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List of abbreviations

ave	average
b	billion
C & F	Cost & Freight
CBI	Centrum Bevordering Import (Netherlands)
CFR	Code of Federal Regulations
CIF	Cost insurance freight
cm	centimeter
COAs	Certificates of Analysis
°C	Degree Celsius
°F	Degree Fahrenheit
EPA	Economic Partnership Agreements
Est	Estimated
EU	European Union
€	Euro
e.g.	For Example
FAO	Food and Agricultural Organization
FAOSTAT	Food and Agriculture Organization of the United Nations
FDA	Food and Drug Organization
FiBL	Forschungsinstitut für Biologischen Landbau (The Research Institute of Organic Agriculture)
FOB	Free on board
FOR	Free on Railcar
FOT	Free on Trailer
FLO	Fair Trade Labelling Organization
g	gram
GER	Germany
GSP	General System of Preferences
HACCP	Hazard Analysis and Critical Control Points
HS	Harmonized Commodity Description and Coding System
Incoterms	International Commercial Terms

ISIC	International Standard Industrial Classification
ITC	International Trade Center
k	thousand
kg	kilogram
lb.	pound
LDC	Least/Less Developing Country
min	Minimum
m	million
MFN	Most Favored Nation
MT	metric ton
NACE	nomenclature statistique des activités économiques dans la Communauté européenne
NAICS	North American Industry Classification System
NOP	National Organic Program
NTM	Non-Tariff Measures
oz.	Ounces
p	per
%	per cent
SITC	Standard International Trade Classification
SPS	Sanitary and Phytosanitary
SQM	Square Meter
SQ.FT	Square Foot
t	ton
US	United States
USDA	United States Department of Agriculture
US$	United States Dollar
VAT	Value Added Tax
WTO	World Trade Organization

Executive summary

Coffee is one of the most popular beverages in the world. It is cultivated in about 70 countries in South America, Africa, and Asia and more than 8m tons of coffee are produced annually. The two most successful species of coffee are the Arabica and the Robusta. In the US and Germany, coffee spans generations of consumers and is present in almost every household.

Sustainability standards are the current trend in the global coffee industry. In the last decade, due to increased consumers concerns over the environmental and social issues, the demand for certified coffee is thriving. Double certification of organic/fair trade coffee has become more popular among the major coffee brands.
The US and Germany are the largest markets for organic coffee. Together, they accounted for 57% of the world's total amount of imports in 2013. In Germany, fair trade coffee is more important than organic, while in the US, organic coffee has a higher demand. However, organic and fair trade coffees command a premium price and not all customers are willing to pay for it. The price for organic coffee is generally 25% higher than for conventional coffee, therefore, high price differentials can be a limiting factor for the development of this sector.

The EU and the US apply no import tariffs for green coffee. There are various EU regulations that need to be followed in order to import coffee to Germany. All US import shipments must be accompanied with certification to ensure the legal regulations determined by the FDA are followed. Contract forms for organic coffee are standard for both the US and Germany, issued by the Green Coffee Association and the European Coffee Federation, respectively.

Organic and fair trade coffee reach end customers mainly through retailers, such as supermarkets and natural food stores. Due to increasing demand of organic and fair trade coffee, the industry is expected to expand in the future.

1. Product description

This export opportunity survey covers the market for organic/fair trade coffee in the United States and Germany. When assessing the export opportunities for coffee along the value-chain, one needs to consider two different types of coffees. Green coffee is mainly imported by Germany and the U.S to be further processed. Afterwards it is exported as roasted coffee. For this reason the researchers included various sub-codes as it is of particular importance to distinguish between the two major types of coffee.

- HS:
  - 0901 Coffee, coffee husks and skins, coffee substitutes
  - 090111 Coffee, not roasted, not decaffeinated
  - 090121 Coffee, roasted, not decaffeinated
- SITC:
  - 0711 Coffee, not roasted, whether or not decaffeinated; coffee husks and skins
  - 0712 Coffee, roasted
- ISIC: 0127 Growing of beverage crops
- NACE: A.1.2.7 Growing of beverage crops
- NAICS: 311920 Coffee and Tea manufacturing

Figure 1: Coffee Bean Tree

Source: TheGardenHelper.com

Coffee is a brewed drink made from roasted coffee beans, which are the seeds of the coffee tree (Wikipedia, 2015a). The coffee tree is an evergreen shrub (genus Coffea) that grows in the tropics. The fruits growing along the tree's branches contain two flat seeds that are generally referred to as coffee beans. Coffee berries are either hand-picked, stripped from the tree or harvested with a machine (Coffee Research Institute, 2006). Afterwards, they are processed either using the dry method, which allows the berries to dry in the sun, or a wet method. When the wet method is used, the pulp is removed and after two days of fermentation the coffee beans are washed before they are dried later in the process. After the coffee beans are dried they are called green coffee. This green coffee is imported mainly by the US and Europe. Green coffee beans are heated at temperatures from 356°F (180°C) to 464°F (240°C) for 1.5-20 minutes to generate the final product. Stronger roasting will result in a darker color, a more intense aroma and flavor (ISIC, The Institute for Scientific Information on Coffee, 2015).

Coffee has more than a thousand natural aromas in the bean itself and even more are created throughout the roasting process. Physiological benefits and incorporated antioxidants reduce the risk of diabetes and cardiovascular diseases (Harvard University, 2005).

The two commercially successful species are varieties of Coffea Arabica (Arabicas) and Coffea Canephora (Robustas). Coffea Arabica accounts for around 80% of the world's production, while Robustas constitute the rest (Coffee Research Institute, 2006). Arabica coffee is generally more desirable because it contains 50% less caffeine than Robusta and has a smoother taste (Smith, 2015).

Coffee originated from the Kaffa province of Ethiopia. Cultivation expanded east and west, eventually forming a belt which was bordered by the Tropics. This area offers moderate sunshine and rain, steady temperatures around 70°F (20°C) and rich soil (National Geographic Society, 1999). Today, coffee plants are grown in about 70 countries throughout South America, Africa and Asia. Among these, Brazil is the largest producer followed by Vietnam, Colombia and Indonesia respectively (International Trade Centre, 2011a).

Coffee is certified as organic/fair trade when its production, processing and handling is based on precise, specific standards. Fair trade coffee standards are set by the FLO, while organic is a standard that has been codified by law in many countries (International Trade Centre, 2011b).

2. Production, foreign trade and consumption

Production

The world coffee production is generally characterized as unstable since a large crop in one year is often followed by a smaller crop in the next. The annual global production of coffee is about 8m tons (International Coffee Organization, 2015c). Most of the world's coffee is cultivated in Brazil and Vietnam. For organic coffee, Latin America is the largest producer.

Table 1 provides an overview of the top coffee producers of green coffee worldwide from 2009 to 2013.

Table 1: Top Coffee Producers (green coffee*)					
	2009 m t	2010 m t	2011 m t	2012 m t	2013 m t
Brazil	2.44	2.91	2.70	3.04	2.96
Vietnam	1.06	1.11	1.28	1.57	1.46
Indonesia	0.68	0.68	0.64	0.69	0.70
Colombia	0.47	0.54	0.47	0.46	0.65
Ethiopia	0.27	0.37	0.38	0.28	0.27

Source: FAO, 2015a. FAO, 2015b
*no distinction between conventional and organic coffee as a solid data base is missing for organic coffee.

Foreign trade

The international coffee trade is based on the import of unroasted coffee and the re-export of roasted coffee.

Note: The information on world imports and exports refers to coffee in general to give an overview of the entire coffee industry.

World Exports

Table 2 shows the world exports in quantity and value from 2010 to 2014.
Brazil is the world's leading coffee exporter with a record value of US $8b in 2011 and

a record quantity of nearly 2m tons in 2014. The exports of organic coffee increased from 42m kg in 2010 to 68m kg in 2013[1], with Latin America being the largest supplier (International Coffee Organization, 2014).

Table 2: World Export Value and Quantity (coffee*)

	2010		2011		2012		2013		2014	
	m t	b US$	m t	b US$	m t	b US$	m t	b US$	m t	b US$
Brazil	1.80	5.20	1.79	8.03	1.51	5.74	1.70	4.60	1.99	6.05
Vietnam	1.22	1.85	1.26	2.76	1.71	3.55	1.27	2.55	1.46	3.13
Colombia	0.41	1.91	0.44	2.66	0.40	1.96	0.55	1.92	0.62	2.52
Germany	0.50	1.92	0.53	2.86	0.54	2.58	0.54	2.36	0.54	2.48
Switzerland	0.04	1.23	0.04	1.73	0.05	1.80	0.05	2.20	0.06	2.21
World	7.20	24.20	7.58	35.98	7.96	33.05	7.88	28.41	8.08	31.78

Source: International Trade Centre, 2015a
* combination of green and roasted. Take into consideration that countries export mostly one kind - either green or roasted coffee. Rest amounts are very small and can be ignored. No double counting.including conventional, organic, fair trade coffee

World Imports

Between 2010 and 2014, imports of conventional coffee increased by 3%, on average, to 7.7m tons in volume and US $30b in value (International Trade Centre, 2015b). North America and Europe are the largest markets for both green and roasted coffee. In terms of individual countries, Germany is the leading EU importer, accounting for 15% of overall European coffee imports.

