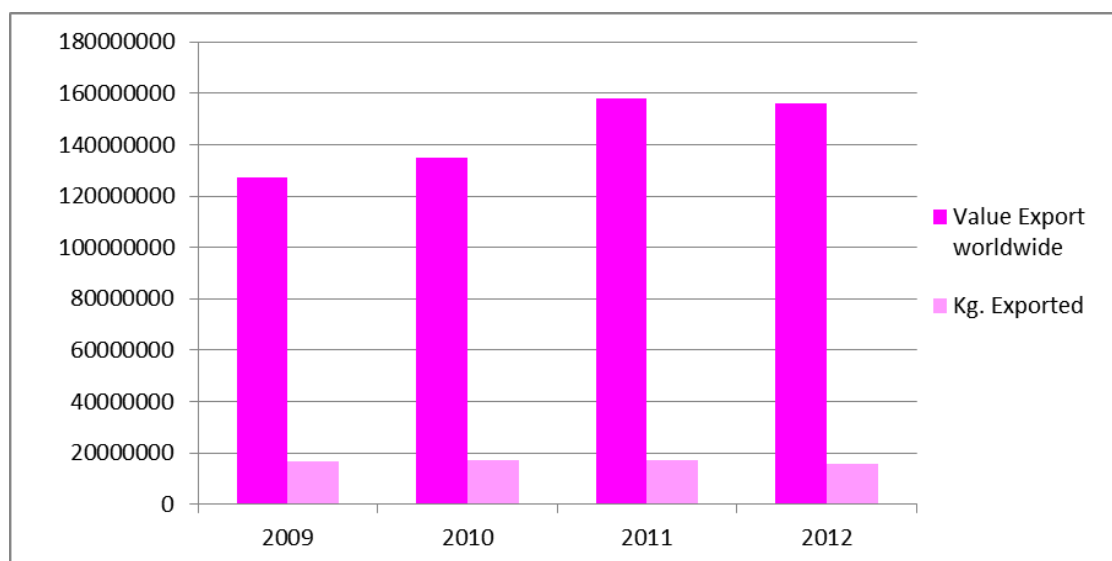
As mentioned in the introduction of this section, the production of Colombian Coffee has decreased in the last four years mainly due to the weather phenomenon “la niña” and diseases like coffee rust or “roya” and cherry borer or “broca”. Apart from this, there is an on-going tree renovation program lead by the FNC that has the near-term effect of lowering output until these trees reach maturity. This has led to the lowest production in Colombia of the last 40 years. [1] (See **Image SC 5**) Although 2012 forecasts predicted an even lower production for 2013, the beginning of the year already started to show an increase in the production for 2013 of 8.5 percent from the previous year to 8.3 million bags as a result of good weather conditions and the first economically viable harvest of rust resistant varieties planted in 2010. [2]

Moreover, Colombia is not just a producer of green coffee beans, but also has become a producer and trader of roasted coffee. Among the main producing regions of roasted specialty coffee stand out Nariño, Cauca, Guajira, Cesar, Tolima and Huila. The country’s coffee processed industry consists of 129 enterprises, 12 of which almost constitute the big industry and handle nearly 85% of production for domestic consumption [31]. These roasters market their own brands. The FNC also create one of these brands “Buencafé” as one of their strategies. As the coffee institution of the country, the FNC provides technical support to these companies and sells them coffee if it is required.

Colombian coffee is also transformed and utilized by industries of candy, soft drinks, medications and cosmetics, among others. Currently the types of Processed Coffees produced in the country are, roasted coffee beans, roasted granulated coffee, decaffeinated roasted coffee, soluble lyophilized coffee and coffee extracts.

#### Exports of Colombian Roasted Coffee

As mentioned in the previous section, despite the low production of the coffee sector there is a steadily increase in exports of processed coffee in recent years. From 220,000 bags of 60 kg exported in 2006 to about 1,800,000 bags of 60 kg in 2012. [32]. The only slight decrease was in 2012 (See **Image SC 6**), resulting probably from seven percent decline of green coffee exports because of the sector crisis.

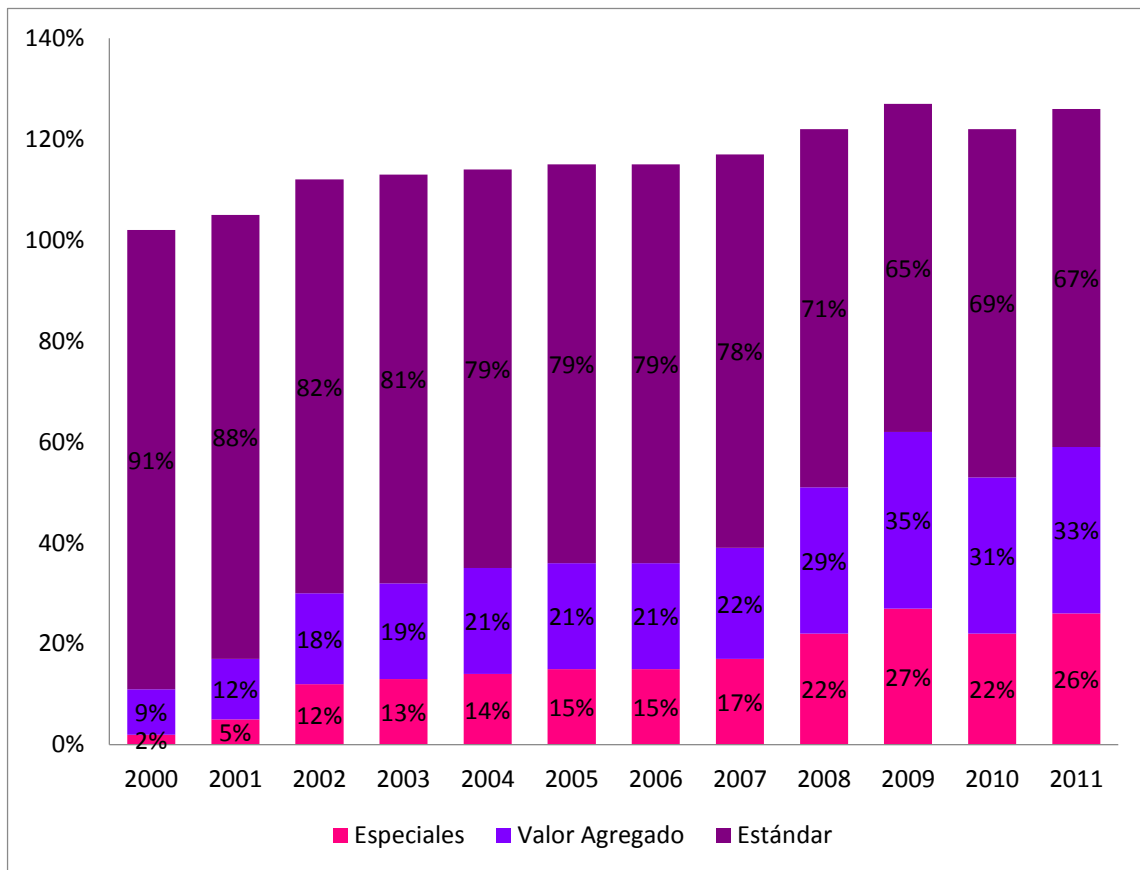


**Image SC 6** – Exports of processed coffee from Colombia in US\$ and Kg worldwide.

Source: Proexport.

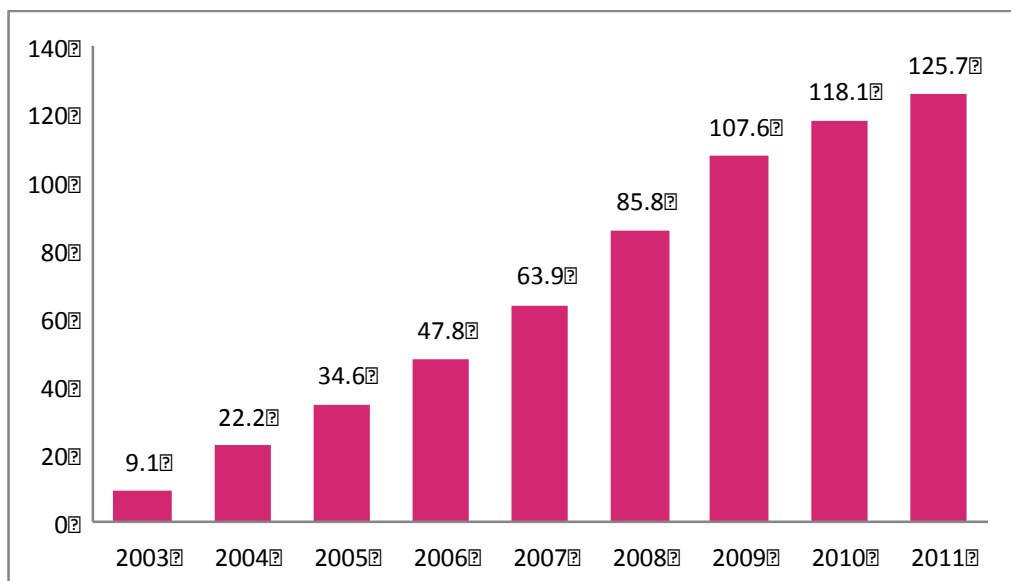
This increase in exports of processed coffee can be attributed largely to the work done by the FNC. Since 2002, the organization designed an added-value strategy, which promotes projects that seek to generate increased value for coffee producers in the country. This strategy includes several programs; Specialty Coffee development and promotion, creation of lyophilized coffee factory and the previous mentioned brand “Buencafé”, and the establishment of Procafecol a company that markets Colombian coffee with added-value in national and international markets through the “Juan Valdez” brand. These initiatives of added value and penetration of new segments have resulted in changes in the traditional coffee exports of the country (See **Image SC 7**). For the purpose of this study, attention is focused on the Specialty Coffee program, as the others do not reach the premium characteristics defined previously.





**Image SC 7 – Colombia: Exports of standard coffee and with added value 2000 – 2011 (millions 60kg bags) Source: FNC**

The National Federation of Coffee Growers (FNC) estimates the surplus returned to growers for specialty coffees by 2011 in US\$ 125,7 million. This represent a considerable growth compared to the 9,1 million of 2003, as part of the strategy of the main coffee organization in Colombia in bring added value to the product and the sector that has been hurt in recent years. [21] (See **Image SC 8**)

