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Analysis of Key Export Markets for Ethiopian Coffee Roasters and Exporters

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 the Integration of Agricultural Value
Chains of Commodity-Dependent Landlocked
Developing Countries into Regional Value Chains***

4th Session: Market Access and Trade Facilitation

Analysis of Key Export Markets for Ethiopian Coffee Roasters and Exporters

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Agenda

Analysis of Key Export Markets for Ethiopian Coffee Roasters and Exporters

- › A. Market profile and trends
- › B. Trade channels and market structure
- › C. Legislative requirements and import tariffs
- › D. A few lessons from Colombia
- › E. Recommendations for Ethiopia



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 among the fastest-growing coffee consumption rates.
- 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

Rep. of 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 coffee beans.

South Africa



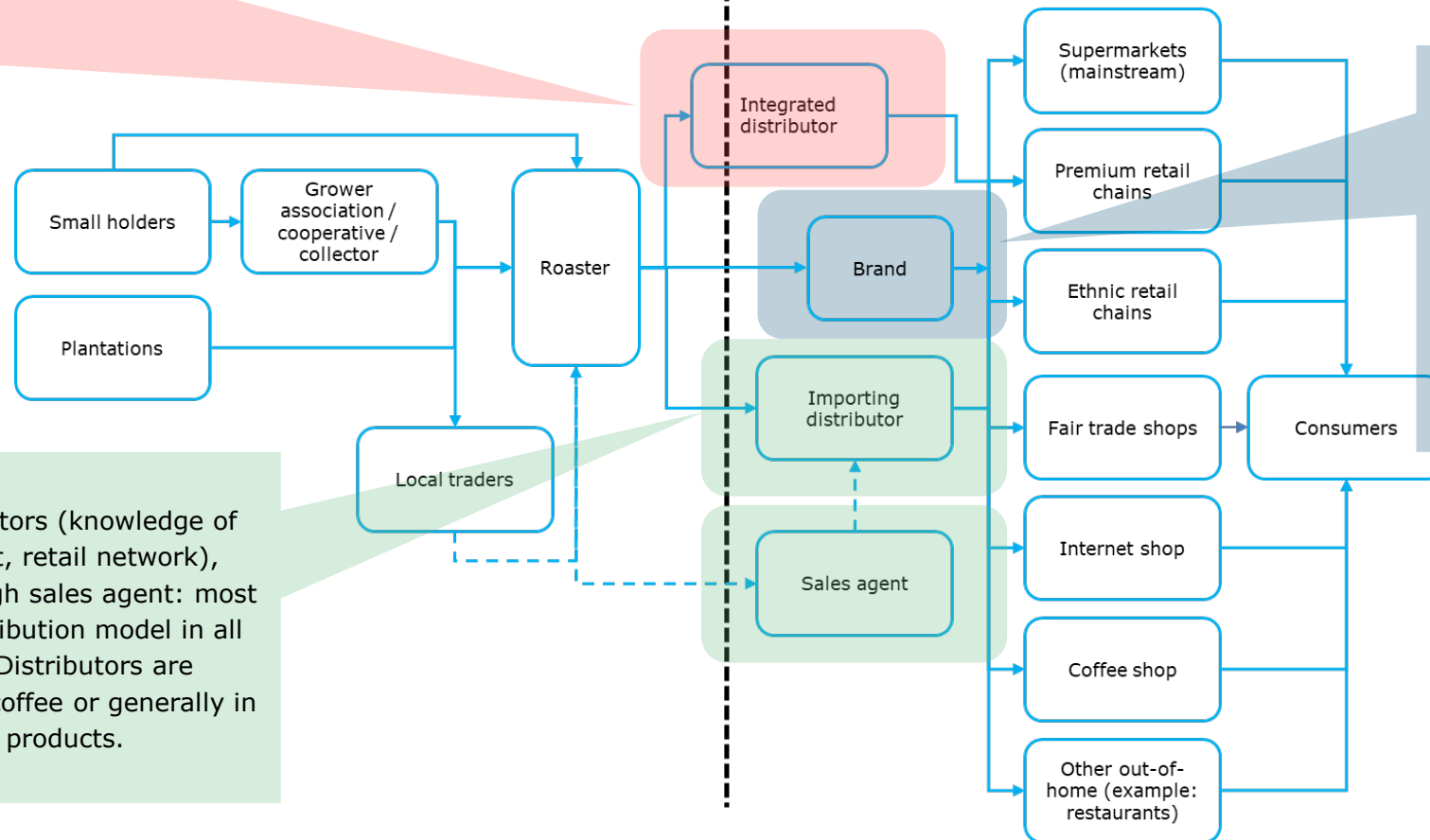
- South Africa follows Western-style consumption patterns and preferences; specialty coffee is becoming an important market segment (likely affected by COVID): numerous small and medium-sized coffee roasters that import, roast and distribute coffees in South Africa, regional and international markets.
- 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. Trade channels and market structure

Strategy already implemented by Ethiopian brands in Europe.
 Establishment of representative office in destination market.
 Optimization of logistics, customer support, market presence / marketing.
 Production according to market demand and sales projections.