Table 3: World Import Value and Quantity (coffee*)

	2010		2011		2012		2013		2014	
	m t	b US$	m t	b US$	m t	b US$	m t	b US$	m t	b US$
United States of America	1.80	5.20	1.79	8.03	1.51	5.74	1.70	4.60	1.99	6.05
Germany	1.22	1.85	1.26	2.76	1.71	3.55	1.27	2.55	1.46	3.13
France	0.41	1.91	0.44	2.66	0.40	1.96	0.55	1.92	0.62	2.52
Italy	0.50	1.92	0.53	2.86	0.54	2.58	0.54	2.36	0.54	2.48
Japan	0.04	1.23	0.04	1.73	0.05	1.80	0.05	2.20	0.06	2.21
World	7.11	23.77	7.37	36.04	7.51	33.07	7.63	28.91	7.78	30.97

Source: International Trade Centre, 2015b
*including conventional, organic, fair trade coffee

The US and Germany are the largest importers of organic coffee. Together they accounted for 57% of total coffee imports in 2013 (International Coffee Organization, 2014).

[1] Without Peru, as it is no member of ICO

German and US trade

Due to differences in market characteristics, it's important to analyze the trade of both unroasted coffee (HS 090111) and roasted coffee (HS 090121) within these two markets.

Germany

Germany's export partners are located mainly in Europe, although the US also plays an important role as a re-exporting partner of unroasted coffee. The total value of roasted coffee exports has significantly increased over the last five years.

Table 4: Germany's Export Partners and Export Values (coffee, unroasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Poland	183.86	250.84	264.69	206.35	191.33
United States of America	7.97	50.41	9.24	17.96	64.21
France	29.05	57.18	68.59	48.84	40.80
Netherlands	16.93	60.34	60.31	32.41	33.58
Hungary	36.53	47.31	41.90	26.05	33.47
Total Export Value	554.28	821.03	739.98	565.91	599.25
Source: International Trade Centre, 2015c *including conventional, organic, fair trade coffee					

Table 5: Germany's Export Partners and Export Values (coffee, roasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Netherlands	128.33	129.61	120.20	131.41	166.24
Poland	109.44	160.77	151.62	158.30	155.07
France	124.12	166.68	141.05	138.71	132.62
Austria	65.89	78.45	60.90	69.72	98.30
Luxembourg	68.01	84.71	63.51	60.87	77.70
Total Export Value	842.69	1,137.31	1,101.65	1,132.98	1,255.68
Source: International Trade Centre, 2015d *including conventional, organic, fair trade coffee					

The most important suppliers of unroasted coffee to Germany are Brazil, Vietnam, Honduras and Peru. Germany is supplied with roasted coffee mainly from European countries. Of all coffee imports, roughly 93% is green coffee, while only 7% is roasted.

Table 6: Germany's Import Partners and Import Values (coffee, unroasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Brazil	1,176.07	1,710.18	1,144.73	885.58	1,192.07
Viet Nam	327.70	463.88	622.64	444.15	529.03
Honduras	233.31	336.86	401.21	249.66	264.43
Peru	329.29	400.35	373.26	252.83	206.11
Colombia	83.98	130.65	111.31	145.91	204.26
Total Import Value	3,118.52	4,528.59	3,896.28	2,886.76	3,212.63
Source: International Trade Centre, 2015e *including conventional, organic, fair trade coffee					

Table 7: Germany's Import Partners and Import Values (coffee, roasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Switzerland	15.09	164.43	207.30	249.00	251.56
Italy	87.64	159.93	147.15	155.75	173.51
Netherlands	57.12	79.59	70.07	48.32	105.41
Poland	74.39	99.59	108.81	98.21	105.18
United Kingdom	43.06	53.57	50.97	68.10	54.68
Total Import Value	394.95	709.19	686.63	693.10	776.92

Source: International Trade Centre, 2015f
*including conventional, organic, fair trade coffee

With a 26% share, Germany is the largest importer of organic coffee in the EU. In regards to world coffee exports, Germany is responsible for around 7% of both the value and quantity. In the German market, 8% of the coffee is certified (Deutscher Kaffeeverband e.v., 2015).

The United States

Between 2010 and 2014, the US increased its green coffee exports to US $169.28m and roasted coffee to US $740.85m in value. The main export partners for the US are Canada and Japan.

Table 8: USA’s Export Partners and Export Values (coffee, unroasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Canada	73.63	142.38	136.04	90.42	107.35
Japan	17.39	7.59	2.61	13.68	24.00
Germany	10.83	29.98	15.76	6.20	9.01
Korea	0.32	0.51	1.02	0.83	8.14
Mexico	12.85	12.35	2.29	1.92	5.63
Total Export Value	124.93	199.08	172.17	121.50	169.28

Source: International Trade Centre, 2015g
*including conventional, organic, fair trade coffee

Table 9: USA's Export Partners and Export Values (coffee, roasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Canada	413.19	571.66	640.50	563.52	572.37
Japan	34.61	57.55	76.54	69.63	49.62
Korea	21.85	31.38	35.54	40.11	26.34
Mexico	7.97	7.24	12.99	14.19	15.32
Taipei	5.49	7.87	10.26	9.19	12.57
Total Export Value	556.12	785.45	850.67	770.65	740.85

Source: International Trade Centre, 2015h
*including conventional, organic, fair trade coffee

The import values of green coffee exceed significantly those of roasted in the period from 2010 to 2014. The main supplier of unroasted coffee is Brazil, while Canada remains the largest supplier of roasted coffee.

Table 10: USA's Import Partners and Import Values (coffee, unroasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Brazil	1,063.90	1,865.12	1,241.72	1,007.08	1,264.83
Colombia	734.07	1,173.97	813.78	873.23	1,077.16
Vietnam	351.84	455.89	565.93	431.51	441.41
Guatemala	286.45	559.20	548.46	391.05	354.69
Indonesia	224.62	301.36	379.25	264.43	298.89
Total Import Value	3,737.76	6,350.45	5,348.46	4,253.50	4,778.32

Source: International Trade Centre, 2015i
*including conventional, organic, fair trade coffee

Table 11: USA's Import Partners and Import Values (coffee, roasted, not decaffeinated*)					
	2010 m US$	2011 m US$	2012 m US$	2013 m US$	2014 m US$
Canada	218.34	345.90	358.01	346.61	343.22
Italy	40.11	51.29	56.93	61.37	70.60
Switzerland	36.01	54.23	32.14	35.75	48.18
Colombia	20.44	28.54	36.92	29.49	33.66
Mexico	29.11	45.10	23.70	29.62	29.96
Total Import Value	409.42	612.65	614.95	588.58	597.28

Source: International Trade Centre, 2015k
*including conventional, organic, fair trade coffee

In 2014, the US accounted for around 32k tons of organic coffee (Fair Trade US, 2013). The largest suppliers of organic coffee are Peru, Brazil, Indonesia, and Mexico (Jaenicke & Demko, 2015).

Apparent consumption

The apparent consumption is calculated using the following formula:
Consumption = production + imports - exports.

The following tables provide the estimated consumption of roasted coffee in Germany and the US. While demand in Germany remained almost stable, the demand in the US shows a slow but steady upward trend. Nevertheless, German per capita consumption is higher than the US.

Table 12: Coffee Consumption in Germany (coffee, roasted, not decaffeinated*)					
	2009	2010	2011	2012	2013
Production (m kg)	511.42	509.50	517.34	522.71	532.54
Imports (m kg)	39.90	59.29	64.19	63.08	62.96
Exports (m kg)	158.28	165.41	159.96	162.23	183.46
Est. Consumption (m kg)	393.04	403.39	421.57	423.57	412.04
Per Capita Consumption (kg)	4.80	4.93	5.15	5.27	5.11
Source: International Trade Centre, 2015f; International Trade Centre, 2015d *including conventional, organic, fair trade coffee					

Table 13: Coffee Consumption Level in the USA (coffee, roasted, not decaffeinated*)					
	2010	2011	2012	2013	2014
Production (m kg)*	3.20	2.70	2.50	3.10	2.90
Imports (m kg)	1,246.80	1,336.00	1,333.80	1,435.60	1,408.20
Exports (m kg)	130.10	157.90	136.60	128.70	140.20
Est. Consumption (m kg)	1,119.90	1,180.80	1,199.70	1,310.00	1,270.90
Per Capita Consumption (kg)	3.50	3.70	3.70	4.10	3.90
Source: United Nations, 2014; USDA, 2015. *including conventional, organic, fair trade coffee					

Comparison & outlook

In summary, the consumption of conventional and organic/fair trade coffee is still dominated by the traditional markets (Europe and North America). Germany accounts for 29% of the EU total, making it the largest consuming country (CBI Ministry of Foreign Affairs, 2015). In both markets, imports of green coffee significantly exceed those of roasted in the period from 2010 to 2014. And this tendency is expected to continue, as Germany and US process the imported green coffee and afterwards export roasted. Therefore, these countries will be attractive for exporters of green coffee.