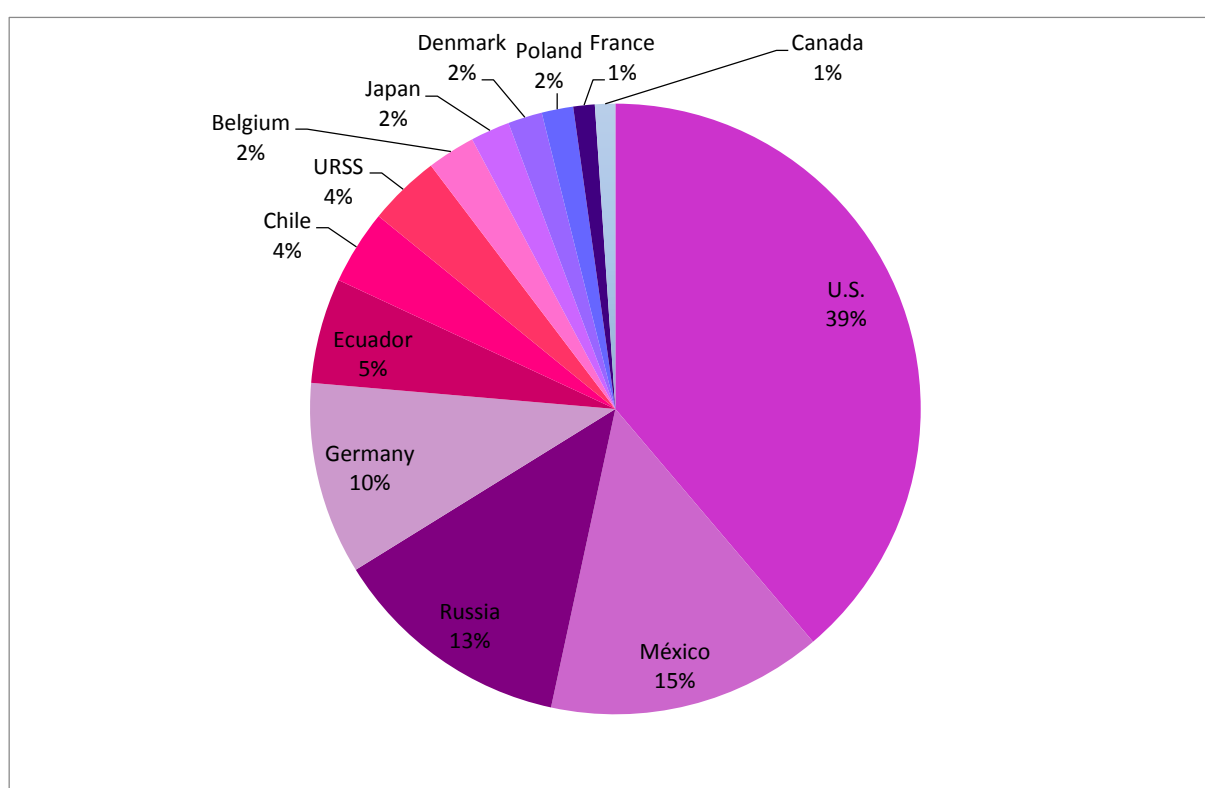


**Image SC 8 – Surplus paid to coffee farmers for Specialty Coffees in Million US\$. Source: FNC.**

### Colombian Processed Coffee Exports destination

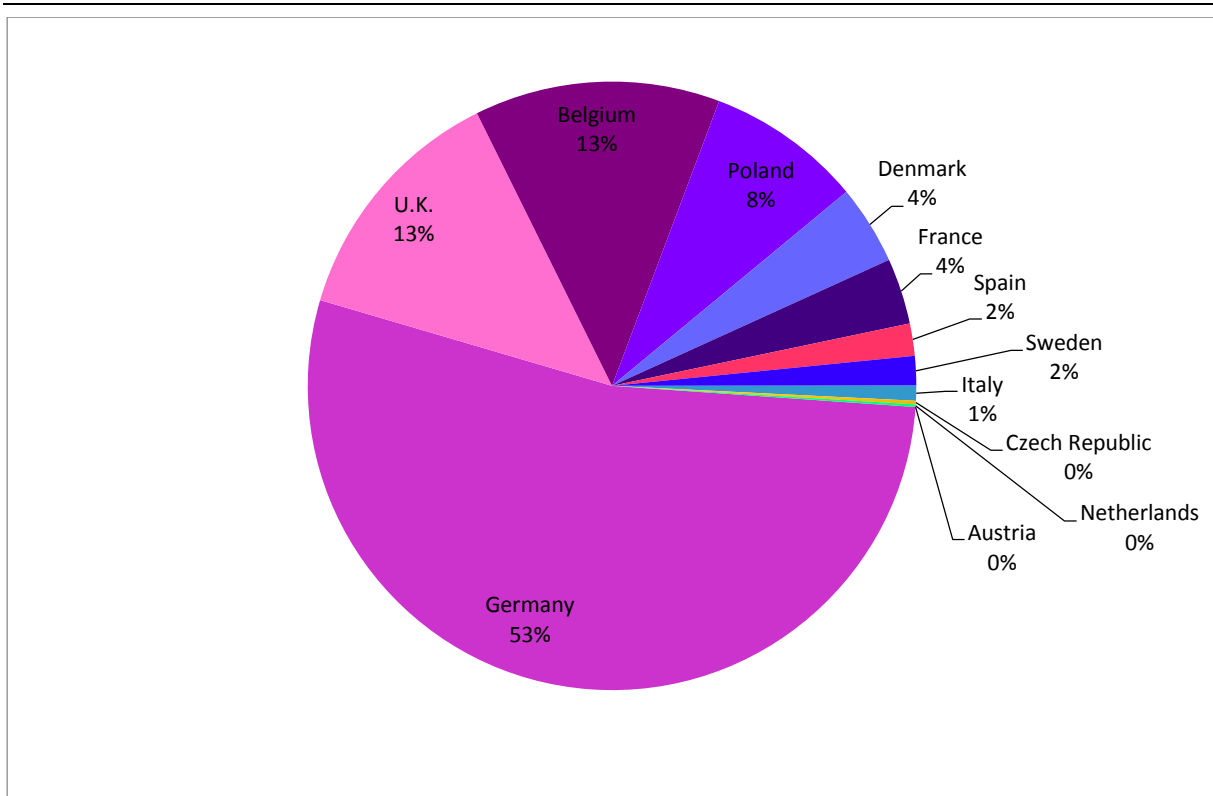
The main export destinations for Colombian Processed coffees worldwide are the US (39%), Mexico (15%) and Russia (13%) (See **Image SC 9**). It is important to note that three Latin-American countries Mexico (15%), Ecuador (5%) and Chile (4%) import a considerable volume of Processed Colombian coffee.

An interesting finding was that the EU/EFTA countries that buy more processed coffee from Colombia are not in every case the same ones with the overall greatest consumption or the ones that import more green coffee beans in the EU. Although the first two buying countries of Processed Coffees from Colombia are Germany (10%) and the U.K. (13%) which might be expected, the following ones Belgium (2%), Poland (2%) are not. Denmark (4%) with a population of 5,5 million and France (4%) with a population of 65,5 million, surprisingly represent the same percentage (See **Image SC 10**). There is no correlation (except maybe for the top two) between the population and the percentage in purchase within the EU/EFTA, nor with the purchasing power of the country.



**Image SC 9** – Colombian Processed coffee exported worldwide in percentage (2012).

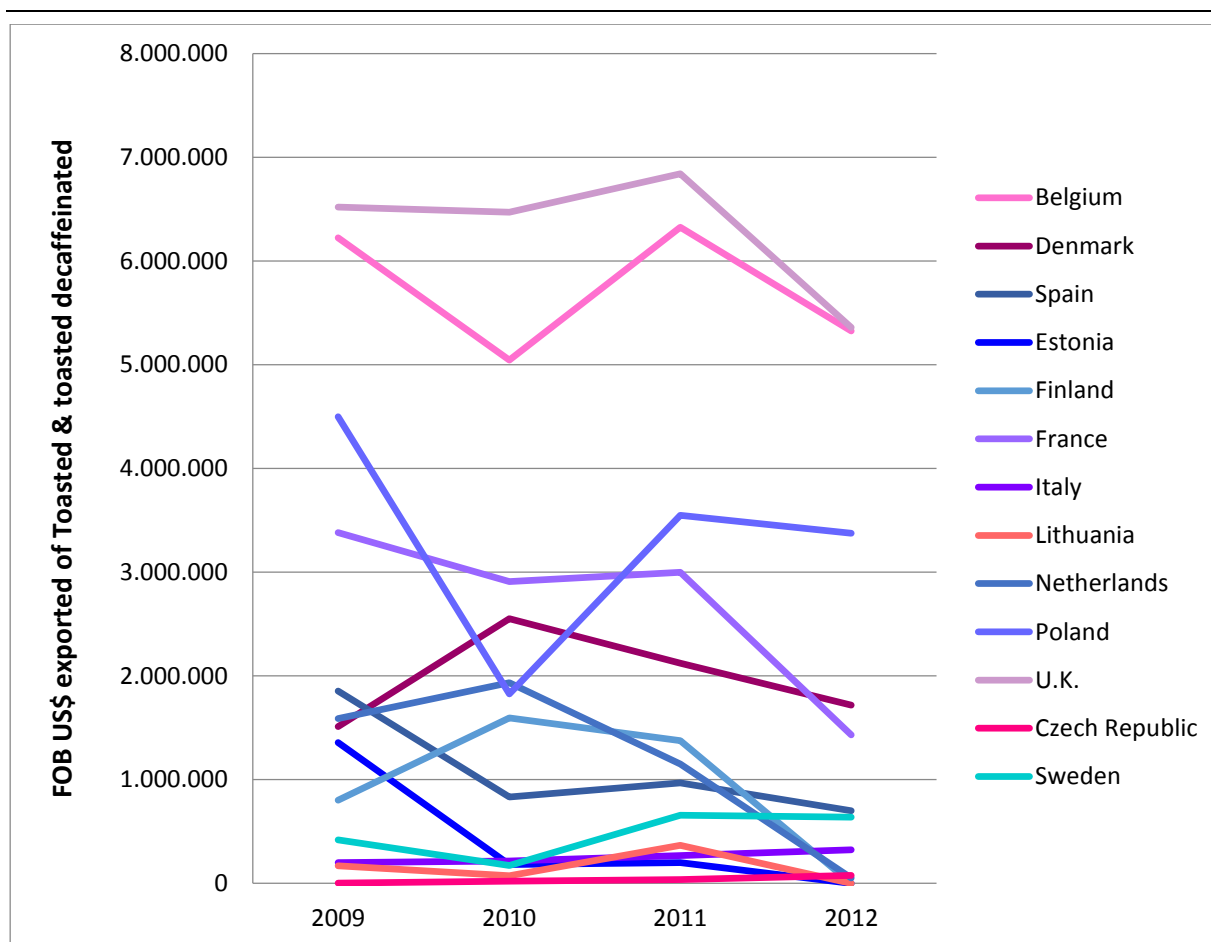
Source: Proexport



**Image SC 10** – Colombian Processed coffee exported to EU/EFTA in percentage (2012).  
Source: Proexport

It is important to highlight that despite the growth in exports that the Colombian processed coffees are having, the exports to EU are decreasing. A part from Germany (3%), Italy (21%) and Czech Republic (105%) which had an increase the rest of the EU/EFTA countries, have had a decrease in exports of these products. The exports have practically increased and decreased every other year. This shows how the commerce with EU/EFTA does not a match with the increasing production of roasted coffees in the country (See **Image SC 11**).

The exports of these products to the EU market are still considerably low, compared with the exports of green coffee to the EU which account for U\$ 688.210.000.[3], or to exports of processed coffees to the U.S. At the time of the interview, SCE8 proved this fact. According to them, Poland was the country where they had more experience in exports, while Germany, France and Scandinavian countries are their main targets for the near future.



**Image SC 11** – Colombian Roasted and roasted decaffeinated coffees exported to EU/EFTA in FOB US\$ (2012). Source Proexport

As mentioned previously, Colombia has traditionally exported more Coffee to United States, the experts interviewed consider Europe a better destination for Specialty coffees. SCE8 considers that *“Europe knows better the product; is better developed in specialty coffees than the US.”* SCE6 believe that *“Europeans are better educated about coffee”*, and in general, experts interviewed in Colombia see Europe as a market with a great potential which has been underexploited and where there is a lot to learn but also a lot to get from.

To further increase the exports of processed coffees there is a need for an increase in Colombian roasters aimed at exports, knowledge of roasting types and technification, together with knowledge of what the European market wants in roasting in order to successfully supply this market.

For a country like Colombia, undergoing economic development is a profitable SC business to commercialize products with added value, not just because of the increased revenues that they represent, but also for their contribution to employment growth and technological developments, which benefit the producers. Furthermore, Specialty Coffees enhance the implementation of sustainable techniques, and therefore become an important alternative to solve the harvest and postharvest challenges faced by growers

### 5.3.3 Overview of competitors

Until now, there is not a general agreement on what constitutes specialty coffee is difficult to quantify how much is produced, how much is consumed or how much is imported/exported. So to accurately establish who the competitors within the sector are, is also a difficult task because the numbers vary according to what is considered as specialty coffee. In this section the competitors were divided into three segments considered the most relevant to specialty coffee.

According to the general consensus seems to be that the specialty coffee in all its forms can count for about 10% of global consumption. Developed countries exported in 2010 the 96.7% of global roasted coffee despite the fact that almost no coffee is produced in these countries (See **Table SC 2**). This suggests that while developing countries are the main producers of coffee green beans, the roasting process and manufacture of the final product is done in developed countries. This indicates that roasted coffee exports are still a limited market for developing countries and deprives these countries of receiving premium prices and advantages participating higher in the global value chain.

