

United Nations Conference on Trade and Development

National Workshop on

Fostering Integration of the Ethiopian Roasted Coffee Value Chain into Regional Value Chains

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Colombia case study: Roasted Coffee

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Trading Food For Sustainable Development

Fostering Integration of the Ethiopian Roasted Coffee Value Chain into Regional Value Chains

***Colombia case study –
Roasted Coffee***

National Workshop

Speaker: Gustavo Ferro

Venue: Zoom meeting (virtual) and United Nations Conference Centre (Addis Ababa)

Date: 11-03-2021

Introduction: Gustavo Ferro



www.linkedin.com/in/gustavoferro

- > Independent consultant
- > 13 years of experience in international trade and development projects
- > Since 2008: market analyst for CBI's coffee and cocoa market studies for ProFound – Advisers In Development
- > Other work experience in coffee:
 - Connecting Central America: Value chain analysis, including specialty coffee (2018)
 - CBI EXPRO Specialty Coffee Peru: Keynote speaker (2016)
 - CBI Specialty Roasted Coffee from Colombia (2016)
 - CATIE (Central America): Export readiness tool for coffee producers from Central America (2009)

Agenda

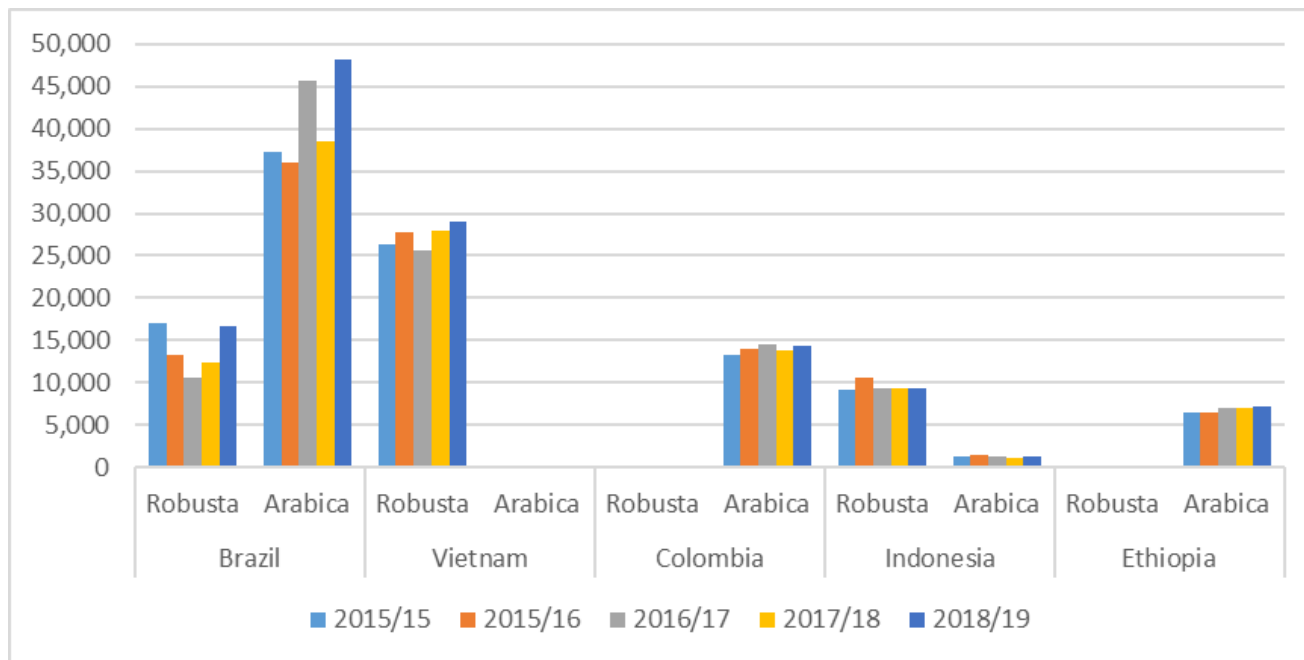
Colombia case study: Roasted coffee

- › A. Overview: Colombian Roasted Coffee
- › B. Colombian Roasted Coffee – Best Practices
- › C. Best Practices – Institutional Framework
- › D. Best Practices – Commercial practices