However, the development of exports is slightly different between these two markets. Although both countries' exports increased in value, Germany has experienced a 6% growth in quantity, whereas the US exports were stable in quantity but grew in value for the past five years. The export of organic/fair trade roasted coffee in Germany is expected to continue its growth in the upcoming years, due to the increasing demand for high-value specialty coffee in Eastern Europe.

3. Market characteristics

Germany

Consumer preferences

As mentioned in Chapter 2, Germany is the largest importer of organic coffee in the EU. In 2011, 84.6% of coffee was consumed privately, mainly in German homes or at work. Only 15.4% of coffee was consumed outside of home and 5% in large chains such as Starbuck's and McDonald's. Out of home consumption rose from 165 million cups in 2008 to 377.4 million cups in 2011. Almost one-third of coffee served in cafés, restaurants and bars is already fair trade certified (Tchibo, 2013). Germans prefer high quality Coffee Arabica with a shift in taste towards mild flavors like Brazilian Naturals (CBI Ministry of Foreign Affairs, 2015). Espresso coffee is used to prepare popular drinks like Latte Macchiato, Cappuccino and Café Latte. The majority of private consumers purchase certified coffee either at supermarkets or at health food stores (TransFair e.V., 2011). The label with the highest influence of consumer decision is the Fairtrade label issued by FLO (Basu & Hicks, 2008).

Market segments

Table 14 summarizes the target groups for organic products in Germany. Since the market for the core target group, which consists of 3-10% of Germans, is almost saturated, it is worth considering another potential group which accounts for more than 10 million people in Germany. LOHAS (Lifestyle of Health and Sustainability) is a group of people, mainly at ages between 30-59 years, a high degree of education and a higher income. LOHAS are mainly concerned about individual issues such as health, skinniness and taste but also on social aspects such as sustainability and justice (Der Spiegel, 2011). The major argument for LOHAS for buying a product is the quality and not the price. As research shows, 83.1% of LOHAS are more concerned about the quality than the price, as compared to the rest of the population where this is valid only for 34.2% of the people. Furthermore, LOHAS want to be well informed about the product in order to understand the background (Institut für Demoskopie Allensbach, 2012).

Table 14: Consumers of Organic Products in Germany

	Intensive Buyers	Extended Target Group
Share of Total Customers	3-10%	40%
Reasons for Buying	mainly social (fair conditions, locality, critical attitude towards grocery quality of supermarkets), but also individual (health, taste)	mainly individual (health, taste)
Education	far above average	above average
Income	far above average	above average
Market Potential	almost saturated	high potential
Product knowledge	well informed	lack of knowledge
Age group	throughout all groups, tendency towards older people	every
	mainly special stores, but also retail stores	mainly retail stores

Source: Source (Spiller, 2006)

Coffee is consumed among almost every age group in Germany. Data shows that 40-77% of Germans aged 18 or older consume multiple cups a day. Almost every German drinks at least one cup a week (Tchibo, 2012).

Conditions of acceptance

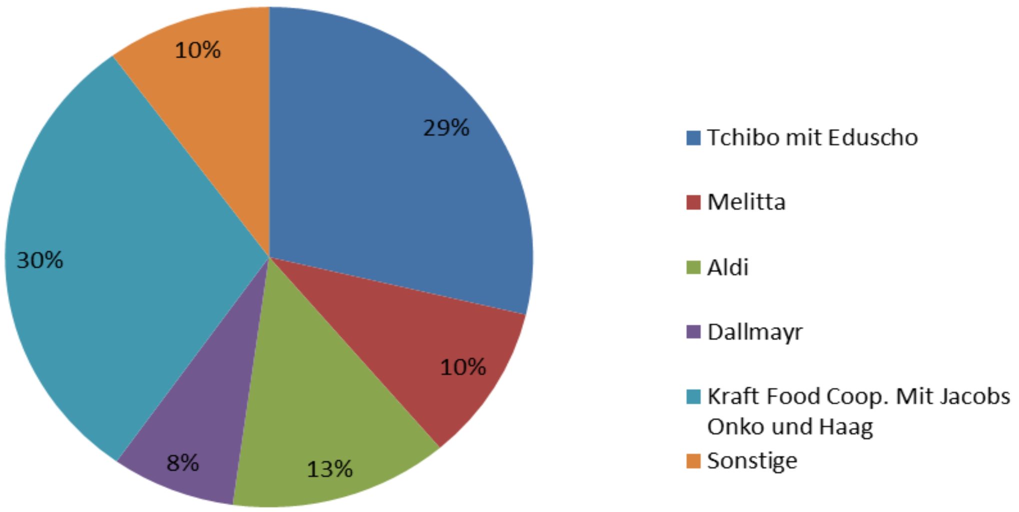
An organic/fair trade label issued by the EU authority needs to be attached to the product. Consumers generally trust organic/fair trade products, as they consider them to have both better quality and taste.

German consumers are sensitive about price. Almost one-third of German consumers aren't willing to pay more for organic/fair trade coffee. Two-thirds are willing to pay about a 5-10% premium for certified coffee (BTC, 2010).

Competition

Conventional coffee is the main competitor to organic/fair trade coffee within this industry. Due to good labelling and convincing taste, organic/fair trade coffee is already well established in the German market. The largest competitors are displayed in figure 2.

Figure 2: Market Share of Coffee Producers in Germany



Source: Heidelberger Partnerschaftskaffee, n.d.

The majority of them also offer organic/fair trade coffee in their product assortment. With a sales volume of €86.5m, organic tea is the strongest competitor in the organic segment (Euromonitor International, 2015). As table 15 shows, in the segment of hot organic drinks, coffee is still the most popular in Germany, followed by tea which is consumed half as often as coffee. The forecasted growth rates for both drinks are at 5% annually.

Table 15: Hot Drinks Germany								
	2011	2012	2013	2014	2015	2016	2017	Expected average growth 2015-2017
Organic Hot Drinks	213.7	230.9	245.5	259.7	272.685	286.32	300.64	5%
Organic Tea	74	79.4	84.6	86.5	90.825	95.37	100.13	5%
Organic Coffee	134.4	146.1	155.2	167.1	175.455	184.23	193.44	5%
Other Hot Drinks	5.3	5.4	5.7	6.1	6.405	6.73	7.06	5%
Source: Source(Passport, 2015) and calculations by the researcher								

Demand trends

In Germany, there is an increasing trend for certified coffee. Although the demand for regular coffee showed only a slight increase, the demand for organic/fair trade coffee has increased by 167% since 2009 (CBI Ministry of Foreign Affairs, 2015). Among certified products, coffee experienced the largest growth. Certified coffee is expected to continue its growth by 5% annually through 2020 (Euromonitor International, 2015). This trend is explained largely due to higher unit prices and premiumisation rather than increasing quantity. Brand positioning and differentiation are very important in order to survive in the organic/fair trade market (Euromonitor International, 2015). The sale of roasted coffee beans is gaining share due to espresso and cappuccino systems, which are used in private households and in gastronomy.

The United States

Consumer preferences

Coffee is a commodity that spans generations of American consumers and is present among all income-level households. Sixty percent of American consumers have stated a favorable opinion towards brands that support environmental causes, while 76% of consumers have stated that they would switch to a particular brand that supports a good cause if the price and quality of the product were equal (International Trade Center, 2011). In total, 83% of adults drink coffee in one form or another. One-third of American coffee drinkers consumes at least one cup of “premium coffee” per day. These are either espresso-based or regular coffees made of premium beans (Daily Coffee News LLC., 2014). Regarding the country of origin, Americans prefer Columbian over Brazilian coffee. The label of FLO had the highest influence on the buying decision in comparison to all other Fairtrade and organic labels (Basu & Hicks, 2008). The organic coffee marketed in the US ranges from single origins and blends to decafs and dark roasts.

Market segments

Lower income households, those earning less than US $25,000, seem to favor instant coffee, while higher income households, those earning more than US $150,000, favor whole bean coffee. Organic coffee seems to be preferred by the younger generations of coffee drinkers as opposed to the older ones, illustrated by table 16.