Level of Processing	Exports (\$billion)			Share in world exports (%)	
	World	Developed countries	Developing countries	Developed countries	Developing countries
Not Roasted	17.38	1.54	15.84	8.9	91.2
Roasted	5.78	5.59	0.19	96.7	3.3

**Table SC 2** – Worldwide exports of not roasted and roasted coffee. Source: Trade map

The roasted coffees of high quality are generally considered the specialty coffees. This industry is likely to have an increasing differentiation between the commercial product and the specialty artisan business. Both can be successful, but seems that the specialized segment of the artisan coffee has experiential characteristics that makes it move away from the commercial one. This may represent an added value for developing countries trying to compete with large European roasters as Colombia.

Under these circumstances competition for specialty-processed coffees in EU was classified between *Macro-roasters* or the industrial business, *Micro-roasters* referring to specialty artisan business and coffees that are *processed/roasted in the country of origin*.

*Macro-roasters* (See **Table SC 3**), are large multinational companies that usually supply low-cost generic products in supermarkets or in cafés with their own brands. In recent years these companies have been paying attention to what specialty coffee is doing. For instance Douwe Egberts now is offering seasonal coffee while Lavazza and Nespresso are making coffee pods. These companies are now focusing more on freshness, styles and trends. The increase of specialty coffee in a multinational scale will probably continue for the coming years. These large international players are dominating the coffee trade and compete with them is a difficult task. What usually happens is that these giant multinationals will buy new and attractive brands and become bigger and bigger.

	Germany	Italy	Netherlands
Macro-roasters	Kraft Foods (large market player)	Lavazza (premium roaster)	Douwe Egberts (roaster & market leader in country)
		Segafredo (premium roaster)	Cook & Boon Koffie (roaster)
	Melitta (roaster)	Illy Café (premium roaster)	"De Drie Mollen" (largest EU private label roaster)
	Tchibo (Importer & roaster)	Mauro Demetrio SpA (large roaster)	Smits & Dorlas & Koofiebranders (roaster)

**Table SC 3** – Main macro-roasters in Germany, Italy & the Netherlands

*Micro-roasters are artisanal* small to medium sized companies (See **Table SC 4**). Are characterized for having a gourmet approach, which means that attention is paid to every detail. Recently these types roasters began to find direct trade as a way to lower their costs while still providing quality. By going directly to the origin, they will reach agreements make with the growers to ensure a supply of quality beans and be less influenced by coffee brokers. These companies may represent direct competition for Colombian processing companies but may also be interested in distributing their products because besides roasters they are sometimes also traders. The competitive advantage that these micro-roasters have is that they are regional; so they know well the local market. This could represent a disadvantage for Colombian companies that try to enter to the same market and compete with them.

	Germany	Italy	Netherlands
Micro-roasters	Hochland Kaffee & Supplier (roaster)	Caffé Agust (importer & roaster)	Algra Mocca (premium roaster)
	Bonafede (roaster & trader)	Mokito Spa (roaster and supplier)	Neuteboom (roaster & supplier)
	Quijote Kaffee (roaster)	Caffé Kimbo (Trader & roaster)	Simon Lévelt (Certified coffee roaster)
		Caffé Costadoro (Roaster)	Bocca Coffee (Certified & Fairtrade roaster)

**Table SC 4** – Important micro-roasters in Germany, Italy & the Netherlands

*Coffees processed in the country of origin*, refers to other developing countries exporting to the EU market. According to the CBI study *Roasted coffee in the EU: a road less traveled for DCs*, Colombia occupies the fourth place in exports of roasted coffee from developing countries to the EU with 6.9% after Brazil (39%), Bosnia and Herzegovina (11%) and China (7.4%). For these countries to enter the EU may represent a huge challenge, however a differentiator that they might have is to offer sustainable and single origin coffees.

		Price Levels	Quality Levels	Volume Levels	Logistic Costs	
COLOMBIA	MICRO-ROASTERS	BASE	BASE	BASE	BASE	
GERMANY	Micro-roasters	Hochland (Kaffee-roaster & supplier)	lower (-)	lower (-)	equal (=)	lower (-)
		Bonafede (roaster & trader)	lower (-)	lower (-)	higher (-)	lower (-)
		Quijote (Kaffee-roaster)	equal (=)	lower (-)	equal (=)	lower (-)
	Macro-roasters	Kraft Foods (large market player)	lower (-)	lower (+)	higher (-)	lower (-)
		Melitta (roaster)	lower (-)	lower (+)	higher (-)	lower (-)
		Tchibo (Importer & roaster)	lower (-)	lower (+)	higher (-)	lower (-)
ITALY	Micro-roasters	Caffé August (importer & roaster)	equal (=)	lower (+)	higher (-)	lower (-)
		Mokito Spa (roaster & supplier)	equal (=)	equal (=)	lower (+)	lower (-)
		Caffé Kimbo (Trader & roaster)	lower (-)	lower (+)	equal (=)	lower (-)
		Caffé Costadoro (Roaster)	higher (+)	equal (=)	higher (-)	lower (-)
	Macro-roasters	Lavazza (premium roaster)	lower (-)	lower (+)	higher (-)	lower (-)
		Segafredo (premium roaster)	lower (-)	lower (+)	higher (-)	lower (-)
		Illy (Café premium roaster)	equal (=)	lower (+)	higher (-)	lower (-)
		Mauro Demetrio SpA (large roaster)	lower (-)	lower (+)	higher (-)	lower (-)
NETHERLANDS	Micro-roasters	Algra Mokka (premium roaster)	equal (=)	equal (=)	equal (=)	lower (-)
		Neuteboom (roaster & supplier)	equal (=)	equal (=)	equal (=)	lower (-)
		Simon Lévelt (Certified coffee roaster)	lower (-)	equal (=)	higher (-)	lower (-)
		Bocca Coffee (Certified & Fairtrade roaster)	equal (=)	equal (=)	equal (=)	lower (-)
	Macro-roasters	Douwe Egberts (roaster & market leader in country)	lower (-)	lower (+)	higher (-)	lower (-)
		Cook & Boon Koffie (roaster)	lower (-)	lower (+)	higher (-)	lower (-)
		"De Drie Mollen" (large EU private label roaster)	lower (-)	lower (+)	higher (-)	lower (-)
		Smit & Dorlas Koofiebranders (roaster)	lower (-)	lower (+)	higher (-)	lower (-)

Table SC 5 – Competitor Analysis

Table SC 5 shows the comparison of the previous mentioned competitors with Colombia as a base. “Lower”, “higher” and “equal” represent how the performance indicator in that country is in relation to Colombia. The positive (+) or negative (-) signs represent if this difference is positive or negative in terms of competitiveness.

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### 5.3.4 Opportunities for the SC sector.

Colombia has an already gained reputation as a producer of top quality coffee. This reputation appears to be greater in United States than in Europe. These following aspects can translate into big opportunities for more penetration and success of Colombian Processed SC in the EU. Mainstream coffee drinkers and quality coffee drinkers are dividing in Europe in the later years. This marks an opportunity to invest in a niche that is getting gradually more differentiated between the general, mainstream coffee of an increasingly low quality and decreased consumption and a higher quality specialty, niche product of increasing market. This sets fertile ground for Colombian specialty coffees further incursion in EU/EFTA countries and expansion to other regions.

- The European end-consumers are gradually becoming more aware and interested in CSR issues. In coffee this practices can be also associated with higher quality. By embracing this CSR and making it visible to the customer can build a stronger relationship with the customer.
- Colombia has several coffee regions with different climate and altitude conditions which make the country really unique to produce really differentiated specialty coffees of origin. If these differences are well communicated and positioned in Europe, together with CSR labels there can be a greater impact in niche high quality markets.
- Many EU customers in different sectors are interested in the story behind the products they buy. As SCE8 mentioned, *“people want to know what they are consuming”*. This goes hand in hand with CSR practices but applies more to the product of specific origin.
- Organic coffee is starting to develop in some regions like Sierra Nevada but the experience in this aspect is less that with CSR practices and labels. Europe is a forerunner in organic trends, and with the help of CBI this type of specialty coffee can be can develop even further for this niche market.
- There is opportunity for improvement in packaging to meet the European standards and sell the product to right target market. It is not only about a great product, but how that product is perceived. In this aspect Colombian standards are quite lower than European. Convincing in the importance of design, branding and packaging is necessary to give the right impact in a demanding, higher priced market. Quality has to be perceived and communicated first and then proven with the product.
- Specialty coffee in Europe focus in quality rather than volume. Quality is the strong point of Colombia while volume is decreasing. The issue is that this quality is not necessarily known by the end consumer due to old time strategy in selling green for improving blends. Marketing to communicate this quality is a job BSO and government in Colombia have to work on as SCE5 suggested.
- Incursion in other growing markets such as Eastern Europe and Russia, which has increased interestingly its consuming habits from mainly low-quality soluble coffee to increase the consumption of roasted coffees. This marks a gradual shift to higher qualities. For this Europe, and Netherlands in particular can play a crucial role as commerce contact and partner.



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### 5.3.5 Opportunities in markets outside Europe

- **USA/Canada:** all sized-roasters, whereby the gourmet roasters have high interest in high-quality Colombia Coffee.
- **Japan:** In general all sized-roasters buy higher quality coffees, however the last 2 years the premiums paid by Japan are declining.
- **Russia:** Growth in higher quality coffees from soluble to roasted. Increased from 15% to 20% roasted coffee. 80% is soluble. Per capita consumption decreased but better quality consumption increased. Previous Image SC 9 shows that is currently the third country where Colombia is exporting more processed coffee, after U.S. and México.
- **China:** Is a very attractive market for specialty coffee businesses. Because is the world's densely inhabited country and even if it has been traditionally a tea drinking country, the younger generations are switching to coffee. For the last 15 years coffee consumption per-capita has been on rise.

### 5.4 Export Value Chain – Specialty Coffees

After having presented the general overview of the SC sector, the European demand and its supply situation in Colombia and the trends in the sector on both sides, a visual representation of the Value Chain was created to analyze the interconnection of different aspects along the value chain in this sector, stakeholders, bottlenecks and assets.

**Image SC 12** presents graphically the structure of the value chain. In this Image SC we have represented the following information as follows:

- Value chain pillars indicating the sequential touch points in the chain.
- Stakeholders which have a role in every one of the pillars.
- Bottlenecks that hinder Colombian exports of the coffee sector.
- Assets of the Colombian TF&F sector to successfully export to Europe and the world.
- Most crucial pillars that contain the most important bottlenecks according to experts (marked in light gray).

