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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Baseline study: 5 country profiles for Roasted Coffee

By

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Trading Food For Sustainable Development

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

Baseline study: 5 country profiles – 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

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- 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

5 Country Profiles: Roasted Coffee

“Roasted at origin”

- A. Market profile and trends
- B. Roasted coffee imports
  - >> Focus: from coffee-producing countries
- C. Trade channels and market structure
- D. Legislative requirements and import tariffs
- E. Trade fairs and events + interesting sources

A. Market profile and trends

5 market profiles: European Union (benchmark), Saudi Arabia, South Africa, South Korea, China

- Main developments in the (specialty) coffee sector in specific markets >> main drivers of change and main characteristics which shape the **coffee-drinking culture**. Image and acceptance of Ethiopian coffee.
- *Profiling specific target markets in terms of marketing and promotional strategies, looking at elements which can appeal to buyers and consumers.*

Sources: Existing market studies, Industry publications, News articles, Websites of roasters, importers and other buyers

A. Market profile and trends

European Union

- Increasing consumption of higher-quality Arabicas; driven by out-of-home consumption (currently changed due to impact of COVID)
- Wide interest in coffee origins and diversity of origins. Ethiopian coffees:

ranging from fruity/winey with high acidity and floral notes
birthplace of coffee

- "Beyond fair trade": consumer interest in impact at origin; value addition and rebalancing of producer country / consuming country relationships:

Trade not Aid
Added Value for All
Direct Fair Trade

- Growing movement: *Agency for the Valorisation of Agricultural Products (AVPA), Fair Chain Foundation, Proudly Made in Africa*

Saudi Arabia

- Dichotomy: traditional Arabic coffee consumption (using Arabic coffee pot *dallah*) vs. influence of Western-style coffee consumption (lighter roasts, diverse brewing methods, not masked by sugar + other ingredients).

- Geographical proximity to East Africa >> familiar organoleptic profile.

- Ethiopian coffee familiar to consumers; commonly used in the preparation of Arabic coffee as well as specialty roasters (single origins).

- Growing trend: micro-lots, micro-roasting in high-end market. Luxury consumption.

China

- Traditionally tea-consuming country, but one of the fastest-growing coffee consumers.

- Lower qualities, instant coffee. But: consumption diversifying into different qualities and types of coffee.

consumer preference for clean, balanced and floral coffees with a solid aftertaste.

lighter roasts, preference for ground coffee

- Younger generations: wider spectrum of coffees, including more acidic profiles. Growth of third wave roasters + spill over effect from specialty markets in South Korea, Japan.

- Importance of brand exposure, in and out-of-home consumption: online recognition plays a crucial role in purchasing decisions.

- Online marketing, online shopping!

A. Market profile and trends

South Korea

- South Korea: strong preference for Arabica coffees; 2/3 of green coffee imports.
- Shift from lower qualities / instant coffees to specialty coffee consumption in the last years. Proliferation of specialty coffee shops (albeit currently affected by COVID).
- Strong emphasis on artisanal quality and aesthetics. Ethiopian coffees attractive due to both:

  Ethiopian coffee culture, craft
  \+
  Sophisticated organoleptic features

- South Koreans increasingly interested in sustainably-sourced coffee and single-origin high-quality beans.

South Africa

- South Africa follows Western-style consumption patterns and preferences; specialty coffee is becoming an important market segment (likely affected by COVID): numerous small and medium-sized coffee roasters that import, roast and distribute coffees in South Africa, regional and international markets.
- Consumer preferences beyond the product’s organoleptic profile: increasing demand for organic and ethically sourced / fairly-traded coffees, as well as single origins.
- Appeal of African-sourced coffee beans and direct trade with African producers; some companies source exclusively from African origins. Ethiopia: common origin in South Africa, alongside Uganda, Rwanda.

B. Roasted coffee imports + role of producing countries

5 market profiles: European Union (benchmark), Saudi Arabia, South Africa, South Korea, China

› Based on trade figures and disaggregated per supplying country. The data presented distinguish different origins in order to identify the main competitors per market, specifically highlighting the **main suppliers from coffee-producing countries**. Such data also serve as an indication of market size / share for coffees which are "roasted-at-origin", which can be used **to indicate current market demand in each market, as well as scalability potential**.