Table 16: Factors influencing Coffee Purchase (Percentage Agreement by Generation)

Attribute	Millenials (18-35)	Generation X (36-47)	Baby Boomers (48-66)	Swing/WWII (67+)
Fair Trade Certified	40	32	30	26
Organic Coffee	36	26	21	13

Source: Her Majesty the Queen in Right of Canada, represented by the Minister of Agriculture and Agri-Food Canada, 2013.

US consumers perceive organic coffee as cleaner because of its simple and natural ingredients. The largest importers of organic coffee to the US are Amcafe Inc., Elan Organic Coffees and ForesTrade, to name a few.

Conditions of acceptance

Concerns over social injustice and environmental destruction among American consumers have increased. This has driven the market to search for more sustainable alternatives. Organic coffee adheres to a combination of various environmental, social and health standards, which are certified by a third-party and in some cases the US government (International Trade Center 2011).

Competition

The main competitors of organic coffee are conventional coffee and tea. Tea is slowly gaining market share but is still relatively small. Conventional coffee has a significant market share, primarily due to the higher price of organic coffee. However, in some specialty supermarkets, the demand for conventional coffee is stagnant while that of organic coffee is increasing, as the next table illustrates. There is also competition within the organic segment. Organic tea, which has been almost as popular as organic coffee in 2011, grew only half as fast as coffee since that year with the consequence that organic coffee will retain its leading position in the market for organic hot beverages.

Table 17: Natural Supermarket Sales of Coffee, by Organic and Fair Trade, 2010 & 2012				
Category	2010 Value (millions)	2010 Market Share	2012 Value (millions)	2012 Market Share
Organic and Fair Trade	9.3	41.3	14	43.8
Organic and not fair trade	4.8	21.3	6.5	20.3
Fair trade and not organic	1	4.4	1	3.1
Conventional	7.4	32.9	10.5	32.8
Total	22.5	100	32	100
Source: Her Majesty the Queen in Right of Canada, represented by the Minister of Agriculture and Agri-Food Canada. (2013)				

Table No 18: Hot Drinks USA								
	2011	2012	2013	2014	2015	2016	2017	Expected average growth 2015-2017
Organic Hot Drinks	375.9	397.3	423.7	448.6	472.6	496	533.6	6%
Organic Tea	182.1	191.9	200.8	210.4	220.4	228	239.1	4%
Organic Coffee	189.5	201.3	218.8	234.1	248.1	263.9	290.5	8%
Other Hot Drinks	4.3	4.1	4.1	4.1	4.1	4.1	4	-1%
Source: Source (Agriculture and Agri-Food Canada, 2013) and calculations by the researcher								

Demand trends

Coffee has been the largest US organic import since 2011 (Jaenicke & Demko, 2015). Organic beverages are expected to grow at an annual rate of 4.9% until 2017. Within this group, hot beverages are said to increase the most. Some reasons for this development are brand loyalty as well as an increasing awareness for social, health and quality matters for everyday coffee drinkers. Coffee is often considered a healthy substitute for alcoholic drinks and drinks containing high amounts of sugar (Agriculture and Agri-Food Canada, 2013). Self-roasting is another trend in the demand for coffee. This is where consumers contact farmers directly and process the green coffee beans on their own (CBI Ministry of Foreign Affairs 2012).

Comparison & outlook

The two markets offer great potential for certified coffee. The target group is steadily increasing due to an increase in the awareness of the social and individual benefits that are attached to organic products. This statement can be supported based on the fact that Germany and the US are expected to grow at rates of 5% and 8%, respectively until 2017. The major challenge that exporters will face involves the positioning and the differentiation of the certified coffee in their respective markets. In Germany, the largest potential for growth in the organic market is the group of LOHAS which have a good education level and a higher income as the average German. The LOHAS group consists of more than 10 million people in Germany and should be attracted with marketing campaigns.

4. Market access

Germany

Tariffs

The EU applies no import tariff for not roasted, not decaffeinated coffee (HS 090111). It does, however, impose tariffs for roasted, not decaffeinated coffee (HS 090121) as shown in Table 19. Furthermore, a VAT of 7% is imposed on roasted, not decaffeinated coffee (International Coffee Organization, 2011).

Standards and regulations

Table 19: Tariffs for coffee imports to Germany and the US

in %

Product Code	Description	Category	EU	US
90111	Coffee, not roasted, not decaffeinated	MFN GSP LDC General	0 0 0	0 0 0 -
90121	Coffee, roasted, not decaffeinated	MFN GSP LDC General	7.5 2.6 0 0	0 0 0 -

Source: International Trade Center, 2011a

Organic coffee imports to Germany are subject to several regulations shown in Annex 1 (EU Standards and Regulations that apply to Germany). The EU allows only a fixed amount of pesticides in food and requirements regarding production and environment need to be followed. Furthermore, German consumers expect products which are produced under quality norms as Annex 1 shows (CBI Ministry of Foreign Affairs, 2015).

All coffee imports to Germany have to follow SPS regulations, which are applied by EU's General Food Law (European Commission, 2015) (see Annex 2). Although coffee is considered a low-risk commodity, directives regarding mycotoxin (molds and fungi), foreign matters (plastic and insects) and microbiological contamination (salmonella) must be followed. All import shipments must be accompanied by certification to ensure that all legal regulations are within compliance (See Annex 2).

Non-tariff barriers

Coffee imports to Germany are subject to several non-tariff regulations (see Annex 2). There are also some technical requirements for exporting coffee to Germany, which are shown in Annex 1 (Import related non-tariff measures applied by Germany).

The United States

Tariffs

The US levies no tariffs on green and roasted coffee, neither for decaffeinated nor for conventional (United States International Trade Commission, 2016).

Standards and regulations

Importers of organic coffee must be certified by NOP to use the “USDA Organic Seal” on their products. Certificates are issued by USDA through its accredited agents.

All coffee imports are subject to port checks for black coloration, mold, water-damage, insect infestations, brown coloration, immature berries, shriveled berries, foreign material, “sweepings”, contamination by ores or other poisonous materials in the vessel’s cargo (Hinkelmann, et al., 2005).

There are also several SPS concerns when dealing with coffee trade. The WTO's SPS agreement allows US government to adopt regulations regarding human, animal and plant health. Animal and Plant Health Inspection Service (APHIS) is the responsible authority to oversee these regulations.

Non-tariff barriers

Similar to Germany, there are neither quotas nor embargoes on the import of coffee.

Comparison & outlook

Both markets will remain the most important markets for coffee exporters with regards to import taxes and VAT. With the exception of processed coffee in Germany, import taxes and VAT are non-existent in both countries. Germany levies a low import tax and value added tax on processed coffee. As the U.S is the largest importer of green coffee and Germany is among the largest, it is very likely that they retain their position and attractiveness in the future.

5. Prices

Prices at producer level

Coffee prices are subject to extreme ups and downs due to climatic crop failures, currency fluctuations, speculation in the financial markets, as well as other factors. In 2011, coffee prices reached their 34-year record at US $3.09 per lb. As shown in Figure 3, the market price for coffee indicates an increasing trend.

Figure 3: Development Coffee Market Price

Source: Trading Economics, 2015

The following table shows the development of prices paid to producers in selected countries. In general, Robusta Coffee is cheaper than Arabica.

Table 20: Prices paid to growers in selected exporting countries*

in US $/lb

	2010	2011	2012	2013	2014
Colombia (Arabica)	1.81	2.40	1.67	1.14	1.60
Honduras (Arabica)	1.25	2.00	1.45	1.10	1.32
Brazil (Arabica)	1.34	2.24	1.52	1.02	1.35
Ecuador (Robustas)	0.81	0.95	0.95	0.76	0.46

Source: International Coffee Organization, 2015a
*including conventional, organic, fair trade coffee

At the producer level, prices for organic coffee are generally 25% higher than conventional coffee (Fieser, 2009). The minimum price of fair trade coffee is set by the FLO and not influenced by the market. If the market price exceeds the minimum price, farmers are paid on market price level. Also, they receive bonus payments for organic and fair trade. The fair trade coffee prices are set up as follows:

Table 21: Fair Trade Coffee Prices (FOB)		
in US $/lb		
	Arabica	Robusta
minimum price	1.40	1.01
fairtrade bonus	0.20	0.20
organic bonus	0.30	0.30
Total (min)	**1.90**	**1.51**
Source: Fairtrade Labelling Organizations International e.V., 2011		

The FOB prices for exports to Germany and the US from relevant countries are listed in the table below. On average, exports to the US are slightly more expensive than to Germany.

Table 22: FOB prices for exports from selected countries to Germany and the US*						
in US $/lb						
	2012		2013		2014	
country of origin	to GER	to US	to GER	to US	to GER	to US
Peru	1.768	1.950	1.344	1.365	1.914	1.832
Brazil	1.760	1.664	1.192	1.202	1.455	1.358
Vietnam	0.934	1.012	0.892	0.939	0.919	0.961
Source: United Nations, 2014 *including conventional, organic, fair trade coffee						

CIF prices for imports to Germany and the US from relevant countries are listed in the table below. CIF prices are approximately 5% higher than FOB prices.