### 5.4.1 Specialty Coffees: Value Chain Analysis

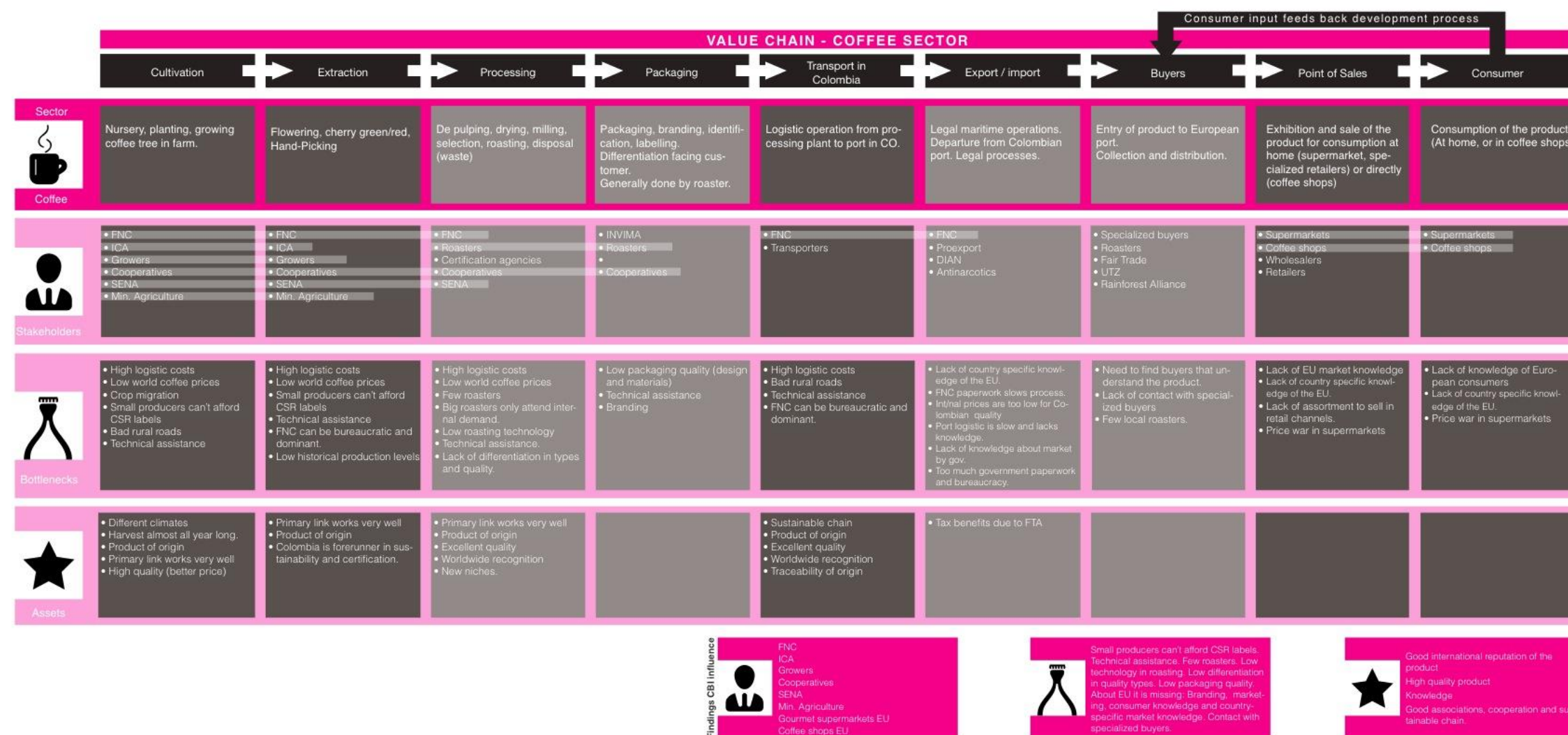


Image SC 12 – Value Chain for Specialty Coffees.

## 5.5 Overview of stakeholders

### 5.5.1 Stakeholders – Actors

The actors for this sector have been divided between Exporters, on the Colombian side, and Importers from Europe. Exporters are either companies that roast coffee for export who buy their coffee from selected farms or cooperatives of growers; or growers specialized in producing high quality single origin specialty coffee. Importers are classified in Coffee houses, those who sell prepared coffee to be consumed on the spot or to go or who sell a selection of coffees by origin to be consumed at home; Gourmet markets, those grocery stores specialized in gourmet products; Organic shops, selling only organic products: Roasters of SC's and traditional Supermarkets. In the case of supermarkets, Specialty Coffees are practically 100% certified with some kind of CSR label. In the case of Sainsbury's in the UK, 100% of their coffee sold is Fair Trade. **Table SC 6** shows a sample of these exporters and importers on both sides.

Actors	Exporters	Roaster	Procafecol	CO
			Café Quidío	CO
			Café San Alberto	CO
			Café Azahar	CO
			Café Ginebras	CO
			E&D Café	CO
			Amor Perfecto	CO
			Café Sierra Azul	CO
			Café Rayona	CO
			Café Baque	CO
			Café La Abra	CO
			Coffee Gold	CO
			Dia	CO
			Growers	Finca El Resumidero
		Coop. Caf. Manizalez		CO
		Coop. Caf. Antioquia		CO
		Cafexcoop		CO
		Importers	Coffee House	Finca El Descanzo
	El Tesorito			CO
	Finca Primavera			CO
	Finca El Aguacate			CO
	Simon Lévelt			NL
	Gourmet Market		Coffee Company	NL
			Artisan Coffee	UK
			Dethlefsen & Balk	DE
			Cafés El Magnifico	SP
	Organic Shop		Marqt	NL
		Wholefoods Market	UK	
Kochhaus		DE		
Lafayette Gourmet		FR		
Casa Gispert		SP		
Supermarket	Eko Plaza	NL		
	Kate's Organic Market	SW		
	Bio Prestige	FR		
	Naturalia	FR		
Supermarket	SUPERBioMarkt	DE		
	Albert Heijn	NL		
	Tesco	UK		
	Aldi	DE		
	Lidl	DE		
Carrefour	FR			

**Table SC 6 – Stakeholder Table SC (Actors)**

### 5.5.2 Potential Colombian companies with interest in CBI programme

According to the FNC, there are 77 companies currently exporting roasted coffee. These companies meet the CBI criteria of processed specialty coffee since the product they export is already processed and packed for consumption instead of the traditional green coffee. A complete list of these companies can be found in **Appendix SC1**.

The companies in **Table SC 6** are an illustrative sample of selected companies with export experience.

There was found that in Europe largest roasters rely on traders for their supply rather than dealing directly with producers or producer groups. Trading companies are large players and are the closest to the farmer therefore they have to secure quality of production and volume. Therefore these companies established different guidelines to acquire sustainable coffee and are involved in the design and implementation of training programmes to improve and protect the economic, social and environmental conditions at the beginning of the value chain. In this way they can help to increase the production of sustainable coffee.

### 5.5.3 Stakeholders – Supporters

Supporters	BSO's General	Knowledge	Corpoica	CO
			SENA	CO
		Commerce	Chambers of Commerce	CO
			Proexport	CO
			CBI	NL
			Sippo	CH
	Sustainability	IDH	NL	
		CSR Europe	BE	
	BSO's Sector	Guild	Occicafé	CO
			Asoexport	CO
			Comitato Italiano Caffè	IT
			Associazione caffè Trieste	IT
			Deutscher Kaffeeverband	DE
			ACAFETO	CO
			Quality	SCAE
	FNC	CO		
Kaffe.no	NW			

**Table SC 7 – Stakeholder Table SC (Supporters)**

Supporters are divided in **Table SC 7** between BSO's who support companies in general and sector-specific BSO's. The BSO's general in this Table SC are either *Knowledge* providers for different sectors (in agriculture, technical training, etc.), organizations dedicated to facilitate *Commerce* on either side of the value chain, and BSO's that look after *Sustainability* practices in multi sectors without favoring

a particular label. BSO's for the sector are sector *Guilds* (for SC in particular such as Occicafé and Asoexport in Colombia; or Deutscher Kaffeeverband and Comitato Italiano Caffè in Europe.) and *Quality* assurance BSO's (such as FNC in Colombia and SCAE in Europe).

There are many associations in Colombia for growers especially, these are the ones that were more dedicated to specialty coffee production and export and had considerably larger size.

A more detailed list and explanation of these supporter organizations can be found in **Appendix SC2**.

#### 5.5.4 Stakeholder – Influencers

Influencers	National	Policy	ICA	CO
			FNC	CO
			DIAN	CO
			Antinarcotics	CO
			Min. Agricultura	CO
			Incoder	CO
		Finance	Bancoldex	CO
			Banco Agrario	CO
			Analnex	CO
	Knowledge	Cenicafé	CO	
	Local	Policy	CVC	CO
			Sec. Agriculture	CO
			Corpoantioquia	CO
			CARDER	CO
CRQ			CO	
Corponariño			CO	
Cortolima			CO	

**Table SC 8 – Stakeholder Table SC (Influencers)**

Influencers are those organizations that have a strong influence in the sector's policies or provide financial aid to this and other sectors. Their politics can facilitate or difficult exports in general and they are normally located at a government level. These Influencers are divided in those who influence at a National or Local (regional) level. In the first group, governmental organizations can be found such as Ministries, tax agency (DIAN), rural development (Incoder), and agricultural sanitation and supplies (ICA). The regional entities are mainly CAR's (Regional Autonomous Corporations) and Secretaries of Agriculture. The *Knowledge* influencers are these organizations dedicated to the research and development of the sector (Cenicafé in this case). The *Finance* influencers are at a national level and they provide financial support for entrepreneurship towards exports in general (Analnex, Bancoldex) or specific for the agricultural sector (Banco Agrario, Finagro). These entities are big and complex and often subject to state bureaucracy. Nevertheless, their politics affect directly the development of the sector. (See **Table SC 8**).

A more detailed list and explanation of these influencers can be found in **Appendix SC2**.

### 5.5.5 Main Stakeholders

**Image SC 12** shows a complete view of the value chain, the pillars, bottlenecks and the stakeholders related with the pillars and bottlenecks listed. Based on information gathered from desk and field research the following stakeholders were listed as the most relevant for solving the listed bottlenecks taking into account CBI's scope and reach.

**Table SC 9** shows these stakeholders classified in how interested would be in joining a CBI program; and the influence these stakeholders could have in the resolution of those bottlenecks through a programme.

Stakeholders		Interest of stakeholders in the program	Influence of stakeholders in the program
1	CBI	HIGH	HIGH
2	PROEXPORT	HIGH	MEDIUM
3	ICA	MEDIUM	HIGH
4	COOPERATIVES	MEDIUM	HIGH
5	CENICAFE	MEDIUM	HIGH
6	SCAE	LOW	HIGH
7	FNC	LOW	HIGH
8	SENA	MEDIUM	HIGH
9	CORPOICA	LOW	LOW
10	MESA TÉCNICA	MEDIUM	HIGH
11	UNIVERSITIES	MEDIUM	HIGH

**Table SC 9 – Stakeholder interest and influence**

The information in **Table SC 9** helped to organize the following **Image SC 13**, which places the stakeholders in an assessment grid using the criteria mentioned previously as the X & Y axis and whose position indicates the type of interaction and involvement in a CBI programme the stakeholder should have.