Producing country

Destination market



Custom-manufacturing / private label roasting for other brands or supermarket brands: growing trend, especially in EU-15 market. Potential for scale, lower marketing budget, existing consumer base. High food safety and compliance to buyer's requirements.

Local distributors (knowledge of local market, retail network), possibly through sales agent: most common distribution model in all markets. Distributors are specialized in coffee or generally in food products.

C. Legislative requirements and import tariffs

5 market profiles: European Union (benchmark), Saudi Arabia, South Africa, Republic of 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.

C. 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.

C. 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.	<p>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.</p> <p>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.</p> <p>Saudi Arabia has specific directives regarding content which may be considered offensive or prohibited on labels.</p>
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.

C. 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.	<p>European Union Third country duty: 7.5% Ethiopia: 0% (tariff preference: R0978/12)</p> <p>Saudi Arabia Import duty: 0%</p> <p>China Import duty: 15% LDCs Preferential Tariff: 0% (applies to Ethiopia)</p> <p>South Korea Import duty: 8% LDCs Preferential Tariff: 0% (applies to Ethiopia)</p> <p>South Africa Import duty: 0% + 6c/kg African Continental FTA (AfCFTA): 0%</p>

D. Colombia Case Study: 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.*



D. Colombia Case Study: 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. Colombia Case Study: 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. Colombia Case Study: 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.

E. Recommendations

- **The recommendations in the study were organized according to:**
 - **1. Institutional recommendations:** activities that will require sector-wide efforts and sector re-structuring.
 - **2. Commercial recommendations:** activities that can be implemented directly by the private sector, with the support of Ethiopian institutions.

In this workshop, we will focus on the **institutional recommendations related to trade facilitation and logistics.**

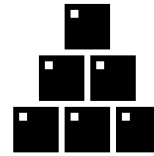
E. Recommendations – Institutional

> Market information system  and capacity development 

- Consolidate partnerships with **Ethiopian export promotion agencies, chambers of commerce and business networks** to collaborate in the compilation of market information products for Ethiopian roasted coffee roasters.
- Collaborate with international specialty coffee organizations such as the Coffee Quality Institute (CQI) and the Specialty Coffee Association (SCA) in **developing and implementing training modules for Ethiopian roasters** in regard to **cupping, barista** and **roasting skills**. Promote these capacity-building activities among roasters, aiming to increase the share of certified Q-graders, master roasters and other technical skills in the Ethiopian coffee sector.
 - >> Promote the trainings among sector associations in Ethiopia, in a “train-the-trainer” format >> multiplier effect.

E. Recommendations – Institutional

> Investigate logistical and packaging solutions



- Develop a **collaboration platform for Ethiopian exporters** to negotiate air freight options and pricing with logistics agents and transportation companies, and to better organize themselves when shipping to similar destinations using ship consolidation means.
- Support a **pilot project on sea freight for roasted coffees from Ethiopia**. Experiment with different transit times, temperatures, air ventilation rates and packaging types to establish define tolerance margins in relation to quality deterioration.
- Provide Ethiopian roasters with **up-to-date information on freight options** to different export markets, prices, transit times and available shipping companies.

E. Recommendations – Institutional

> **Compliance with legislative requirements**



- **Implementation of HACCP systems:** trainings, workshops and on-site capacity-building, involving personnel from different departments, and not only quality-control technicians.
- Implementation of **other food safety guidelines and standards:** Reduce Contamination of Food with Chemicals, Prevention and Reduction of Ochratoxin A Contamination in Coffee, Establishment and Application of Microbiological Criteria Related to Foods, Reduction of Acrylamide, Compliance with Organic Standards.
- Advise on **product labelling** and **packaging materials**.

E. Recommendations – Institutional

> Communication and promotion

- Create a **common brand for Ethiopian roasted coffees** which can be used by all Ethiopian coffee roasters upon compliance with registration, authorization and quality criteria >> connect with Protected Geographic Indication (PGI).
- Explore **possibilities to institutionalize sub-categories of Ethiopian coffees in niche markets**, and create harmonized and registered standards, for example: “Ethiopian hand-roasted coffee”.
- **Educate buyers and consumers**; use websites, social media and other marketing channels to reach larger audiences, possibly involving specialized marketing professionals.

THANK YOU!

More questions?

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