Table 23: CIF prices for imports to Germany and the USA from selected countries*						
in US $/lb						
	2012		2013		2014	
country of origin	to GER	to US	to GER	to US	to GER	to US
Peru	1.709	2.089	1.364	1.456	1.755	1.769
Brazil	1.760	1.858	1.261	1.361	1.427	1.404
Vietnam	1.065	1.219	0.966	0.938	0.944	0.965
Source: United Nations, 2014 *including conventional, organic, fair trade coffee						

Import prices for roasted coffee are about three times higher than for green coffee, as visible in the table in Annex 4.

Prices at wholesale level

After green coffee has passed through many intermediate traders and importers, it arrives at the roasters. It is here that the most value is added to the final product. It is becoming more common for the organic/fair trade coffee to skip the wholesale level when traveling through the supply chain. Instead, roasters are supplying retailers directly. This reduction of middlemen increases the profit margins at both ends of the supply chain, especially for the producers.

For a German discounter, the purchasing price for organic coffee is €6.34 per kg[2]. Metro sells organic/fair trade coffee at €13.34 per kg (METRO Cash & Carry Deutschland GmbH, 2015).

In the US, Costco (Costco Wholesale Corporation, 2015) and Sam's Club (Sam's West Inc., 2015) offer organic coffee at a price range from US $6.70 per lb. up to US $9.60 per lb.

Prices at retail level

The following table provides an overview on the development of the average retail prices for roasted coffee in Germany and the US from 2010 to 2014. Slight variations due to changing market prices are noticeable. The average retail price of coffee in 2014 increased by 20% in Germany and 28% in the US compared with prices from 2010.

Table 24: Retail Prices of Roasted Coffee* in selected Importing Countries

in US $/lb	2010	2011	2012	2013	2014
Germany	4.76	5.10	4.74	5.65	5.72
USA	3.91	5.19	5.68	5.45	4.99

Source: International Coffee Organization, 2015b
*including conventional, organic, fair trade coffee

Germany

In the German market, there are 350 different fair trade coffee products from 100 suppliers, with 69% of them being organic. The organic discounter coffee, purchased for €6.34 per kg is sold at €8.98 per kg. Retailers impose margins of around 30%-40%.

[2] Internal Source from a discounter

Organic coffee sales have a 3% market share of overall coffee sales at the discounter level.

Table 25: Coffee Prices in selected German Retailers				
in €/kg				
	Discounter	Rewe	Tchibo	Alnatura
Maximum Price	9.99 (organic/fair trade)	21.99 (organic/fair trade)	11.99 (fair trade)	29.16 (organic/fair trade)
Minimum Price	8.98 (organic)	13.49 (organic/fair trade)	11.38 (organic)	9.95 (organic/fair trade)
Source: assessment at shop floor, 2015				

United States

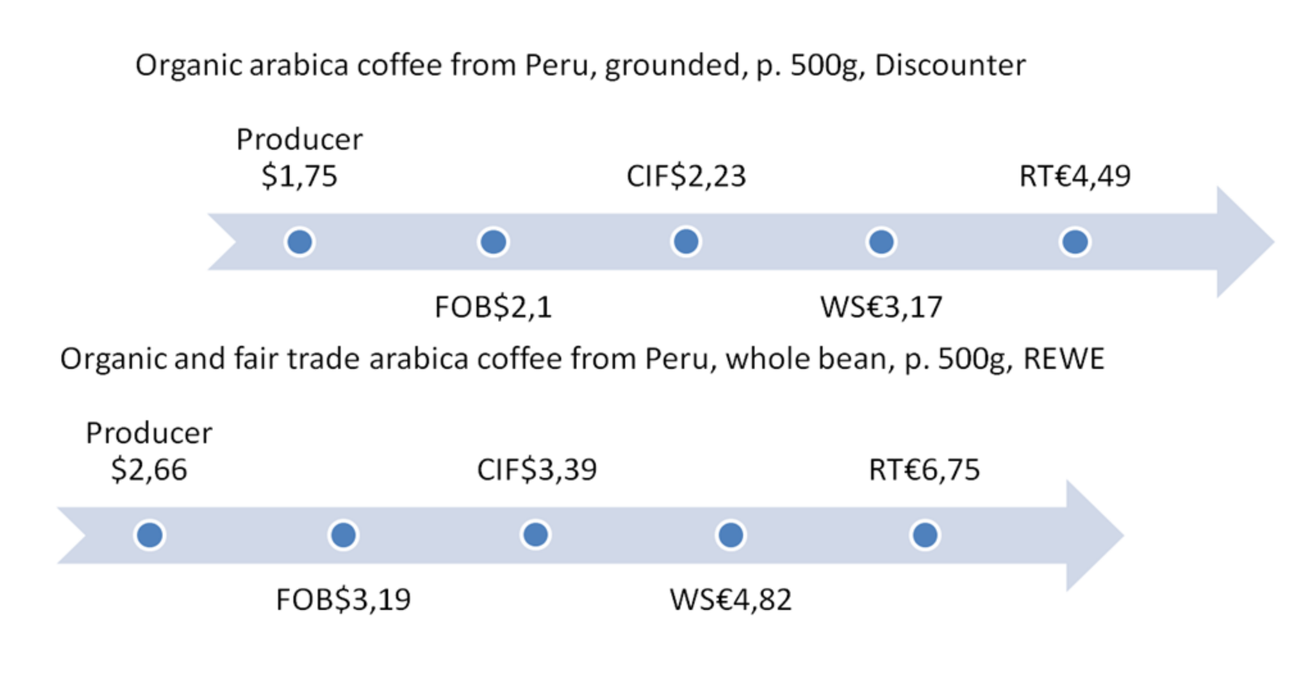
At the retail level, organic/fair trade coffee is sold in supermarkets, grocery stores and specialty shops (CBI Ministry of Foreign Affairs, 2015). In the US, coffee is measured in oz. and lb. The prices vary by brand, coffee type, quality, as well as the state that the retailer is located. The price range for organic coffee in supermarkets runs from US $7.19 per lb. to US $22.1 per lb. For example, at Walmart, organic/fair trade coffee is available for US $11.20 per lb. and organic coffee ranges from US $7.20 per lb. to US $22.10 per lb. (Equal Exchange, n.d.). Examples on coffee prices at selected retailers are listed in Table 26.

Table 26: Coffee prices in selected American Retailers			
in US $/lb			
	Target (organic/fair trade)	Trader Joes (organic)	Walmart (organic)
Maximum Price	19.46	10.09	22.09
Minimum Price	7.73	8.63	7.19
Source: assessment at shop floor, 2015			

Value chain

The following graph is an example of the value adding steps for organic and organic/fair trade certified coffee in Germany.

Figure 4: Value Chain



Throughout the value chain, most value is added at the roaster and retail level. Compared to producer price, the product value at retailers is tripled.

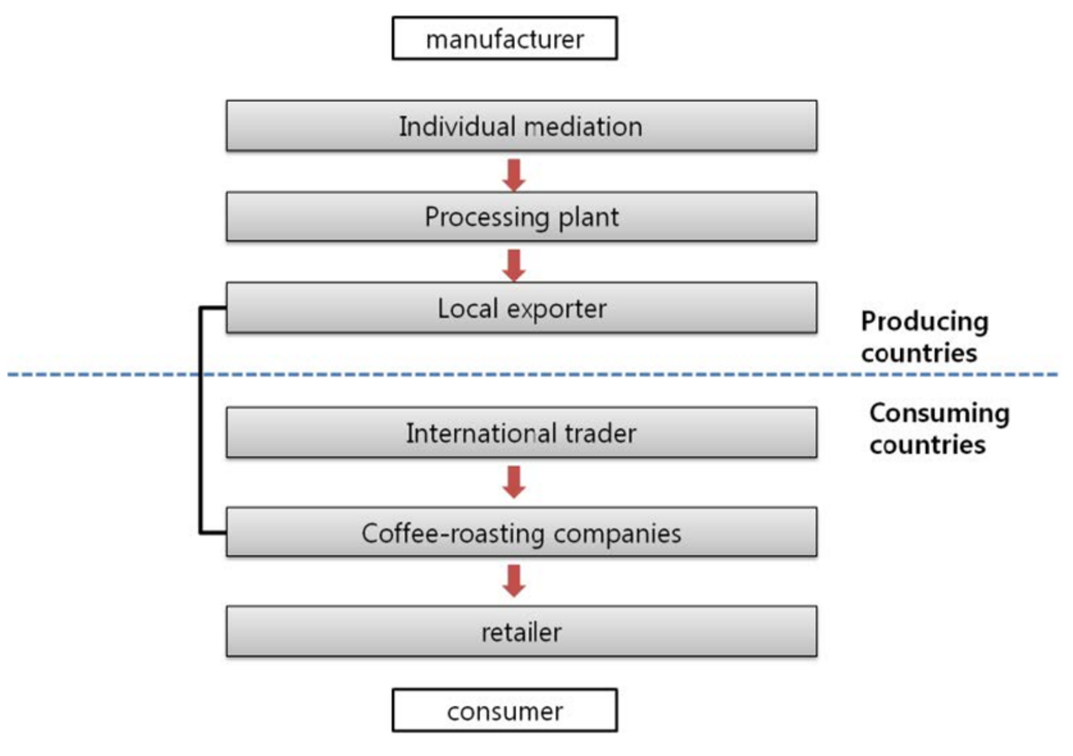
Comparison & outlook

The coffee price is very volatile, but shows an increasing trend. Exporting green coffee to the US is slightly more expensive than exporting to Germany. For roasted coffee, it is the exact opposite. Both Germany and the US are markets with a rising demand for organic/fair trade coffee. Sales are expected to rise as the demand increases for certified products. Retail prices for organic/fair trade coffee show a wide range in pricing. For coffee in general, retail prices are about the same in both countries. Nevertheless, prices tend to increase more in the US.