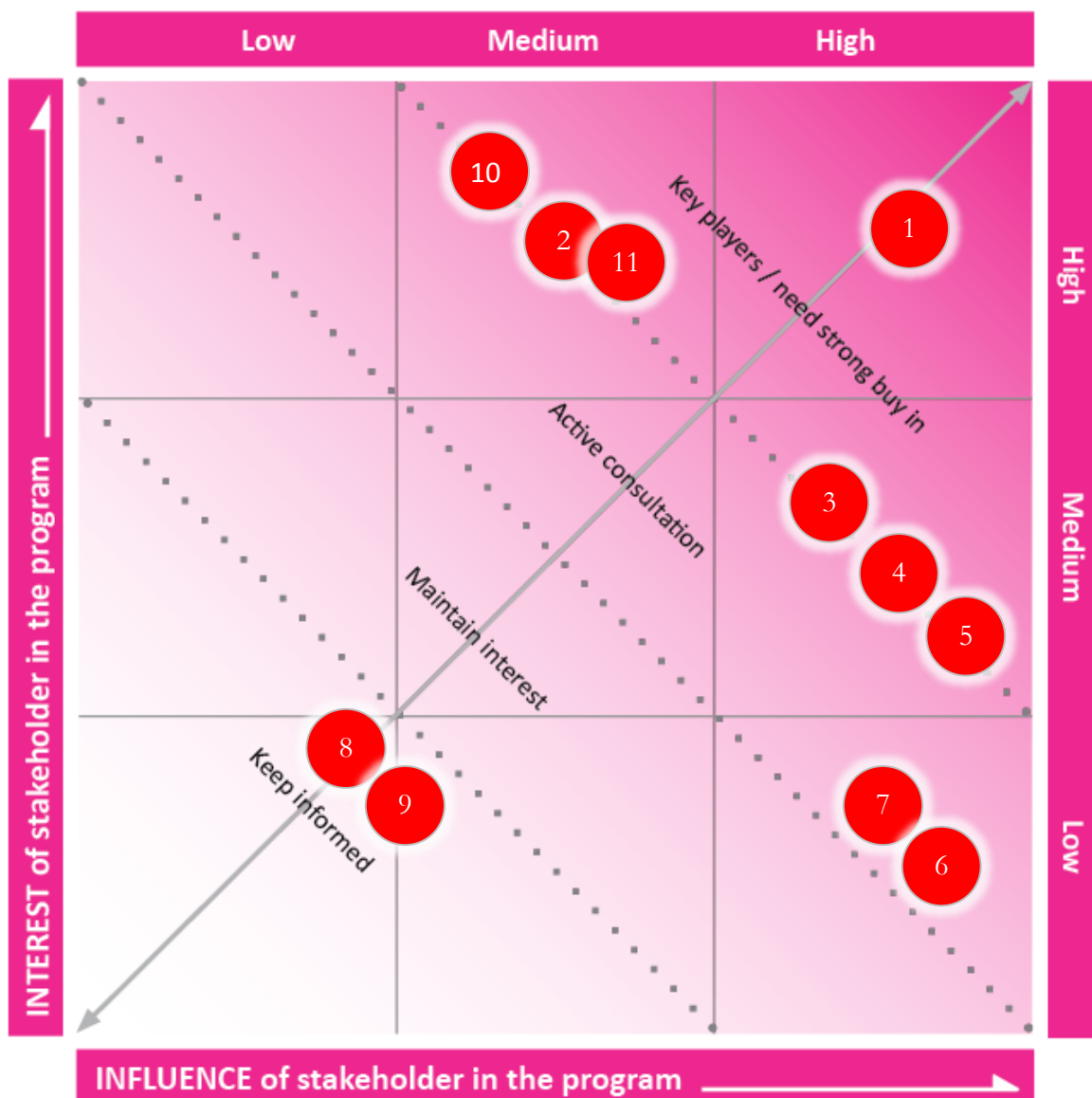


Image SC 13 – Stakeholder assessment grid.

### 5.6 Overview of the main bottlenecks

The Value Chain Graphic shows a number of bottlenecks that hamper the development of the sector in its goal of incrementing exports to the EU/EFTA countries. The following Table SC shows the most relevant bottlenecks according to desk research and experts interviewed taking into account the possibilities and programmes of the CBI. The Table SC specifies if a certain bottleneck is critical, can be solved in short term (4 year period), which organization(s) can provide the solution to that problem, and the possibilities of the problem not being solved in the short term. (See **Table SC 10**)

PROCESSED SPECIALTY COFFEES				
Observed bottlenecks in VC	Critical (Y/N)	Short term Solvable (Y/N)	Organization providing solution	Risk of NOT being solved in short term
Small producers can't afford CSR labels.	N	Y	CBI/COOPERATIVES/	MID
Technical assistance	Y	Y	CBI/CORPOICA/CENICAFE/ SENA/UNIVERSITIES/MESA TECNICA	MID
Few roasters FOR EXPORT	N	N	CBI/FNC/SCAE	HIGH
Little differentiation in qualities levels/types	Y	Y	CBI/PROEXPORT/FNC/SCAE/MESA TECNICA	MID
Low quality in packaging	Y	Y	CBI/DESIGN STUDIOS/PROEXPORT	LOW
Branding/marketing in EU	Y	Y	CBI/PROEXPORT/SCAE /	MID
Lack of market knowledge of the EU	Y	Y	CBI/PROEXPORT	LOW
Contact with specialized niche buyers	Y	Y	CBI/PROEXPORT/SCAE	LOW

**Table SC 10- Value Chain constraints analysis.**

## 5.7 Overview of opportunities for Value Chain Development

The bottlenecks discussed above in this report represent difficulties for the sector in competing in the European market. These main bottlenecks, if solved, can create a big impulse to the sector and increase the positioning and sales of Colombian SC's in Europe. **Table SC 11** shows these bottlenecks, why do they difficult exports, how can the problem be tackled (with the help of CBI) and which CBI module can address this issue.



**PROCESSED SPECIALTY COFFEES**

<b>Observed bottlenecks in VC</b>	<b>Why does it difficult exports?</b>	<b>How can it be solved?</b>	<b>Can it be addressed by a CBI module? If yes, which?</b>
Small producers can't afford labels	CSR labels are a growing trend for exports to Europe. Not having them can limit access to certain niche European markets.	Implement labels in coffee grower's cooperatives. Share expenses between EU buyers and CO producers. Negotiate a premium price.	ECP Certification
Technical assistance in production	Most growers are small with small capacity needing more production efficiency to meet EU quantities.	Providing technical assistance in increasing productivity without compromising quality from a single farm.	ECP Export Capacity Building
Few BIG roasters production FOR EXPORT	Most BIG roasters product is for local consumption, and don't meet quality requirements for Europe. Micro roasters are producing specialty coffees for export.	Creating awareness of the advantages of exporting roasted. Requires investment in roasting capacity, machinery and training in different roasting techniques. Roasted SC for export is not high volume, therefore big local roasters are not a necessity at the moment.	ECP Export Capacity Building/Business Development
Minimal differentiation in quality levels/types	Differences in qualities and types are not well communicated. Customer is not aware of them.	Through communication strategies and sector branding, tastings in gourmet niche markets, and strategic partnerships in EU.	BSOD Export marketing & Management / ECP Market Entry/MI Export Intelligence
Low quality in packaging	Lack of design and branding in packaging can make an excellent product look cheap. Lowers the overall quality of the product.	Train producers and exporters in packaging design and development. Support the development of high packaging standards. Develop technical guidelines for successful packaging. Encourage packaging development in partnership with educational institutions. Provide examples of good packaging design and materials in Europe. Investment in packaging design & branding.	ECP Export Capacity Building / HRD training on labeling

Branding/marketing in EU	Processed/specialty coffees from Colombia are not well known in the EU.	Investment in specialty fairs. Promote the product as 100% roasted Colombian coffee, and organize tasting events of these varieties of coffee. Strategic partnerships in EU. Country specific / per region market strategy. Promote the hand-made production processes in the country. Develop a certification programme for 100% Colombian roasted coffee. Develop promotional events for SME's. Support strategic alliances.	ECP Export Capacity Building/Market Entry – MI Market Intelligence – BSOD Export Development and Promotion
Lack of market knowledge of the EU	Many countries have different characteristics. No strategy to approach Europe per country. No knowledge of likes and trends	Market studies in trends and country specific information for the sector. Educate in market access requirements for different countries. Support for international visits of SME's to the EU as well as agricultural field trips to Colombia. Identify and define the productive capacity to determine clients and markets according to it.	HRD Market Access Requirements, Market Research, EXPRO / ECP Export Capacity Building/Market Entry – MI Market Intelligence – BSOD Export Development and Promotion
Contact with specialized niche buyers	Buyers are not familiar with specialty coffees from CO, therefore other options are more frequently considered	Support creating networks, meetings and trainings to connect the right buyers with the producers in Colombia. Better promotion of the sector and differences in origin. More presence in Baristas' events, organizations and trainings.	BSOD Export Intelligence

**Table SC 11 – Solution design.**

Validation Sessions in Colombia with company experts and BSO's defined 4 bottlenecks as the most important ones from this shortlist. These bottlenecks were chosen taking into account the CBI's capabilities and scope of their programs. These bottlenecks are:

- Low Quality in packaging
- Branding/marketing in the EU
- Lack of market knowledge of the EU
- Contact with specialized buyers

The description of their importance and the solutions proposed and discussed can be seen highlighted in bright pink in **Table SC 11**.

For a future program, the main CBI would need certain BSO's to be involved in the programs. Some of these must be partners from the beginning; some would come at certain specific stages, but are certainly important for the success of the programs in the SC sector. These are:

From start:

- Proexport: Partner for all programs for all the sectors. Responsible for promoting exports from Colombia. They have an active role from the beginning in selection of companies, motivation to those participating and main contact with Colombian exporters.
- FNC: The National Federation of Coffee Growers (Federación Nacional de Cafeteros) is the main ruler for the sector in Colombia. They represent and protect the brand of the Colombian Coffee to the world and look after the quality of the product to be exported. They will play more of a passive role in the beginning of the programs and will pass to become active when their assistance, regulatory and technical knowledge is needed. Overall, it will be important to keep them informed about the programs for the sector from the beginning.
- Chambers of Commerce/ Corfecamaras: There are many coffee regions providing SC's and they are not associated as such in the country, but they are more likely to associate per region or municipality. These municipalities have their own independent Chamber of Commerce. All chambers of commerce are represented by Corfecamaras. Their role would be to help contact and unite SC roasters, and bring first-hand experience from different ex\_exporters while participating in the programs.

At later stages:

- SCAE: The European Entity would enter to play a role in later stages of the program when needed. Roles would be to connect with European buyers, help to get European information in trends, consumption, and preferences per country and to help to communicate the SC's from Colombia within Europe.
- UTP (Pereira Technological University): This university located in the coffee region in Colombia has broad knowledge on SC's. The Technical board is located there. Their role would be technical in certain programs or stages when technical assistance is required.
- Technical Board (UTP + several technical stakeholders): Union of several technical stakeholders that are more aware origins and processes for SC's. Their role would be technical in certain programs or stages when technical assistance is required.
- Universities: In other coffee regions outside the main coffee region (Eje Cafetero) the universities can be of great technical assistance and possess specific knowledge for their region. Their role would be technical in certain programs or stages when technical assistance is required.
- SENA: Main organization of the government dedicated to provide technical and professional learning to all productive sectors in Colombia. Mainly technical role at certain stages of certain programs.

### 5.7.1 Opportunities SC

Colombia can offer a very diverse range of specialty coffees and has potential to grow as a multiple regional center for coffee, quality, production processes, favorable geographical location and the experience in the sector.

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### **Market the diversity through a country strategy**

Bring buyers and final customers to an exploration of regions and altitude conditions country have to offer and which make possible the production of diverse coffee origins. For this the country can be basically divided in three main zones for specialty coffee production, Northern, Central and Southern. All these regions have different climatic, topographic and cultural differences, which could be marketed.

- **Central** (Caldas, Risaralda, Quindío, North of Valle, Antioquia, Cundinamarca and north Tolima) Dry and wet periods throughout the year. Coffee produced have fruity and herbal characteristics
- **Southern** (Nariño, Cauca, Huila and south Tolima) Very close to the equator and coffee is produced at lower temperatures. Coffee has increased acidity, medium body and smooth flavor with citric and sweet characteristics.
- **Northern** (Magdalena, Casanare, Santander, Santander North) In this region the coffee is grown at lower altitudes and higher temperatures, therefore crops are more exposed to sunlight and protected by different levels of shade. This coffee has medium acidity, the flavor has nut and chocolate characteristics, and it has more body.

### **Promote the handmade processes that help to reach premium quality**

There is a lot of knowledge, tradition and hand-made (manual) processes to produce different varieties of coffee. Improve the quality of information communicated and transmitted to importers and final consumers. This will certainly give added value of the final product. Highlight that harvesting coffee by hand results in a higher-quality product as well as higher involvement of coffee growers in the industry. Creating in this way greater social impact to them and their families. This represents a response to the increasing social awareness of European consumers.

### **Relate and make a link between CSR issues and origin regions**

Each of the regions of Colombia is very diverse in terms of political, social and economic situation. Because of this diversity development plans in the country are orientated to generate solutions and growth per regions or clusters. It is important to work with these entities to understand the current and future plans about the development of each region in order to generate greater impact and generate sustainable growth. This can orientate and guide the search and choice of participants and stakeholders for the various programs where CBI can participate or to align future strategies.

### **Support the creation of new contacts to strengthen a network of connections**

Currently producers and SME's are limited to sell to few importers. These limited relations harm both sides, producers and roasters because they are not able to maximize their sales and profits. On the other hand buyers are not able to expand their input volumes in order to supply their clients. The end result is the decrease in productivity. CBI can enable different moments to support creating networks, meetings, trainings, workshops, agricultural field days, international networking safaris. Open moments to exchange contact information to later do businesses.