A. Overview: Colombian Roasted Coffee – Raw material base

Green coffee production in the largest coffee-producing countries, in thousand 60 kg bags

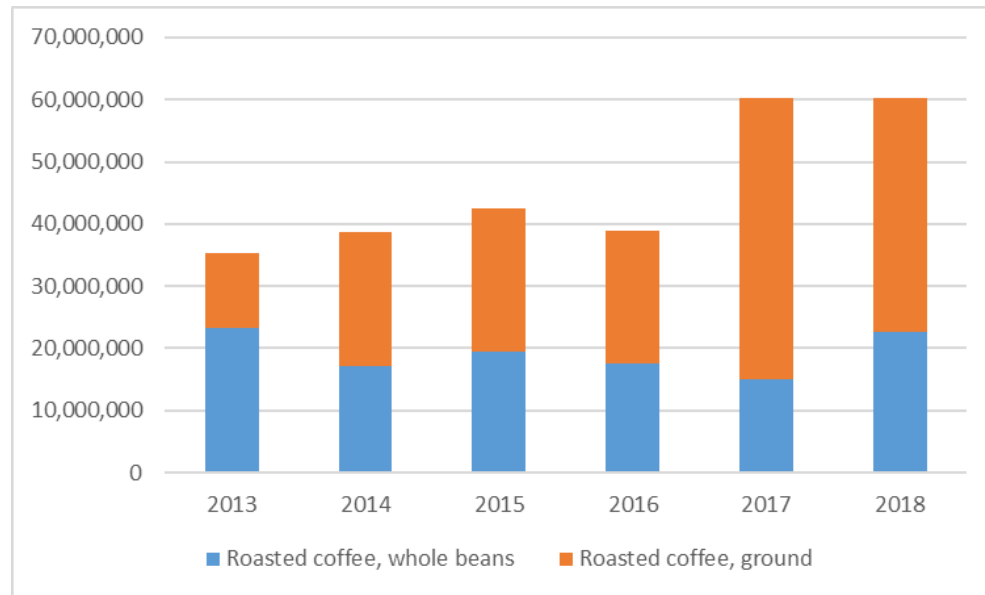


Source: United States Department of Agriculture – Foreign Agricultural Services (June 2019) – Coffee: World Markets and Trade

- Colombia is the third largest coffee producer in the world, behind Brazil (64,800 thousand 60 kg bags in 2018/2019 or 3,888 thousand MT) and Vietnam (30,400 thousand 60 kg bags in 2018/2019 or 1,824 thousand MT).
- Colombia is an important producer of certified coffees worldwide. The country has 7 certification programs, among which Colombia is:
 - Second-largest producer of Rainforest Alliance-certified coffee.
 - Largest producer of Fairtrade-certified coffee.
- Colombia's wide availability of certified coffee has allowed for green coffee exporters to access various markets and segments internationally, and it has also enabled Colombian roasters to sourced certified raw material.
- Around 86% of Colombia's coffee is exported as green coffee, while the remaining amount (nearly 2,000 thousand 60 kg bags or 120 thousand tonnes) is processed (i.e. roasted, instant coffee, extracts) and consumed locally.