6. Distribution channels

From harvest to cup, the distribution of coffee is a process that involves several steps. Manufacturers in the producing countries, usually small farm cooperatives, sell the raw coffee beans to the brokers, who are in charge of processing the beans through either a wet or dry process. The coffee is then sold to local and international traders, who in turn sell the coffee to the coffee-roasting companies. Companies that roast the coffee are the ones that package the finished product and sell it to retailers. The retailers sell the finished product to the end consumer.

Figure 5: Coffee Distribution Map



Source: The Clute Institute, 2012

In the last couple of years, distribution for organic/fair trade coffee has become more intense due to the increasing number of traders. There is evidence of this at the retail level, where more supermarkets and high-volume chain stores have started offering organic coffee. This has resulted in a reduction of the market share of specialty retailers.

The main distributors of organic coffee in Europe are natural food stores and fair trade shops (world shops). Nonetheless, there are also more supermarkets that sell organic coffee, especially in Germany, the Netherlands and Switzerland.

In Germany, supermarkets and discounters have successfully launched their own brands of organic coffee to attract more customers (iXPOS, 2015). A proven way to find a distributor in the German organic coffee market is by participating in the various trade shows like Anuga, BioFach, or International Green Week, which have a global reach in the food industry (iXPOS, 2015).

The principal retailers of organic coffee in the US are natural food stores, which specialize in organic foods, and conventional supermarkets, which favor conventional produce. Organic coffee is not typically sold in the foodservice sector, but has been gaining popularity over the past few years. For example, Starbucks now offers choice of organic coffee.

More than 80% of organic coffee is sold to households (end-consumers), and less than 20% is sold to restaurants and canteens. Organic coffee sales to households have a higher growth potential than sales to restaurants because of high percentage sales. Restaurants lack interest in organic coffee because of extremely low prices of conventional coffee. Canteens also have strong reservations about selling organic coffee, as it would pressure them to offer additional organic items, which would be at odds with the tight constraints on the canteen menu budgets (FiBL, 2002).

The usual means of transport for coffee are ships, trucks and railroad. Coffee is generally transported in two types of containers, standard and ventilated. Coffee beans should be stored at temperatures of 30-35ºC. During transportation, contaminations such as insect infestations, diseases, and excessive dampness that produce toxicity must be avoided (Gesamtverband der Deutschen Versicherungswirtschaft, 2002-2015).

Distribution channels are expected to become more intense in the future due to the rapid and steady growth of organic and fair trade markets. Innovations in information and communication technologies will allow the distribution cycle of organic coffee to be shorter, resulting in higher profit margins.

7. Commercial practices

Germany

Although modern communication technologies have enabled larger companies to have automated back office systems that link suppliers and buyers, the organic coffee trade still uses paper documentation in its dealings. The actual negotiation processes is generally conducted via phone, fax and e-mail. The final documents, such as contracts, delivery orders, bills of lading, or letters of credit, require an original signature and therefore are physically presented by the respective parties (International Trade Centre, 2011, b).

In Germany, coffee can either be imported directly from farmers or farmers associations, from wholesalers or from websites like AliBaba.

Traders generally use contracts issued by the European Coffee Federation in the Netherlands (International Trade Centre, 2011, b). In the contract, the two parties agree on the quantity, price, weight, shipment date and the destination. The most common type of payment is done via direct deposit.

Moreover, it is important to define the quality of the coffee beans. This agreement includes the origin, moisture, preparation, organic certification, packaging, type and the incoterms. Usually the FOB incoterm is used, meaning that the exporter organizes the transportation and insurance until arriving at the harbor of destination. In addition to the components mentioned above, the trading partners also must agree on the documents that need to be issued. These documents include the invoices, certificates and shipping papers that are needed in order to comply with the various import regulations.

In order to illustrate commercial practices, a contract between a German importer, Quijote Kaffee OHG, and various exporters is attached in Annex 5.

United States

In the US coffee industry, many exporters prefer to have agencies or brokers work for them within a given geographical area. The broker serves as a mediator between the supplier and the buyer. Once the supplier and the buyer come to an agreement, it is necessary to confirm it in a written contract. Commercial practices for organic coffee trade are similar to those of conventional coffee, although the use of contracts is required when trading organic coffee.

Similar to Germany, the contract forms are standard and are issued by the Green Coffee Association in the US (The Coffee Guide, 2012). A good contract should define fundamental parameters such as price, quantity, quality, time and location.
Depending on which method of transportation is used, there are different variations of contracts: FOB, FOR, FOT. In the US as well as in Germany, organic coffee is most commonly delivered by ship.

The Green Coffee Association recommends agreeing upon the payment conditions in advance, as there are generally long-term business relationships between the partners. In the event that there is an offer made to a new buyer, the payment conditions should be defined at the time of the contract. Most frequently, exporters use letters of credit as a guarantee for payment.

Like Germany, the US also uses traditional methods for coffee trade. The buyer and seller typically communicate via e-mail, telephone, telex, fax or direct contact (The Coffee Guide, 2012). Today, it is common to search for suppliers online on websites like AliBaba.

The commercial practices in Germany and the US have common characteristics, including transportation (shipment), methods of communication (e-mail, telephone, and fax) and similar ways of dealing with contracts and other paper documents. In the future, it is likely that the coffee market will combine electronic trade and documentation systems due to the high impact of modern communication technologies in the industry.

8. Packaging and labelling

Packaging

Organic coffee beans are generally packaged in 60kg bags of woven natural materials like jute or sisal, which allow free air circulation (CBI Ministry of Foreign Affairs, 2015). Also, they need to be labelled as organic to prevent contamination with non-ecological products.

Germany

In the EU, organic coffee is packed in sound uniform natural fiber bags suitable for export and in compliance with the legal requirements of EU Packaging and Packaging Waste Disposal Directive (The Coffee Guide, 2012). German retailers sell coffee in 250g, 500g or 1kg bags. In addition, consumers can buy freshly packaged coffee from special shops, e.g. Tchibo.

The United States

In the US, organic coffee bags must be made of sisal, henequen, jute, etc., without any inner lining or outer covering (The Coffee Guide, 2012). The USDA is responsible for the regulations concerning the use of packaging for organic coffee. In the US retailers, coffee is sold in 8oz., 10oz., 12oz., as well as 30.6oz. containers.

Labelling

The combination of both the fair trade and organic certification is the most popular double certification in the market (International Trade Centre, 2011). The use of the fair trade mark is internationally organized by the FLO and requires a written approval from Fair trade International.

Figure 6: Fair Trade Label

Source: Wikipedia, 2015c

Germany

The labeling rules in the EU are the part of the EU organic regulations. The main purpose of the European logo is to make organic products to be easier recognized by customers. The Council Regulation EC 843/2007 stipulates that the organic EU production logo is only allowed to be used if the product contains at least 95% organic ingredients. The production logo is mandatory for all products coming from within the EU, but voluntary for products imported from third countries.

However, in Germany producers may use national or private logos in combination with the EU logo. The German national label is the “Bio-Siegel”. Although it is a voluntary seal, it is well recognized and demanded by consumers. There are more than 65,000 products that are certified with this seal (iXPOS, 2015).

Organic coffee that is imported to Germany must be labeled in German and must provide the following information as laid down in the Lebensmittel- Kennzeichnungs-Verordnung (LMKV- Food Labeling Ordinance of Dec. 1999).

- Name of product
- Ingredients
- Quantitative Ingredient Declaration
- Encoded minimum shelf-life date
- Storage conditions
- Metric units for all measurements
- Name and address of manufacturer
- Packer or importer in Germany
- Coded lot identification
- Bar codes

Figure 7: Organic Seal EU

Bio-Siegel EU-Bio-Logo

Source: Wikipedia, 2015b

The United States

Contrary to the EU, there is a single national label in the US, with no distinction between domestically produced products and imported products. Organizations that are meeting the requirements of NOP may label their products with the “USDA Organic Seal”. The seal is most commonly placed on the principal display panel or the information panel (The Coffee Guide, 2012).