### **Support ready to export companies to enter EU market**

During field research was found that some new brands are ready and willing to export their products. But they are searching for markets different from EU because they perceive the region as highly

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saturated, with a lot of competition and many strict regulations. Even though they have the product and characteristics to be successful in the EU market they are not sure of how and where to start. CBI can guide and accompany process, where SME's get acquainted with the EU market variety and characteristics to develop an entry strategy. In this way SME's can reassure their qualities, adjust products, develop strategies and be ready to compete. Knowing where to go and planning how to get there will help these companies to grow in abroad markets.

### **Learn and share overseas experiences and knowledge**

BSO's and associations representatives have a clear vision of challenges that the national sector is facing. Support and organize visits, workshops and conferences in order to learn from others with similar issues in other parts of the world. Invite to face-to-face encounters to understand other realities and innovate later in a collaborative ways. This will lead to create new contacts, connections and networks in which is possible rely or work together afterwards. E.g. topics relevant to climate conditions planning, financing, international cooperation programs etc.

## **5.8 Corporate Social Responsibility**

Corporate social responsibility (CSR) is a form of corporate self-regulation that companies generally incorporate in their business model. Refers mainly to economic, social, environmental and ethical criteria that help a company to monitor and ensure the compliance with legal requirements, ethical standards and international norms. CSR is a process that seeks to create awareness and sensitize companies in their responsibility when acting or taking decisions, in order to generate a positive impact in the society through its activities. During this study the criteria refers to create more sustainability in coffee plantations, roasting companies and the coffee sector in the country.

The first criteria "**economy**" aims to develop an economically sustainable business finding the balance between land productivity and consumer demand for products.

The expansion of the coffee sector in the twentieth century had strong multiplier effects on the Colombian development process; it offered the possibility of using surplus land and labor. It stimulated the growth of the industrial sector and gave a boost to finances, trade, transport and the services sector. But as mentioned above the Coffee sector in Colombia, has gone through tough times in recent years. Weather conditions and pests, competition from other countries and the low prices in coffee market with a Colombian exchange rate has impaired the profit margins for many small farmers. The previous conditions were combining to deteriorate the potential of the most mature agricultural sector in the country. There is a matter of national pride in the sector and a necessity to bring it back to a healthier state.

Recently, around 50,000 coffee farmers marched in protest for what they consider a lack of support from the government in solving the addressed issues and protecting the income of all these families who now see it unprofitable SC. For many coffee growers, the current situation is the worst they've seen in decades. Negotiations were held and some agreements were made, one of those the payment of PIC (Protección al Ingreso Cafetero) which benefits mainly medium and large farmers. Therefore there is still discontent from small farmers who are the most affected struggling with low prices and low exchange rates. Recovering this sector and creating a better life condition to these families will have great impact in the most important agricultural sector in Colombia.

The **social** criteria emphasizes relationships of stakeholders both in internal environment (with fulfillment of legal duties to shareholders and employees of the company) as in the external environment (customers, communities, society in general, government); in addition, it must also impact on the entire productive chain; promoting the generation of direct and indirect jobs, and creating programmes or projects that promote the sustainable production and processing of coffee.

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Historically the sector has had significant importance as a source of job creation and development not just for the growing regions (which concentrates the most rural population) but of the entire country and it represents a model to follow for other agricultural sectors. There are in the country 563 thousand Colombian coffee growing families, of which 96% are conformed of by rural families that have less than 5 hectares of coffee plantations (averaging 1.5 hectares/farmer) [19]. This small farm size translates into a modest household income for coffee growers. While their farms are small, Colombia's coffee growers have access to technical assistance and credit and FNC guarantees market for their product. Due to the high degree of institutionalization, the coffee sector in Colombia has successfully implemented programs to guarantee the Colombian origin of its coffee.

FNC is actively involved in the welfare and social development of the coffee producers. These programs vary according to their purpose: education, health and infrastructure. During the past five years, the organization invested over U.S. \$38 million in education for Colombian coffee growers. Such is the case of the programme "Escuela y Café" with the aim of incorporating coffee related topics into the curriculum of primary and secondary schools with the objective to educate the next generation of coffee growers. FNC also invests in education through training programs on the analysis of coffee production, as well as issues related to business administration, that aims to increase profit margins.

On the other hand increasingly, young Colombians are abandoning their rural villages to look for jobs in the cities, preferring to sell merchandise or have an informal business rather than staying in their family's farm. For them is not attractive to stay in the field and there is a risk of losing an entire generation of young workers, because they do not see how the coffee growing can be a real business. Is necessary to create incentives to keep workers from moving to somewhere else with even worst conditions.

To address the poor healthcare faced by these coffee grower families, FNC together with other institutions create the program "Seguridad Social a través de la Salud", by which families receive medical care through a government subsidies system. Also in coffee regions, even though the conditions have improved communities are still exposed in case of refusing to pay extortions to organized crime.

In relation to the Specialty Coffee subsector, with the recent growth of this market in the U.S. and E.U., coffee growers have had the opportunity to earn premium prices for their crop, as long as they are willing and able to adopt the production and post-harvest handling practices that their increasingly informed consumers expect of them. This new lucrative niche has given Colombian farmers an attractive alternative in which they can penetrate.

## **Environment**

Environmental protection and sustainability are vital to the success of the coffee industry. Therefore, much of the work of FNC and its coffee research institute Cenicafe, is dedicated to understand the relationship between coffee cultivation, the environment and discovering techniques that minimize environmental impact in all production processes of coffee. This includes active participation in the conservation of water, soil and forests, together with biodiversity projects and the implementation of waste management practices. However this work has been deteriorated by other projects that are affecting coffee growers. The country grants licenses to hydroelectric, mining and oil exploitation projects to multinationals, which affect or displace entire communities and also harms the ecological balance in the coffee regions.

## **Fair operating practices**

The Coffee sector in Colombia is characterized for having a leading role in sustainability and standard setting. The number of coffee farms verified and/or certified under different international

sustainability labels or protocols has sharply increased in Colombia during recent years. By the end of March 2013, a total of 162,039 farms fulfilled different sustainability protocols required by customers worldwide [19] An 8% of global green coffee exports is sustainable (est. 17% of production). An average growth of 20-25% over past years with major sustainability commitments from big international players with presence in Colombia (Nestle, Kraft, Sara Lee, Tchibo, IDH, among others) has also given an impulse in the on-going adoption of CSR practices in Colombia.

The major sustainability initiatives implemented in Colombia or in the process of implementation are:

- Rain Forest Alliance
- UTZ Certified
- Fair Trade
- 4C

The role of CBI in this aspect can generate a great impact in different fields.

- Promoting more production of specialty coffees over the commodity model so prices are less volatile.
- Support and partnership in implementation of CSR practices that can create an added value of their product taking into account, as explained before that most farms are small and can't afford a label on their own.
- Connection with potential buyers or partners for Organic products, together with technical assistance in the production of this special coffee.
- Assistance in the selection of the right CSR initiative for different producers.

The coffee sector in Colombia has been one of the most protected ones and government and FNC have constantly provided assistance, financial and technical support to the farmers but this seems to be not enough at the moment. Although there is a general discomfort about the current situation, there is much respect for the sector and is one were CSR practices, fair trade and CSR has been applied for many years.

## 5.9 Risk assessment

The Value Chain Constraint Analysis (**Table SC 7**) shows if the mentioned bottlenecks are critical for the futures success of a CBI program and therefore for the future increase in exports to the EU; if these issues can be solved in the short term of a program; and the risk they will not be solved appropriately in the short term.

In this part we will analyze external factors that should be taken into account in the risk assessment of this sector, and also the most crucial bottleneck specific to this sector and their risk they represent in the future success of a program.

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## 5.9.1 External factors

### Political

- **Difficulties obtaining visas:** Not critical.

As it was discussed during the validation sessions, Visas create a barrier for spontaneous travel and generate extra costs. Nevertheless travel is done if planned ahead. Proexport and CBI can help in making these travels as fruitful as possible.

- **Struggle between farmers and the government:** Critical

Currently there are a series of protests from the agricultural sector in Colombia. The fact is that the sector is struggling because of several reasons including lack of government support, poverty, revaluation of COP, FTA's importing more than exporting, and lack of competitiveness. This is a critical issue, but programs such as the ones CBI has go actually in the interests of these sectors instead of corporations bringing more equity to an important sector of Colombia.

### Economic

- **Revaluation of COP:** Not critical.

This aspect is quite polemic. Exchange rate has affected considerably income of farmers used to obtaining good prices by international stock prices and the exchange between COP and US\$. Here it is not considered critical since the sector is not competing in commodities regulated by international prices but by in added value products less susceptible to stock prices and less affected by exchange rate. It is, non-the less, an important matter.

- **Investment:** Critical

As it was mentioned in the Validation Sessions, investment is always critical in this and other sectors. Money is normally an issue in developing countries and that represents a barrier especially for entering new markets. With the help of CBI and other institutions private and public, this barrier can be solved and better investments can be planned.

### Social

- **Less interest in growing coffee:** Not critical

In recent years, and as it was discussed in this report, there has been a decrease in the production of the sector due to revaluation and climate conditions which had made on one hand, less interesting and profitable SC for farmers who have switched to other crops; and on the other hand, has lower production due to not optimal conditions for harvesting., among others. SC are not a volume market, but rather niche, which with the current conditions will provide enough product of excellent quality to the EU market.

- **Drug/guerilla related issues:** Not critical

Most coffee regions are not regularly locations for illegal drug harvesting in Colombia, and the sector has traditionally been prosper and peaceful.



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## 5.9.2 Internal factors (most important sector's bottlenecks)

- **Low quality packaging:** Critical.
- **Branding/marketing in EU:** Critical
- **Lack of market knowledge of the EU:** Critical
- **Contact with specialized buyers:** Critical

These aspects are described in **Table SC 7** more deeply; but the most important is that these aspects are solvable by programs of the CBI in collaboration with the above-mentioned BSO's during the length of a program.

## 5.10 Conclusions and recommendations

Colombia has built a strong reputation in the quality of their coffee worldwide. Nevertheless, in Europe this is not so well known, especially to the end consumer. In order to change this situation, Colombian companies, and sector BSO's must take action to tackle a number of bottlenecks, being:

- Most producers are small farms and cannot afford CSR certifications.
- Few roasters production for export.
- Limited product differentiation.
- Need for marketing and product communication in the EU
- Lack of market knowledge of the EU/EFTA countries.
- Need of more contact with specialized buyers.

As it was explained during this section of the report, there are other bottlenecks that are important to the sector and whose solution would greatly benefit the presence and competitiveness of Colombian Specialty Coffees in Europe. These issues are not independent from one another and their solutions must be a combined effort in order to have the desired effect.

Colombian is a country more used to exporting green coffee, but recent issues such as climate, revaluation of the Colombian Peso, low international prices and replace of coffee trees to reduce the effect of rust in plantations had lowered the production and made the green coffee export less profitable SC which has led to re think strategies for the sector. New generations of Colombians have started to develop a different relationship with coffee, with more demanding quality in the consumption and realizing the value of their different origins to produce quality coffee that can compete outside the commodities market.

Because of the traditional business model of selling green coffee, few roasters are dedicated to process and pack coffee for export. The main roasters are dedicated to the local market. There is a need for an increase in capacity for roasting, technification in the process and better technological capacity to compete with final product in a very competed market.

Europe, as a more demanding and highly consuming coffee region is a market that still needs to be explored but represents great opportunities. The overall decrease in quality for regular coffee found in supermarkets due to a search for lower costs from the producers has also made the market for specialty, high quality coffees to grow. Producers are not aware of consumer demand for traceability, therefore investment in this attributes is slow. In the specialty coffee industry, consumer definition of quality includes social, transparency, location and taste attributes. For this it is crucial to understand the differences in European preferences in the different countries, which is a matter that is not exclusive to taste, but also, as mentioned above in traceability and social responsibility.

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More consumers are looking for gourmet coffees and supermarkets are responding to this by introducing gourmet products and single origin coffees that appeal to this growing niche. In this case, the need for certification in CSR is a must. Labels that the consumer can relate to, traceability in origin and fair trade are aspects that are related with this niche. Consumer demand for product attributes that suit their tastes and social priorities has driven growth in product differentiation across the food industry. This trend drove the growth in the coffee specialty market. Unfortunately, Colombian growers are mostly small farms that can't afford certification with international labels without the support of bigger producing companies, local or foreign.