Source: ITC Trademap, using HS code 0901.21 (roasted coffee, not decaffeinated)

B. Roasted coffee imports + role of producing countries

EU-15
Roasted coffee imports (2017)

USD 5.5 billion, of which:
USD 19 million (0.3%)
from coffee- producing countries

Brazil: 29%
Kenya: 10%
Colombia: 9%
Vietnam: 7%
(…)
Ethiopia: 6%

Saudi Arabia
Roasted coffee imports (2017)

USD 21 million, of which:
USD 1.7 million (8%)
from coffee- producing countries

Ethiopia: 56%
Colombia: 17%
India: 11%
Yemen: 7%
Brazil: 7%
Kenya: 2%

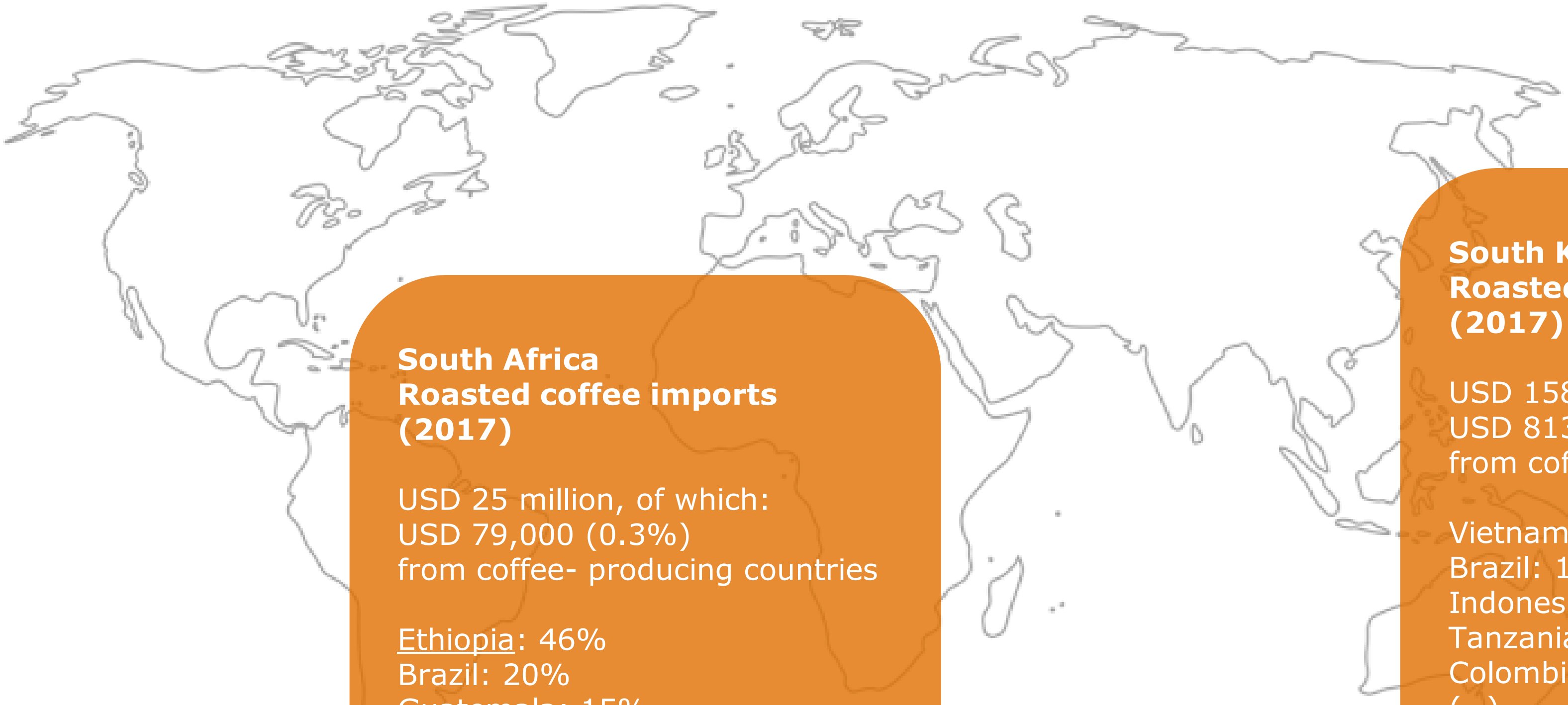
China
Roasted coffee imports (2017)

USD 126 million, of which:
USD 3.9 million (3%)
from coffee- producing countries

Vietnam: 77%
Brazil: 9%
Jamaica: 7%
Yemen: 7%
Colombia: 5%
Other: 2%
Including: USD 15,000 (Ethiopia)

Source: ITC Trademap
Consulted in 2019; complete data sets available for 2017

B. Roasted coffee imports + role of producing countries



South Africa
Roasted coffee imports
(2017)

USD 25 million, of which:
USD 79,000 (0.3%)
from coffee- producing countries

Ethiopia: 46%
Brazil: 20%
Guatemala: 15%
Vietnam: 10%
(…)