Figure 8: US Organic Label

Source: USDA, 2015b

There are three main categories of labeling based on product composition:

1. 100% organic: These products contain only certified organic ingredients. May include USDA organic seal and 100% organic claim.

2. Organic: These products contain not less than 95% certified organic ingredients. May include USDA organic seal and 100% organic claim.
3. Made with organic: These products contain at least 70% of certified organic ingredients. May state “Made with organic”, but must not include the USDA Organic seal anywhere.

If a product contains less than 70% certified organic content, the certified ingredients can be listed in the ingredient list, but the USDA Organic label must not be included anywhere on the package (United States Department of Agriculture, 2012).

Comparison & outlook

Both countries have clear standards for organic certification when it comes to packaging and labelling. In the future, packaging requirements for organic/fair trade coffee may change with increasing volume. Conventional coffee is already transported in containers because of the large quantities. This method will also reduce transportation costs. Fair trade labelling is coordinated internationally. USDA sets organic labeling regulations in the US. Organic coffee imported to Germany must follow the EU regulations. However, in Germany many producers still use additional national and private labels together with the EU logo.

9. Sales promotion

The organic coffee exporters need to use different types of media to reach business partners and customers. Participating in food fairs and trade shows has always been a good way to exhibit and promote the products and make contacts with importers, exporters, wholesalers, and retailers. Trade magazines are another way to gauge market preferences and collect information about competitors, wholesalers, retailers and other market statistics that would be helpful in making trade decisions.

Trade fairs and exhibitions

Germany

International Green Week
Messedamm 22,
14055 Berlin
Tel.: +49 30 30380
Fax: +49 30 30382019
E-mail: igw@messe-berline.de
Web: www.gruenewoche.de

Anuga
KoelnMesse GmbH,
Messeplatz 1,
50679 Cologne
Tel.: +49 221 8212240
Fax: +49 221 821993410
E-mail: anuga@koelnmesse.de
Web: www.anuga.de

BioFach
Exhibition Centre,
90471 Nuremberg
Tel.: +49 911 86068998
Fax: +49 911 8606128998
E-mail: info@biofach.de
Web: www.biofach.de

United States

BioFach USA
Baltimore Convention Center,
Baltimore, Maryland.
Tel.: +49 911 86068328
Fax: +49 911 860128328
E-mail: info@biofach.de
Web: www.biofach-america.com

Natural Products Expo, East & West
East: Baltimore, MD,
Baltimore Convention Center
West: Anaheim Hilton and Anaheim Convention Center
Tel.: +1 303 9989332
E-mail: Brad.Squier@penton.com
Web: www.expowest.com

Green Festival Expo
Green Festivals Inc.,
191 Lyman St. #101,
Asheville NC 28801
Tel.: +1 828 2360324
Fax: +1 828 2544287

Specialty Coffee Event, Special Coffee Association of America
Georgia World Congress Center,
Atlanta, Georgia
Tel.: +1 562 6244100
E-mail: scaa@compusystems.com
Web: www.scaaevent.org

Associations

Germany

Deutscher Kaffeeverband e.V.
Steinhoeft 5-7,
20459 Hamburg
Tel.: +49 40 37423610
Fax: +49 40 374236111
E-mail: info@kaffeeverband.de
Web: www.kaffeeverband.de

BOLW, Federation of the Organic Food Industry
Marienstrasse 19-20,
10117 Berlin
Tel.: +49 30 28482309
Fax: +49 30 28482309
E-mail: presse@boelw.de
Web: www.boelw.de

United States

NCA, National Coffee Association of USA
45 Broadway,
Ste. 1140,
New York, NY 10006
Tel.: +1 212 7664007
Fax: +1 212 7665815
E-mail: info@ncausa.org
Web: www.ncausa.org

Alliance for Coffee Excellence (ACE)
3115 NE Sandy Blvd.,
Ste. 224 Portland,
OR 97232
Tel.: +1 503 2082872
E-mail: support@cupofexcellence.org
Web: www.allianceforcoffeeexcellence.org

OTA, Organic Trade Association
The Hall of the States,
444 N,
Capitol St. NW,
Suite 445A,
Washington DC 20001
Tel.: +1 202 4038520
Fax: +1 802 2753801
E-mail: info@ota.com
Web: www.ota.com

Trade magazines

Worldwide

Organic Standard
Web: www.organicstandard.com
E-mail: office@organicstandard.com

Germany

foodwelt
Neuer Merkur GmbH,
Behringstrasse 10,
82152 Planegg
Tel.: +49 89 3189050
Fax: +49 89 31890538
E-mail: info@vnmonline.de
Web: www.food-welt.de

BioHandel
bio verlag GmbH,
Magnolienweg 23,
63741 Aschaffenburg
Tel.: +49 060 21448920
Fax: +49 060 214489499
E-mail: info@bioverlag.de
Web: www.biohandel-online.de

Schrot & Korn
bio verlag GmbH,
Magnolienweg 23,
63741 Aschaffenburg
Tel.: +49 060 2144890
E-mail: info@bioverlag.de
Web: www.schrotundkorn.de

Bioland
Bioland- Verband fuer organisch-biologischen Landbau e.V.
Tel.: +49 613 1239790
Fax: +49 613 12397927
E-mail.: info@bioland.de
Web: www.bioland.de

United States

Organic Standard
P.O. Box 301209,
Austin, TX 78703-0021,
Texas
Tel.: +1 512 8924400
Fax: +1 512 8924448
E-mail: info@acresusa.com
Web: www.acresusa.com

10. Market prospects

Germany

As the largest importer and consumer of both conventional and organic coffee in Europe, Germany is an interesting niche market for organic/fair trade coffee.

The market for organic coffee has been increasing steadily and is said to grow by 5% annually through 2020. Nevertheless, this increase is mainly driven by higher prices of organic coffees and not by growth in quantity.

Nowadays the consumers become more aware of health issues and ask for environmentally sound conditions under which their coffee is produced. However, the increasing awareness for environmental and social issues does not necessarily lead to a higher willingness to pay for sustainable products. Consequently, high price-differentials at the retail level could be an important limiting factor for the development of organic/ fair trade coffee in the German market.

The main trend in the coffee industry is sustainability. Thus, all of the major coffee associations in EU have already turned towards sustainability mainly through certification. In Germany around 60% of the fair trade coffee is double certified with organic and fair trade and a significant part of organic products are certified simultaneously with mandatory EU seal and voluntary seals. (CBI, Ministry of Foreign Affairs, 2015). The double certification trend will become more popular in the future.

Another important factor for the development of organic/fair trade coffee in Germany is the re-exportation of roasted coffee to other EU markets. There are very few import requirements to and within the EU. (CBI, Ministry of Foreign Affairs, 2015). Germany already has a strong exporting position. It is expected that organic coffee re-export will rise due to the increasing demand for high value specialty coffee in Eastern Europe.

United States

The US is the largest importer of both organic and conventional coffee in the world. Although organic coffee is more important in the US, fair trade coffee has increased its share every year since 1998 and is expected to become more popular in the foreseeable future.

One of the main factors behind this expectation of growth is a strong increase in consumer awareness of health, environmental and ethical issues. Therefore, socially conscious consumers are driving both the interest and sales of certificated sustainable

coffees, resulting in an increased demand for double certification. In 2014, about 58% of all fair trade products sold was double certified as organic and fair trade (Fair trade US Almanac, 2014). This trend will continue over the next years.
Unlike Germany, the US has a single national organic label for all imported and domestically produced products, which is likely to have a positive impact on the organic coffee industry development. Another factor that makes organic/fair trade coffee more attractive is the absence of tariffs on coffee.

Due to stable growth in the demand for organic/fair trade coffee in the US, the number of traders has increased in the last decade, as well as the number or fairs and exhibitions at both the national and international levels. This long-term trend will produce a stronger focus on organic and fair trade coffee within the industry itself and amongst consumers.

Although the overall picture looks very positive, there are some potential risk factors that should be kept in mind. High price differentials of organic/fair trade coffee may change the consumer's preference back towards conventional or just organic coffee. Furthermore, the growth potential for organic coffee is a temptation for some producers to vastly increase production volumes. Occasional oversupply may have immediate and long-term negative effects on the industry. However, there is no doubt that the US market will offer interesting business opportunities to both domestic players and foreign traders.

In summary, fair trade certified coffee is more important than organic coffee in Germany, whereas the organic certification appears to be in higher demand in the US. However, organic coffee that is also fair trade certified has a better position in both countries. This segment of double certified coffee is expected to grow parallel with the growing organic and fair trade food markets.