Together with these aspects is the need for a branding effort to position the country and its different origins and characteristics in coffee to the consumers in this niche. Better packaging, communication and promotion have to be applied to the products. These efforts must go hand in hand with knowledge of the market and connections with European niche buyers, which are much more segmented than the big roasters and brands that commercialize blend coffee and require perhaps a bigger effort from Colombian BSO's and producers.

In order to overcome these circumstances, the SC sector requires taking action in the following fields:

- Increase and modernize roasting capacity.
- Perform country-specific market studies.
- Establish and increase connections with European buyers.
- Associate internally for certification and production
- Associate with European roasters or brands producing specialty coffees
- Invest in certification and CSR labels
- Promote SC's origins and characteristics in the EU.
- Invest in packaging design and communication of products
- Expand to growing markets in Eastern Europe through the Netherlands

Specialty Coffees is a growing market and Colombia has a good reputation build in the industry, which facilitates the successful entry in this market. Nevertheless there is plenty of competition from products from countries with better marketing in origin products such as Kenya, Ethiopia, Guatemala, Costa Rica and Brazil. Without the marketing knowledge, better communication of product, brand and country; CSR label relating to the conditions in which the coffee is produced and traceability of the origin it will be difficult for the sector to compete in Europe. Perhaps strategic alliances between growers producing specialty coffees, combined with strategic partnerships in the EU, for certifications and distribution will impulse the exports and positioning of this products.

Aspects like costs of logistics although important, are not as crucial as they are in other sectors where volumes are higher there is a stronger competition in price and the transport chain is more complex. Market intelligence and communication on the other hand are, as discovered in this study, much more crucial for the success of the sector.

### 5.11 Result Chain

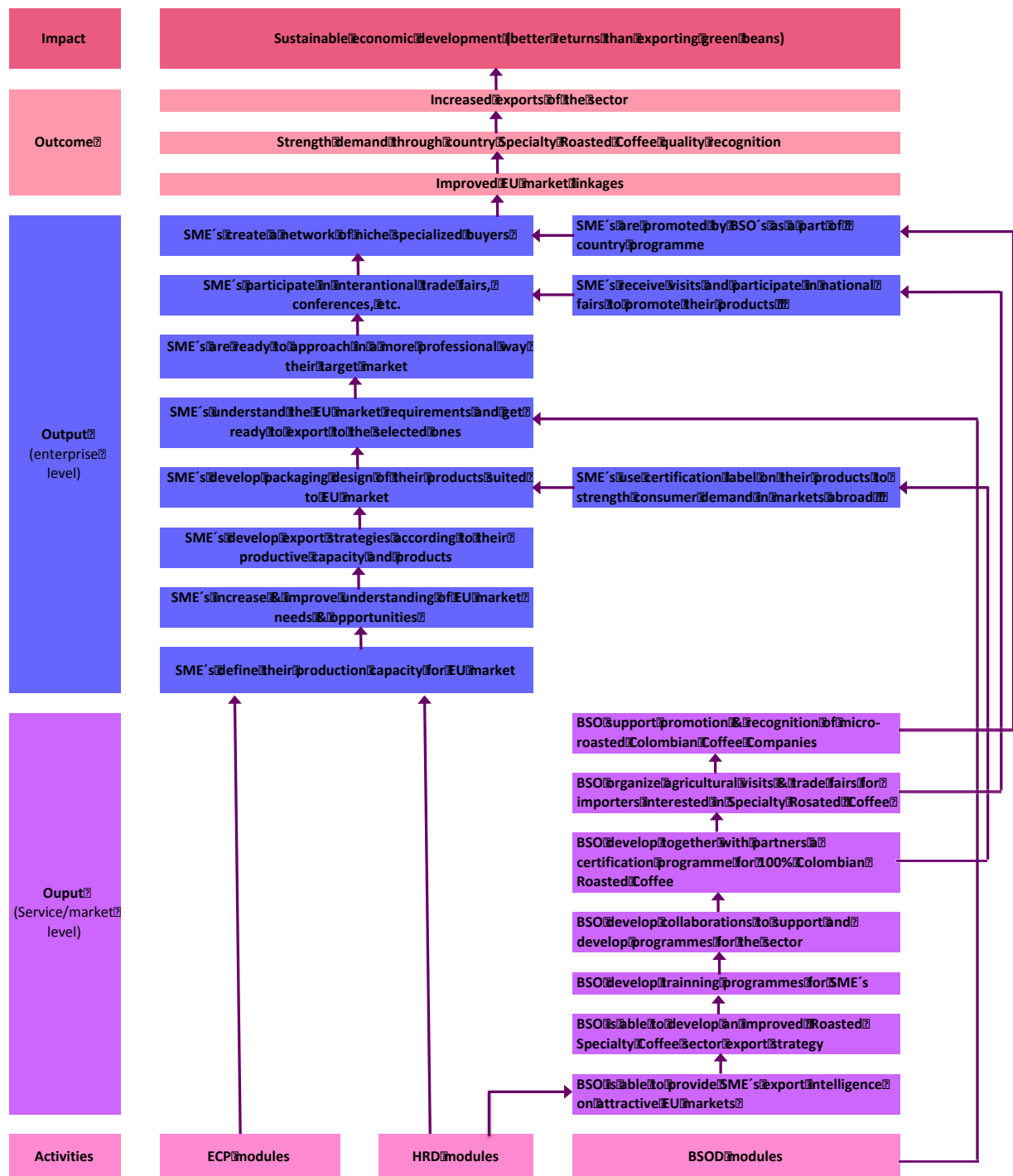


Image SC 14 – Result Chain.

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## 5.13 Appendix SC1

## Processed coffee exporters.

**EXPORTADORES CAFÉ TOSTADO-CAFÉ DE COLOMBIA**

*Actualización Julio de 2013*

	CUADRO	RAZÓN SOCIAL	E-MAIL	TÉLFONOS	DIRECCIÓN	PAGINA WEB	DEPARTAMENTO
1	Ciudad Bolívar	Agropecuaria Farallones S.A.	info@agropecuariafarallones.com	(4) 8411367	Calle 48 46-78		Antioquia
2	Itagüí	C.I. Coltrillas S.A.S.	coltrillas@coltrillas.com	(4) 2773708	Calle 32 # 41 - 63 Itagüí		Antioquia
3	La Estrella	C.I. Madrid S.A.	saldamol@une.net.co	(4) 3092244	Carrera 54 79 AA Sur - 40 Bodega 149		Antioquia
4	Medellín	Café de Santa Barbara S.A.S.	pmechavarria@gmail.com	(4) 3540354	Carrera 33 7 - 29 Of 503 Ed Blanco		Antioquia
5	Envigado	Cooperativa Agrícola Cafetera COAGROCAFE	exportaciones@coagrafcafe.com.co	(4) 4445801	Carrera 42 54A-155 Of 101		Antioquia
6	Andes	Cooperativa de Caficultores de Andes Ltda.	info@cooperandes.com	(4) 8414211	Carrera 50 49 A - 52		Antioquia
7	Itagüí	Fábrica de Café Don Quijote Ltda.	cafequijote@une.net.co	(4) 3722052	Diagonal 40 32-93 Loc 102		Antioquia
8	Medellín	Hkte S.A.S.	hkte.sas@gmail.com	(4) 2763083	Circular 6 66B - 163		Antioquia
9	Medellín	Industria Colombiana de Café S.A.S.(COLCAFE)	welcome@colcafe.com.co	(4) 2856600	Calle 8 Sur 50-67 Barrio Guayabal	www.colcafe.com.co	Antioquia
10	Medellín	Inversiones Jaramillo Angel S.A.	info@cafedelafonda.com	(4) 4115057	Circular 76 37-51		Antioquia
11	Rionegro	Juan Carlos Paipilla Martínez	jpaipilla@hotmail.com	(4) 5311607	Carrera 59 37-49		Antioquia
12	Medellín	Olmos Hajduk & CIA Ltda	olmos@une.net.co	(4) 2647777	Carrera 76 49-86		Antioquia
13	Medellín	Productora y Comercializadora las Vegas S.A.S.	productora@une.net.co	(4) 2352915	Carrera 54 29C-20 Unidad Industrial de Belén		Antioquia
14	Bolívar	Vargas Restrepo y Cia S.C.S.	tbucaros@edatel.net.co	(4) 8411928	Calle 48 47B - 29		Antioquia
15	Barranquilla	Daha Group S.A.S.	diazhansmartin@hotmail.com	(8) 2785999	Carrera 82 106 - 38		Atlántico
16	Cartagena	C.I. Inversiones Internacionales de Colombia S.A.S.	mluz@cinvescol.com	(5) 6658573	Centro Calle Roman 5 - 48		Bolívar
17	Manizales	C.I. Comercializadora de la Loma Ltda	cidelalomaltda@une.net.co	(6) 8739090	Carrera 37 B 10C-41 Granjas Estambul Manizales		Caldas

	CIUDAD	RAZÓN SOCIAL	E-MAIL	TÉLFONOS	DIRECCIÓN	PAGINA WEB	DEPARTAMENTO
	<b>CIUDA</b>						
	Manizales	Casa Luker S.A.	luker@epm.net.co	(6) 8879510	Carrera 23 64B-33 Torre A		Caldas
56	Garzo						
	Manizales	Descafeinadora Colombiana S.A.S.	gerencia@descafecol.com	(6) 8747410	Parque Industrial Juancho Mallería Km 10 Via al Magdalena		Caldas
57	Santa M						
	Chinchiná	Invercafe Ltda	invercafe@hotmail.com	(6) 8501371	Carrera 5 13A-34		Caldas
58	La Urik						
	Manizales	Orlando Arteaga Castaño	cafetisquesusa@une.net.co	(6) 8739100	Carrera 37 B 10C - 41		Caldas
59	Pajito						
	Manizales	Selecto Exportadores S.A. C.I.	mauricio.duque@selectocoffee.com	(6) 8900600	Calle 64 A #21-50 Edif. Portal del Cable Of. 1205	www.selectocoffee.com	Caldas
60	Villa del R						
	Timbio	Expococurca S.A. C.I.	expococurca2722@gmail.com/ info@expococurca.com.co	(2) 8279336 - 8278109	Vereda el Descanso, Parcelación la Acequia, Antigua Via Timbio - Troje, Diagonal al colegio Carlos Alban (A.A. 298 Popayan)		Cauca
61	Quimba						
	Valledupar	Café Don Valle S.A.S.	cafedonvalle@hotmail.com	(5) 5823355	Parque Industrial Manzana B Local 15		Cesar
62	Armen						
	Bogotá	Banca Exportadora S.A	carlos.julian@banexport.com	(1) 2128724	Carrera 11 71-40 Of. 801		Cundinamarca
63	Armen						
	Bogotá	Britt Colombia S.A.S.	jinora@britt.com	(1) 3849070	Calle 23 116-31 Bodega 41		Cundinamarca
64	Monteñe						
	Bogotá	C.I. Biocoffee Ltda.	jrosales@santamartrade.com	(1) 8044028	Calle 76 55 - 34		Cundinamarca
	Bogotá	C.I. Café Santana S.A.S.	cafesantana@live.com	(1) 3175903	Calle 74 15-80 Of 202		Cundinamarca
65	Armen						
	Bogotá	Café Montaña Roja S.A.S.	monredkt@hotmail.com	(1) 3455836	Calle 63 18-24		Cundinamarca
66	Peñón						
	Bogotá	Café Brisal Ltda	Juan.zuluaga@interpanela.com	(1) 3463763	Carrera 19 # 66-36		Cundinamarca
	Bogotá	Café Devotion S.A.S.	nelsonv@cafedevoition.com	(1) 4111523/64	Carrera 69B 17A-22		Cundinamarca
67	Peñón						
	Bogotá	Colindagro S.A.S.	colindagro@etb.net.co	(1) 6297287/89	Carrera 7A 123-24 Of. 502		Cundinamarca
68	Apia						
	Bogotá	Coodecafec Ltda	torre.coodecafec@gmail.com	(1) 2017166	Carrera 32 # 9 - 48 Barrio Ricaurte Zona Industrial Pensilvania		Cundinamarca
69	Dos Queb						
	Mosquera	D'Origem S.A.S.	carlos.afanador@dorigem.com	(1) 8933432	Parque Industrial San Jorge Bodega 2 Carr Occ Km 19		Cundinamarca
70	Bucaram						
	Bogotá	Eurotrading C.O.C.I. Ltda	eurotradingcafe@yahoo.com	(1) 7029203	Carrera 13 No.96-67, Of. 301 Edificio Akort		Cundinamarca
71	Bucaram						
	Bogotá	Fajal Inversiones S.A.	proyecto_oscar@hotmail.com	(1) 6160580	Calle 93 13-32 Of. 406		Cundinamarca