South Korea
Roasted coffee imports
(2017)

USD 158 million, of which:
USD 813,000 (0.5%)
from coffee- producing countries

Vietnam: 61%
Brazil: 16%
Indonesia: 12%
Tanzania: 3%
Colombia: 3%
(…)
USD 8,000 (Ethiopia)

Source: ITC Trademap
Consulted in 2019; complete data sets available for 2017

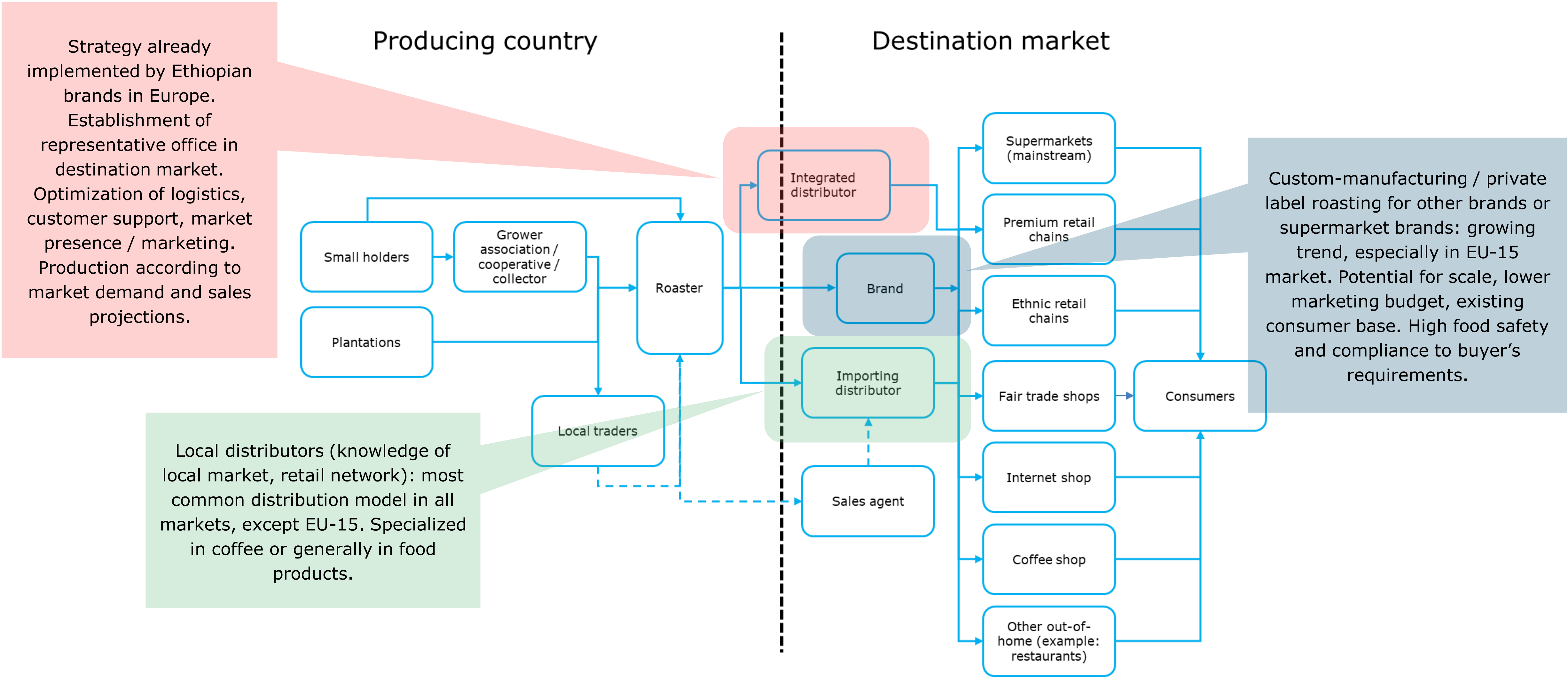
C. Trade channels and market structure

5 market profiles: European Union (benchmark), Saudi Arabia, South Africa, South Korea, China

- General structure of **roasted coffee distribution** described and illustrated with examples, focusing as much as possible on imported coffees and coffees which are roasted-at origin.
- **Successful / reference business models** from existing suppliers in each market, exemplary products from each market (benchmark for pricing, segment and marketing).
- **Transportation options** from Ethiopia to each of the selected markets, looking at both air and sea freight. Product freshness and quality preservation is key in these considerations.

Source: Interviews, company websites, logistics companies, web-shops.