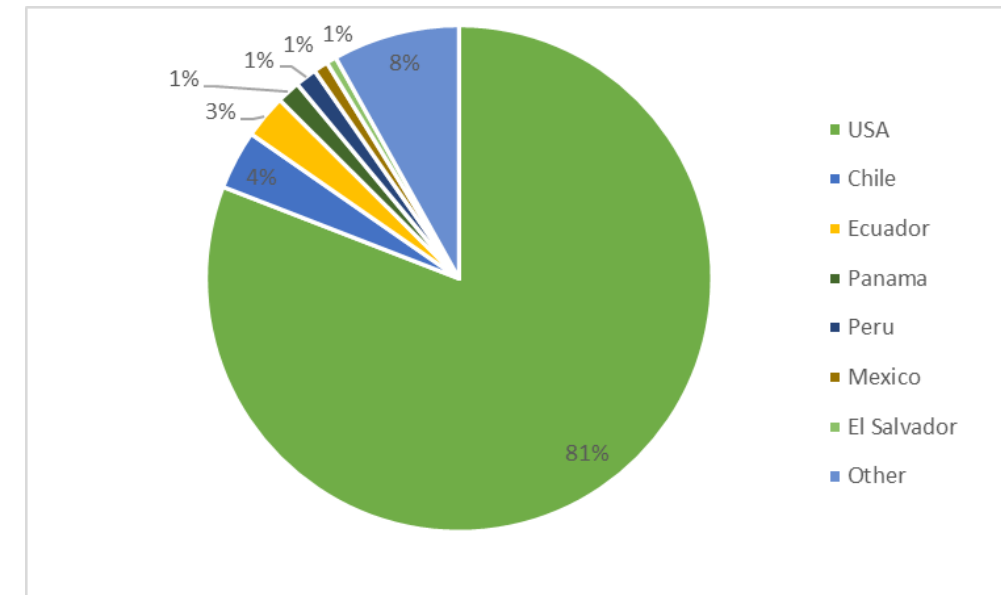
A. Overview: Colombian Roasted Coffee – Exports

Colombia's roasted coffee exports, not decaffeinated, in USD (FOB), 2013-2018



Source: ITC Trademap and Legiscomex, 2019

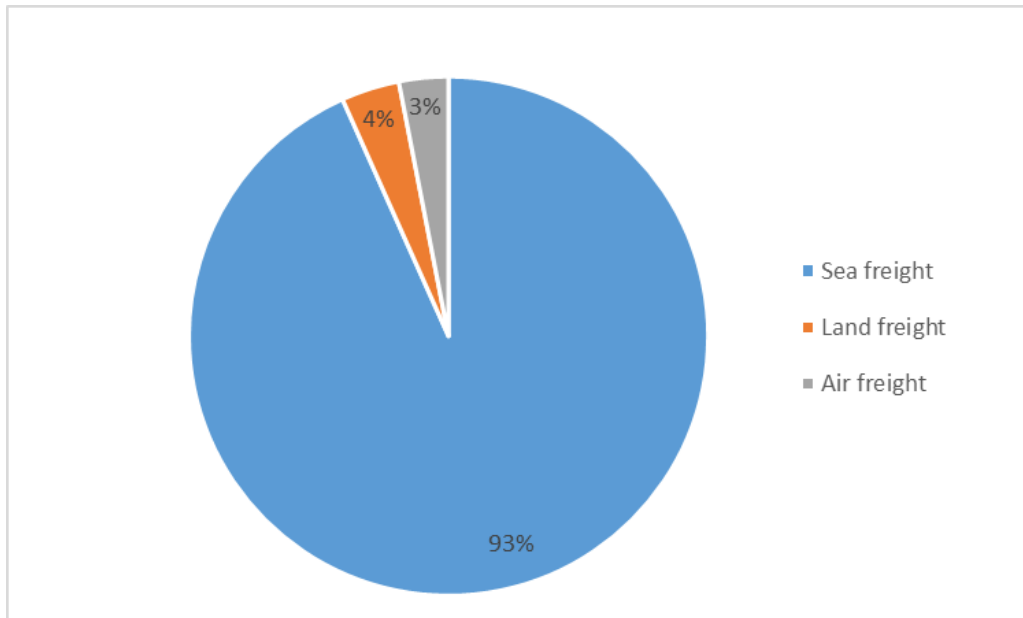
Main destinations for Colombia's roasted coffee exports, excluding decaffeinated, in USD (FOB), average 2013-2018