	CIUDAD	RAZÓN SOCIAL	E-MAIL	TÉLFONOS	DIRECCIÓN	PAGINA WEB	DEPARTAMENTO
37	Bogotá	Fincas Aliadas S. A.S.	fincasaliadas@gmail.com	(1) 3208303	Calle 95 71 - 45 Torre 3 Apt 1503		Cundinamarca
38	Bogotá	Golden Bean Colombia S.A.S.	patricia.lozada@gbcoffee.com	(1) 2266595	Calle 106 56 - 62 Ofi 701		Cundinamarca
39	Bogotá	In Conexus S. A.S.	avillanueva@inconexus.com	(1) 2494983	CARRERA 4A No. 53-27 Of. 201 Barrio Chapinero Alto		Cundinamarca
40	Bogotá	Maria del Pilar Rodríguez Larrota	matiascolina123@gmail.com	3123711889	Calle 152 58-50 Colina Campestre		Cundinamarca
41	Bogotá	Mert S.A.S	marco@mertsas.com	(1) 3214121	carrera 7 # 80-49 ofi 201		Cundinamarca
42	Bogotá	Pod Col Coffee Ltda	andreadel Pilar_pachon@juanvaldezcafe.com	(1) 3137342	Calle 73 8-13 Piso 3 Torre A		Cundinamarca
43	Bogotá	Promotora de Café Colombia S.A. PROCAFECOL S.A	inelda.pena@juanvaldezcafe.co	(1) 3106371	Calle 73 8 -13 Piso 3 Torre A	www.juanvaldezcafe.com	Cundinamarca
44	Bogotá	Promotora de Inversiones Vargas Rubio S.A.	fredygayon@pivar.com	(1) 2844224	Calle 12C 7-19 Piso 16		Cundinamarca
45	Bogotá	Racafé & CIA S.C.A	trade@racafe.com	(1) 6118700	Carrera 11 82-01 Piso 5		Cundinamarca
46	Bogotá	Rans S.A.S.	ranssas@hotmail.com	(1) 2980200	Carrera 98 25G-10 Bodega 11 Centro el Dorado		Cundinamarca
47	Bogotá	Restcafe S.A.S.	exportaciones@cafesoma.com	(1) 2440820	Carrera 42A Bis 13 - 83		Cundinamarca
48	Bogotá	SKN Caribecafé Ltda	Mtorres@skncaribecafe.com	(1) 3265125	Carrera 9 73-24		Cundinamarca
49	Bogotá	Sociedad Exportadora de Café de las Cooperativas de Caficultores Exprocafé S.A.	mainbox@exprocafe.com	(1) 3437050	Carrera 7 74-36 Piso 3		Cundinamarca
50	Bogotá	Telmo J. Díaz y CIA S.A.	oswaldo.acevedo@cafemesadelossar	(1) 2850385	Av 39 14-82		Cundinamarca
51	Bogotá	Trilladora Tostadora de Café Triocafé S.A.S.	gerencia@ingsectda.com	(1) 4035366	Carrera 69 Bis 24 - 10 Sur		Cundinamarca
52	Bogotá	Vive Café S. A.	fvveler@amorperfectocafe.net	(1) 2485796	Calle 64 3A-29		Cundinamarca
53	El Pital	Amigos AMIG Ltda.	amigoltda@yahoo.es	(8) 8327294	Calle 9 14-29		Huila
54	Neiva	Coffee Company Huila Ltda	fcollazos@coffeecompanyhuila.com	(8) 8700528	Carrera 5 10-03 sur Zona Industrial		Huila
55	Neiva	Dumar del Huila S.A.S.	ubaldo1760@hotmail.com	(8) 8672110	Carrera 7A 18 - 47 Sur		Huila



	CIUDAD	RAZÓN SOCIAL	E-MAIL	TELÉFONOS	DIRECCIÓN	PAGINA WEB	DEPARTAMENTO
72	Cali	C.I. South Commerce Group S.A.	jibohorquez@scgtrading.com	(2) 8920900	Carrera 2 Oeste 2 - 41 Piso 2		Valle del Cauca
73	Cali	Café Granja la Esperanza S.A. C.I.	info@cafegranjalasesperanza.com	(2) 4482657/53	Calle 33 9 -21		Valle del Cauca
74	Cali	Industria de Productos Alimenticios del Cauca S.A.	gerencia@aguiaroja.com	(2) 5504294	Carrera 5 21-48		Valle del Cauca
75	Cali	Seguridad y Gestion Ltda C.I.	segescomerca h@hotmail.com	(2) 6680655	Calle 22N 6N-39	www.segestld.com	Valle del Cauca
76	Cali	Tostadora de Café Versalles Ltda.	ventas@cafeversalles.com	(2) 8813917	Carrera 7 23-96 Barrio San Nicolas		Valle del Cauca
77	Sevilla	Trilladora, Comercializadora Y Procesadora Colombiana de Café S.A. -Cafexcoop-	tricafe@telecom.com.co	(2) 2198474	Carrera 52 59 - 918		Valle del Cauca

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## 5.14 Appendix SC2

### Supporters

- **Corpoica (Corporación Colombiana de Investigación Agropecuaria)** The Colombian agricultural research corporation is the sanitary and phytosanitary leading authority in the country. This institution generates and transfers scientific knowledge and technological solutions through research and innovation services and products for the agricultural sector in Colombia. (Seeds, agricultural inputs, agroindustrial products).
- **SENA (Centro Nacional de Aprendizaje)** The National Center of Learning is an organization that provides technical training and education for activities in all sectors.
- **Institute Alexander von Humboldt.** Institute focused on research in the biological resources. It is a scientific institution focused in the study and monitoring the biodiversity in Colombia.
- **Proexport** is the entity in charge of promotion of international tourism, foreign investment and non-traditional exports of Colombia. It identifies market opportunities, design strategies to enter new markets and supports the internationalization of Colombian companies.
- **Chambers of commerce** independently located in the cities serve as center for the registry of public records of commercial proponents and non-profit entities of private nature. They look after the general interests of the commerce to the government and to the merchants themselves.
- **CBI** is the Center for the Promotion of Imports from developing countries. Entity of the Ministry of Foreign Affairs of the Netherlands. Provides specialized assistance to exporters from developing countries and to European Union importers. Designs programs to aid particular sectors in selected countries to facilitate the success in the European market.
- **Sippo** is the Swiss entity for the promotions of imports to the EU, Switzerland and EFTA countries. They provide information about product requirements, matchmaking, and training for companies to enter successfully in the EU/EFTA market.
- **IDH** Multi-national organization co funded by the Dutch, Swiss and Danish governments that works with private companies and governments for the development of environmental practices, sustainability and reduction of poverty. It accelerates and up-scales sustainable trade by building impact oriented coalitions of front running multinationals, civil society organizations, governments and other stakeholders.
- **CSR Europe** is the European Business Network for Corporate Social Responsibility. Business reference point for social responsibility issues. Includes case studies, publications, current activities and databank search.
- **Occicafé (Association of High Quality Coffee Producers Southwest Huila).** Guild of Huila region looking after the interests of their members and serving as consolidation for volume, quality assurance and implementation of CSR labels.
- **Asoexport (National Association of Coffee Exporters)** Guild of Colombian Coffee Exporters in general.
- **Comitato Italiano Caffè (Italian Coffee Committee)** Committee for the wellbeing of the coffee production and customer satisfaction in Italy.
- **Associazione caffè Trieste** Association for the coffee industry in the city of Trieste, main producing coffee region in Italy and oldest coffee association in the country.

- **Deutscher Kaffeeverband (German Coffee Association)** represent the interest of practically all businesses related to coffee in Germany; green coffee, coffee roasters, manufacturers of roasting machinery, coffee shops, and sustainable organizations among others.
- **ACAFETO (Association of Specialty Coffee producers from Fresno, Tolima)**

## Influencers

### Government Institutions

- **Ministry of Commerce, Industry and Tourism** is the maximum authority ruler of the policies in Colombia for all economic activities in industry, commerce, and tourism. It looks after the competitiveness and positioning of Colombia in foreign markets.
- **Ministry of Agriculture and rural development** is the maximum authority in Colombia for all activities, policies, regulations, statistics, aids and development of the agricultural activities in Colombia. ICA, Incoder, Banco Agrario, Finagro, Corpoica and others are entities of this ministry.
- **CAR - Corporaciones Autonomas Regionales (Autonomous Regional Corporations)** are corporations in each region that defines plans, projects and policies for natural resources, environment and sustainability. They are CRA (Atlántico), CORANTIOQUIA (Antioquia) CODECHOCO (Chocó), CAR (Cundinamarca), CAM (Magdalena), CARDER (Risaralda), CAS (Santander), CRQ (Quindío), CVC (Valle del Cauca), among others.
- **Secretaries of Agriculture.** Generate integration and development of the agricultural subsectors in a city or region and the impact in the local economy. Protect the agricultural vocation. Inter-institutional coordination of agricultural guilds for the development of programs of conservation, rational use of natural resources, and provide technical assistance when necessary.
- **ICA (Instituto Colombiano Agropecuario)** The Colombian Agricultural Institute designs and implement strategies to prevent, control and reduce biological, chemical and health risks that may affect animal and vegetable SC species and therefore agricultural, forestry, fishery and aquaculture production. It aims to achieve a competitive agricultural production to contribute to achieve the exports objectives in the country.
- **DIAN (Dirección de Impuestos y Aduanas Nacionales)** The National Direction of Taxes and Customs controls taxation for all exports and internal commerce in Colombia and customs and import duties from products or services entering the country. It controls the financial safety of the State.
- **Incoder (Instituto Colombiano de Desarrollo Rural)** The Colombian Institute for Rural Development executes rural development policies, in coordination with communities and public private institutions related to agriculture. Facilitates access of rural people to productive and social factors to help improve their quality of life and socioeconomic development.
- **FNC (National Coffee Federation).** Maximum entity representing the coffee sector in general in Colombia. Owner of the 'Café de Colombia' brand and the processed coffee brand 'Café Juan Valdez' as well as the known character. The FNC looks after the quality standards of all the coffee that is going to be exported from the country as well as providing technical support and training to the growers.
- **SCAE (Specialty Coffee Association of Europe)** is a trade association for members looking for *coffee excellence*, with members in more than 70 countries around the world (not necessarily European). Is an organization lobbying for the quality of coffee with public and private sectors.

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## Financial Institutions

- **ANALDEX** is a private institution, which objective is to promote and strengthen Colombia's export activity, promote the country's Image SC abroad, and support the design and implementation of national export policies. It also advice national and international organizations with the goal of strengthening exports and identify actions and services that facilitates the process of exporting Colombian products
- **BANCOLDEX (Bank for External Commerce)** is a financial institution whose main objective is to finance the needs for working capital and fixed assets of companies of all sizes and all sectors of the Colombian economy.
- **FINAGRO (Fondo para el financiamiento del sector agropecuario)** Agricultural financial fund is an alternative financing institution for the agricultural sector.
- **BANCO AGRARIO** State-owned commercial bank linked to the Ministry of Agriculture specialized in financial services for the rural sector and habitants.

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