As industries with stable growth are more likely to attract new market entrants, the current market offers a promising opportunity for the potential exporters of organic/fair trade coffee to both the US and Germany. Exporters must align themselves with this double certification trend and exploit the market to the maximum before the competition further intensifies. All of the main European and American coffee brands have already set sustainability targets. Therefore, it is likely for competition to increase over the next few years.

Figure 9: Market Prospects Synopsis

Germany	USA	Chapter message
↑	↑	**2: Production, Trade, and Consumption:** Europe and the US dominate the market for organic coffee, Germany has the biggest share in the EU. In both markets, imports of roasted coffee have been increasing and are expected to continue.
↗	↑	**3: Market characteristics:** Increasingly attractive due to growing demand for organic products, but also very strong competition, especially in Germany. Target group is expanding due to increase in awareness of the benefits of organic products.
→	→	**4: Market Access:** Unchanged due to fixed regulations for market access, both markets are going to retain their current attractiveness due to the high demand for organic coffee and the lack of restrictions.
↗	↑	**5: Prices:** Coffee prices are very volatile, but show an increasing trend. With the increase of demand for certified products, sales are also expected to rise. Through the processing of coffee, producer price is tripled at retail level.
↑	↑	**6: Distribution:** Increasingly attractive due to higher number of retail outlets and growth of the market. The innovations in information and communication technologies allow for less uncertainty in distribution channels.
↑	↑	**7: Commercial Practices:** Increasingly attractive since contracts are standardized in both countries and issued by a controlling third party. Business practices are managed faster with the integration of new forms of communication technologies.
→	↘	**8: Packaging and Labeling:** Unchanged due to clear standards for organic certification for packaging and labeling in Germany. In the US this is more restrictive, because there is one national label. In the future, packaging may change with increasing volume.
↑	↑	**9: Trade Promotion:** Increasingly attractive due to increasing customer's interest in organic products. As a result, there are a growing number of trade fairs, exhibitions and magazines as well as their importance.

Annex

Annex 1: EU Standards and Regulations that apply to Germany	
Regulation	Description
Council Regulation(EC) No. 834/2007	regulates the organic production, processing, marketing, labelling and control rules of organic products traded in the EU.
EC Regulation No. 2092/91	regulates the production and Labling of Organic foods.
EN 45011/ISO 65	Regulations require exporters to follow certification procedures regarding accreditation, inspection, organic production logo, and FLO pricing conditions.
ISO 9000 & HACCP principles	Procedures to control and manage quality and norms of all types of food produced or imported to Germany
Regulation (EC) No 178/2002	General Food Law that regulate all SPS requirement for any food products imported to Germany including safety certification and testing requirements, labelling and environmental rules.
Council Directive 2000/29/EC with its amending annexes	The European Union (EU) is adopting measures to protect itself against the introduction and spread of organisms harmful to plants and plant products from other Member States or third countries. It is also providing for control measures and the creation of protected zones.
Council Regulation (EC) No 717/2008	Administering quantitative quotas based on the principle of a uniform common commercial policy and respect for the free movement of goods.
Source: International Trade Center, 2011a	

Annex 2: Import related non-tariff measures applied by Germany (090111, 090121)	
NTM (SPS)	Applied Measures
A120	Geographical restrictions on eligibility
A130	Systems Approach
A140	Special Authorization requirement for SPS reasons
A150	Registration requirements for importers
A210	Tolerance limits for residues of or contamination by certain (non-microbiological) substances
A220	Restricted use of certain substances in foods and feeds and their contact materials
A410	Microbiological criteria of the final product
A420	Hygienic practices during production, A630 Food and feed processing
A850	Traceability requirements
A851	Origin of materials and parts
A852	Processing history
A853	Distribution and location of products after delivery
Source: International Trade Centre, 2015x	

Annex 3: Import related non-tariff measures applied by Germany (090111, 090121)	
NTM (technical requirement)	Applied Measure
B140	Authorization requirement for TBT reasons
B310	Labelling requirements
Source: International Trade Centre, 2015x	

Annex 4: Import Prices of unroasted and roasted coffee						
in US $/lb						
	2012		2013		2014	
	HS 090111	HS 090121	HS 090111	HS 090121	HS 090111	HS 090121
To USA	1.91	4.67	1.47	4.28	1.61	4.39
To GER	1.53	4.95	1.25	5.00	1.35	4.53
Source: United Nations, 2014						

Green Coffee FOB, C&F, CIF contract

All parties agree this contract is subject to the terms and conditions of the Green Coffee Association Inc.

Seller	Buyer
Indian Organic Farmers Producer Company Ltd. (IOFPCL) Thottumugam P.O. Aluva, India Tel: 0484 2620659 info@iofpcl.com	Quijote Kaffee OHG Marckmannstrasse 30 DE-20539 Hamburg, Germany Tel: +49 40 380 732 30 info@quijote-kaffee.de

Contract Number	IN-2014-DEC-1
Quantity	100 bags, each bag à 60 kg / 132.28 lb
Call Option	additional 68bags atthe same price, details – see „Remarks"
Quality	**Origin:**India / **Harvest:** 2015 **Moisture:**10% - 12 % / **Screen:** 15 and above **Preaparation:**washed and polished / **Primary Cooperative(s):**IOFPCL **Certification:** organic certificated / **Type:** washed organic Coffea canephora specialty quality coffee **Bags:**bagged in Grain Pro and Sisal bags / **Incoterm:**FOB / Cochin
Price	2,58 $US per lb. Requested by seller. The price includes Grain Pro Bags. The total amount has to be paid by signed contract. **Price* per bag:**341,27 $US / **100 % price for 100 bags:**34 128,24 $US * kg = 2,2046 lb, rounded, to 2 digits after the comma
Weight	Shipped weights, ½ % franchise
Payment	100% pre-finance before December 30, 2014
Insurance	According to FOB incoterms.
Shipment	**Date:** May 2015 / **Port of:** Cochi
Destination	Hamburg Germany

1

IOFPCL
INDIAN ORGANIC FARMERS PRODUCER COMPANY LIMITED

2014

Green Coffee FOB, C&F, CIF contracts

All parties agree this contract is subject to the terms and conditions of the Green Coffee Association Inc.

Date: November 1, 2013 **Contract No:** JAN-01-14

Seller:	Buyer:
Indian Organic Farmers Producer Company Ltd. (IOFPCL) Thottumugam P.O Aluva, India Tel: 0484 2620659 info@iofpcl.com	Quijote Kaffee OHG Marckmannstr. 30 20539 Hamburg Tel: +49 40 380 732 30 info@quijote-kaffee.de

Quantity **Bags:** 167 **Kg / bag:** 60 **Lbs / bag:** 132.28

Quality **Origin:** India **Harvest:** 2014 **Preparation:** washed and polished
Moisture: 10% to 12% **Screen:** 15 and above
Type: Washed organic Coffea canephora specialty quality coffee **Primary Cooperative(s): IOFPCL**

Bags: To be bagged into Grain Pro Bags with the mark "No Hooks" on it

Price Agreed upon price of 2.50 $US per lb. Requested by seller. The price includes Grain Pro Bags.
Inconterm: FOB Port of

Weight Shipped weights, 1/2% franchise

Payment Direct Deposit into IOFPCL (͏ ͏)UNT NO : 10010200150834,SWIFT CODE ( )RLINBBALW, : IFSC CODE FDRL0001001, CUSTOMER ID : 22415354 BANK NAME : FEDERAL BANK, BRANCH : ALUVA/BANK JUNCTION, BRANCH CODE : ALWA,COMPANY NAME : INDIAN ORGANIC FARMERS PRODUCER COMPANY LIMITED
1st installment 11.000 USD per November 1, 2013, balance by Ja January 1st 2014

Insurance To ship covered by seller. From Ship to Hamburg, Germany port covered by buyer

Shipment **Date:** May 2014 **Port of: Cochin**

Destination Hamburg Germany

Remarks Pre-shipment sample required.

Organic Certification documents by EU agency recognized required.
Certificate of Origin required.
Bags must be marked with "Organic",with primary cooperatives logos,
and additionally 'imported by Quijote Kaffee & Elephant Beans'
If any, arbitration in accordance with the rules of arbitration of the Green Coffee Association Inc.

Seller	
Signature:	9/11/2013
Name:	P. J. Chadkochan
Date:	09-11-2013

Buyer	
Signature:	A. Hoss 10/11/2013
Name:	Andreas Felsen
Date:	

Indian Organic Farmers Producer Company Limited
(Incorporated under the Companies Act, 1956)
KP - IV/294, Thottumughom PO, Aluva- 683 105, Kochi, Kerala, India
Tele Fax : +91-484-2620 659, email: info@iofpcl.com, web: www.iofpcl.com
"Wealthy Farmer, Healthy People & A Healthy & Wealthy Nation"

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