Source: ITC Trademap and Legiscomex, 2019

A. Overview: Colombian Roasted Coffee – Exports

Colombia's roasted coffee exports, excluding decaffeinated, by type of freight, in USD (FOB), average 2013-2018



Source: Legiscomex, 2019

Important points to mention:

- In 2018, over 100 Colombian companies registered exports to various international markets.
- But: 75% of exports dominated by one company (Colcafé), part of large group. Own brand and private label. Apart from roasted coffee, large player in instant coffees.
- Important role for the brand of the National Federation of Coffee Growers: Juan Valdez. ~8% of exports of roasted coffee.
- Full overview of roasted coffee exporters in Colombia: <https://www.cafedecolombia.com/static/integrador/TOSTADO.pdf>

B. Colombian Roasted Coffee – Best Practices

A. Institutional framework

- Free Trade Agreements: main target markets
- Registration and quality control of roasted coffee exports
- Colombia's coffee origin is protected *
- Regulated use of *Café de Colombia* logo by Colombian coffee roasters *
- Exports of small quantities as a diversification strategy *
- Representation of National Federation of Coffee Growers in international markets
- Role of export promotion agency
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B. Commercial practices

- Product and segment diversification *
- Reaching consumers through different distribution channels *
- Private-label manufacturing / roasting as alternative market entry *
- Participation in trade fairs and international events (CBI/RVO presentation)
- Investing in quality through capacity-building (CBI/RVO presentation)
- Creating a culture of quality in the domestic market *
- Benefit-sharing mechanisms bring profit back to the farmers

C. Best Practices – Institutional Framework



Institutional framework: *Colombia's coffee origin is protected*

- Colombia's coffee has its origin protected in several of its export markets through **Protected Geographic Indication (PGI)** mechanisms. This protection has contributed to the industry's and consumers' recognition of Colombian coffee in terms of **quality and origin, and to its authenticity on international markets.**
 - *European Union: Protected Geographical Indication (PGI) registration (unique to Café de Colombia).*
 - *United States and Canada: Certification Mark (obligation for companies using the mark to safeguard the minimum quality standards as defined at origin).*
 - *Bolivia, Ecuador and Peru: Café de Colombia is protected under a Designation of Origin (DOP).*
- A few origins within Colombia are also protected through their own Designation of Origin: Café de Cauca, Café de Nariño, Café de Huila, Café de Tolima and Café de Santander.

C. Best Practices – Institutional Framework



Institutional framework: *Regulated use of Café de Colombia logo by Colombian roasters*

- > Colombia's National Federation of Coffee Growers (FNC) has set out specific rules for the licensing and use of the federation's Café de Colombia logo by Colombian coffee roasters and brands. This is an important step for both the federation and roasters in terms of **marketing, recognition of Colombia's coffee brand and authenticity of its origin.**
- > *Only roasted coffees which use Excelso coffee beans as raw material are allowed to carry the quality certificate Café de Colombia. Other qualities are only allowed to carry the label Producto de Colombia.*
- > *Sharing information with the FNC, Compliance with guidelines (details on application on packages) subjected to approval of the FNC, Willingness to associate and develop joint programs with Colombian coffee producers.*



C. Best Practices – Institutional Framework



Institutional framework: *Exports of small quantities as a diversification strategy*

- › In 2016, Colombia's National Federation of Coffee Growers developed a procedure for natural or juridical persons to **export small quantities of coffee**. This is applicable to green, roasted and instant coffees, as well as to coffee extracts. Exporters of roasted coffee are allowed to export quantities up to 50.4 kg per consignment, amounting to a maximum value of USD 5,000.
- › The following processes are facilitated:
 - Registration procedures
 - Quality control processes
 - The payment of the coffee export tax
 - The direct delivery of the consignment to the end client
 - Registration of mail service providers before the National Federation of Coffee Growers

2021 update: 740 companies in Colombia registered as coffee exporters:

<http://www.cafedecolombia.com/static/integrador/TOSTADO.pdf>

D. Best Practices – Commercial practices



Commercial practices: *Product and segment diversification*

- › Developing products for a wide range of market segments has allowed Colombian exporters to serve as a one-stop-shop to buyers at destination markets. The largest and most well-known Colombian coffee roasters have a wide range of products that target various types of consumers and markets.