C. Trade channels and market structure



C. Trade channels and market structure

Competing product examples in target markets: roasted-at-origin

Target market	Product name and origin	Price and packaging size	Price per kg (in USD)*
EU-15	**Moema** Samba Flavour Espresso und Filterkaffee (Brazil)	EUR 8.90 (250 g)	USD 42.38
EU-15	**Juan Valdez** Café de Origen Antioquia (Colombia)	EUR 15.49 (500 g)	USD 36.88
South Africa	**3 Sisters** Ground Coffee 100% Arabica (Rwanda)	ZAR 155.00 (250 g)	USD 40.45
China	**Trung Nguyen** Sang Tao 8 (Vietnam)	CNY 238.00 (500 g)	USD 73.16
South Korea		KRW 19,700 (250 g)	USD 69.20

Currency exchange rates adjusted (09/03/2021)

D. Legislative requirements and import tariffs

5 market profiles: European Union (benchmark), Saudi Arabia, South Africa, South Korea, China

- Main requirements per market, **specific legislative documents and standards**. Reference to general food law structure in each country, and to provisions related to subjects such as contaminants and residues, labelling and packaging. It also addresses the **import tariffs** for roasted coffee in each of the selected markets.
- *Complying with a market's legislative requirements is the baseline for successful market access, thus this section can be used by Ethiopian exporters as a compliance guideline per target market.*

Source: Official food safety agencies, legislative documents.

D. Legislative requirements and import tariffs

First step: Legislation. Basis: green coffee legislation + extra for roasted coffee

Contaminant	Main causes	Regulations and limits
Pesticide residues	Contamination during production and harvesting. Cross-contamination during handling and transport.	Not defined specifically for roasted coffee; default Maximum Residue Level (MRL) of 0.01 mg/kg is usually observed for foodstuffs in all countries.
Mycotoxins / mould	Improper drying (high % moisture), improper storage and transportation (no ventilation, high temperature).	Harmonized in 4 countries (no specific mention South Africa) Roasted / ground coffee: Ochratoxin A maximum 5 µg/kg
Polycyclic Aromatic Hydrocarbons (PAHs)	Smoke contamination from artificial driers or surrounding traffic, machinery.	PAHs are monitored. Emerging subject; no specific limits yet.
Acrylamide	Carcinogenic substance that forms naturally when coffee is roasted at temperatures above 120°C	Applicable in the European Union: Commission Regulation (EU) 2017/2158 establishes that the benchmark level for roasted coffee is 400 µg/kg maximum.

D. Legislative requirements and import tariffs

Other legislative requirements	Content	Regulation
Food contact materials	Material that is authorized for use in packaging that comes into contact with food; specific materials are forbidden due to potential cross-contamination	All countries have specific legislation with a list of forbidden food contact materials.
Labelling	Labelling regulations enable consumers to get comprehensive information about the content and composition of food products and to make an informed purchasing decision.	The legislation of individual countries present slight differences in font sizes and mandatory information on labels. But they all follow the General Standard for the Labelling of Prepackaged Foods (CODEX STAN 1-1985), adapted locally. The official language of each country should also be presented on the label, but there's some flexibility regarding the use of stick-on labels for each market. Saudi Arabia has specific directives regarding content which may be considered offensive or prohibited on labels.
Organic certification	Imports and marketing of organic-certified (roasted) coffee are regulate.	The use of "organic", "bio" and other expressions suggesting organic certification is regulated for roasted coffee and other pre-packaged foods. In South Africa, specifically, a national organic legislation is under construction, but the use of organic-certified claims is as regulated as in other markets.

D. Legislative requirements and import tariffs

Import tariffs	Content	Country-specific customs duty
Customs duty on roasted coffee.	Import duties are levied on imported goods in specific countries, including roasted coffee. However, the 5 selected markets have preferential tariffs that comprise Ethiopia.	**European Union** Third country duty: 7.5% Ethiopia: 0% (tariff preference: R0978/12) **Saudi Arabia** Import duty: 0% **China** Import duty: 15% LDCs Preferential Tariff: 0% (applies to Ethiopia) **South Korea** Import duty: 8% LDCs Preferential Tariff: 0% (applies to Ethiopia) **South Africa** Import duty: 0% + 6c/kg African Continental FTA (AfCFTA): 0%

E. Trade fairs and events + interesting sources

5 market profiles: European Union (benchmark), Saudi Arabia, South Africa, South Korea, China

- Each selected market presents a number of events, trade fairs and other industry resources which can be used by Ethiopian exporters and other industry stakeholders to get market exposure, to find buyers or to learn more about a country’s coffee market.

Source: Existing publications, Trade fair websites, Other databases and resources

THANK YOU!