

# WHAT WILL BE A GAME CHANGER FOR 2015

GCR MAGAZINE PETITIONED INDUSTRY LEADERS ON WHAT  
TO LOOK OUT FOR IN THE YEAR AHEAD.

## SOLIDARIDAD NETWORK

NICO ROOZEN, EXECUTIVE DIRECTOR OF SOLIDARIDAD NETWORK

### THE 'ERA OF CERTIFICATION' WILL COME TO AN END

Solidaridad introduced the first sustainability certification labelling scheme for coffee into the Dutch market in 1988. Since then, for 25 years certification has given guidance to the efforts of the coffee sector towards higher levels of sustainability.

Over three generations, organic and fair trade schemes were followed by corporate social responsibility concepts such as Utz Certified and Rainforest Alliance. Finally, we saw the bottom-of-the-pyramid concept from the Common Code for the Coffee Community (4C). Twenty-five years later, consumer labels are just niche concepts. They account for only 3 – 5 per cent of a consumers' purchasing decision. The 4C concept, in many cases, just certifies the status quo, without a real potential for change.

Current statistics like the Coffee Barometer indicate that it is unlikely the market will absorb sufficient certified coffee to keep up the sustainability promise to farmers. In spite of so many positive efforts made by ISEAL to overcome the proliferation of labels, no real progress has been made to reduce the cost of certification for producers and other supply chain actors. Institutional interests seem to prevail, enhancing competition rather than cooperation.

### HOW LIKELY IS IT THAT INNOVATIVE MODELS FROM THE PAST WILL PERSIST THROUGH THE NEXT 25 YEARS?

No one can predict the future, but it is unlikely and even undesirable that certification will continue to be the dominant concept. Voluntary standard systems are not designed for, and will not be able to counter, new challenges like climate change, the ageing farmer and future scarcities in food, feed, fibre and fuel markets. Certification of smallholders has not sufficiently addressed the urgent need to modernise the productive infrastructure by addressing the issue of a more optimal farm size. Introduction of good agricultural practices at the farm level has brought many improvements, but cannot ensure an entrepreneurial income for many smallholders, nor a decent living wage for workers. Restricted access of farmers to services, credit and equity, knowledge and new technologies limits the potential for change. The optimisation of agricultural practices on sub-optimally sized farms will not create the more robust productive infrastructure that can sustain a 9 billion world population by 2050.

Certification was intended to address existing market imperfections and failing governance. Let's go back to this mission: good governance and legal compliance have to solve the issue of non-compliance with existing, and new, laws and regulations. According to an analysis by the Consumer Goods Forum, more than 80 per cent of food production is not compliant with the law or international conventions on one or more aspects. Given the growing demand for coffee, future scarcity will transform buyers' markets into sellers' markets. This is favourable to bringing procurement of coffee more in line with the direct interest of producers. World market prices have to tell the truth about the



real price of sustainable coffee production. The digital revolution in coffee producing countries will enable us to develop tools for transparent self-assessment by farmers – avoiding costly audits – and to move from compliance with codes to continual improvement performance. This transparent, self-assessed improvement will be based on the business case of sustainable production, inspired by the best practices of front running farmers.

In this shift from compliance-driven to value-driven, the sector will notice the end of the era of certification. From a commercial perspective the biggest game changer of today is the fast growing market for single cup coffee, adding value in the consumer market. Look at Nestlé, with its Nespresso Triple A sustainable quality program, creating new synergistic value throughout the supply chain with clear benefits for farmers. This type of innovation is needed and this positive example is in sharp contrast with more common business practices just focusing on price, and thus degrading the quality and taste of coffee consumption and straining all players in the chain.

We have no time to waste. Let's innovate.