Example Juan Valdez:

- Single origins from various Colombian regions
- A line of certified coffees: organic-certified product and other products certified according to Rainforest Alliance standards.
- Premium selection coffees, which includes a decaffeinated product.
- Instant coffees, pods and drip coffee.
- Special editions and micro-lots.



Source: Juan Valdez, Colombia

D. Best Practices – Commercial practices



Commercial practices: *Reaching consumers through different channels*

- › One of the practices implemented by Colombian exporters has been to diversify their distribution through various retail and service channels internationally. This success is closely related to the activity, market knowledge and distribution network of local partners at the destination market, as well as to the size and capacities of the exporter.



Source: STIR Tea and Coffee

Example Juan Valdez:

- Own shops (in Colombia 300+ coffee shops, 130+ in other 13 countries)
- Mass retail: partnerships with large-scale retailers in USA, Chile, Brazil.
- Online: In China, Juan Valdez is listed on the main online shops, such as Taobao, Tmall and Yihaodian; online shops in Europe (Germany, UK).
- Service channels and airlines

D. Best Practices – Commercial practices



Commercial practices: *Private-label manufacturing / roasting as alternative market entry*

- › In roasted coffee, private-label manufacturing can be interpreted as roasting and packaging coffees for another coffee brand or under a store brand, notably for supermarkets. Store brands have become increasingly popular among consumers in recent years, as they have moved from low-quality alternatives to more sophisticated products. Supermarkets, especially in the United States and Europe, have introduced premium coffee qualities. and certified coffees into their assortments.

Brands and Products > International > [Private Label](#)

Private Label



Our private label products combine the best raw materials with 100% Colombian coffee and coffee from other origins, with the latest technology, wide packaging solutions and an experienced support team committed to an ongoing development, to provide our customers with products that are consistent with their needs.

Colcafé has a wide portfolio of products including: Roasted Whole Beans, Roast and Ground Coffee, Freeze Dried, Granulated, Powder Coffee, Cappuccinos, and 3 in 1, under private labels, with the support of more than 61 years of experience and certifications such as ISO 9001, ISO 14001, and IFS. This reflects our commitment to quality and continuous improvement of our products. We also have other special certifications as Fair Trade, Rainforest Alliance, ECOCERT, HALAL, KOSHER and

UTZ.

Our Organization provides quick and prompt attention to the requests from our customers, who in turn have our effective support and excellent service.

Source: Colcafé

Example Colcafé:

- Wide product range; certification options (important retail channel requirement); food safety and quality management.
- Large-scale customers, example: Walmart.
- Mass market and large consumer pool.
- Lower price range; sea freight.

D. Best Practices – Commercial practices



Commercial practices: *Creating a culture of quality in the domestic market*

- > A number of **national trade fairs and events promote high-quality and specialty coffees** in Colombia. Not only do these events attract international buyers to the country, but they also instigate a culture of specialty coffee consumption within the domestic market. The National Federation of Coffee Growers is also very active in launching campaigns on the domestic market promoting Café de Colombia. Colombia also has **associations focusing on high-quality coffee**, such as the Colombian Association for Coffee Excellence / Asociación Colombiana para la Excelencia del Café (ACECC) and the Colombian Association of Specialty Coffees / Asociación Colombiana de Cafés Especiales (ASOCAFÉS).



THANK YOU!