## SUSTAINABLE MANAGEMENT SERVICES

ANDREW FALCONER, MANAGING DIRECTOR ASIA PACIFIC COFFEE - ECOM

In such a complex commodity with such a far reaching supply chain, we at Ecom feel it is near impossible to try and name just one issue as the game changer in 2015. Rather, in an increasingly volatile industry, the one constant we see is the need for regular on-farm investment, combined with partnerships along the supply chain all the way to the roaster. In a market filled with increasing uncertainty and competitiveness, supply chain partnership that is mutually beneficial along the entire value chain is critical for success.

In the face of such challenges, the game changer on a micro level is: how does the coffee grower maintain motivation and confidence to continue to invest in their farms in order to support their livelihood? We at Ecom believe focus is needed at the farm level working with producers. We need to work with farmers to assist them to better understand the complexities and risks and that their farming operations need to be run like a business. To enable us to work towards these goals with our producers Ecom established Sustainable Management Services (SMS) in early 2004. The fundamental mission of SMS is to provide competitive whole farm solutions that improve productivity, quality and sustainability of farming to create the best integrated supply chains.

Achieving this means working with the farmers at the real grass roots level, helping them to understand their costs of production, by constantly looking at ways to increase their production per tree, per hectare, per unit of fertiliser and other inputs. Once these parameters have been established we can then work with them to try and manage the price risk associated with their production through multiple options such as forward contracts or crop insurance, and with a focus on quality and marketing so that roasters around the world will pay the necessary premium for a premium product.

We also need to work with various international partners and donors on initiatives that support our work. This is best exemplified through our partnership with the International Finance Corporation (IFC) in building and supporting farmer training centres (FTC). We have two FTCs



in Vietnam and two in Indonesia, with plans to open one in Papua New Guinea and one in Africa. Farmers visit the FTCs regularly to see first hand the latest farming techniques and discuss with our agronomists and field staff current issues of market or agronomy. These FTCs have proven to be an excellent resource to the farmer on their door step and accessible for their needs at any time. It says something of our focus as a group when we realised last year we had more agronomists on our team than we did coffee traders. The game changer in 2015 is at the roots of the coffee plant on which all other value grows.

## MODERN PROCESS EQUIPMENT

DANIEL EPHRAIM, PRESIDENT

The single most prominent development in the coffee industry has been the demand from the increasingly-educated coffee consumer to be able to enjoy not only the highest quality coffee, based upon their perception of what that might be, but also to have that quality delivered to him, or her, utilising the highest performance vehicle for guaranteeing that coffee experience.

To some, this might marry a convenience factor with this quality demand, which might drive a capsule delivery system. Others may be willing to endure a bit of a wait while a single cup, pour-over process is employed. Others may wish to immerse themselves in the full production and brewing experience within one of the more recent full production showcase/retail coffee houses. Whatever the end result, the emphasis is as much on the performance of the process, brewing and extraction as it is on the product, or the roasted coffee bean.

One good, long-standing, example of this performance, and total experience dimension, is the espresso brewing process wherein the balancing of the variables in that process, particularly the grind, is of paramount importance. Until recently, no other brew methodology has exerted as much emphasis on brewing performance as a function of mechanical factors. The most noticeable trend over the last few years has been the evolution of the single-serve market which, in a way, is an extension of the single serve espresso experience. One of the more recent trends has manifested itself within the pour-over single serve brew "showcase concept" methodology being employed more and more frequently in coffee bars and shops.

With the above as a backdrop, we can anticipate that the biggest game changer for the coffee industry in 2015 will continue to be the explosion of capsules and pods, with the demand to deliver quality in an abbreviated period of time, an equation that requires the precise, scientific performance of the ground coffee. In this sense, the mechanics of the ground coffee particle have become just



as critical as that of the espresso barista. The compromise between brew quality and single serve convenience is no longer accepted.

We now have not only the most educated coffee consumers ever, but also the most demanding, and those demands extend to wanting their particular coffee blend wherever, and whenever, they desire. Not only has this driven the growth of the tens of thousands of coffee establishments, but also the vast array of coffee methodologies that will deliver, most conveniently, that ideal coffee experience. GCR