

Market Research on Certified Coffee Market Potential in Belgium

The Trade for Development Centre of the Belgian Development Agency (BTC) and UTZ in collaboration with Euromonitor International - the world's leading independent strategic market research provider - conducted a study on market potential for certified coffee in Belgium (UTZ, Rainforest Alliance and Fairtrade). Over three months Euromonitor International has interviewed leading stakeholders across the supply chain from East Africa to the leading supermarket retailers, traders and NGOs in Belgium.

Certified coffee represents 20% of the overall Belgian coffee market in value. Only 8% of total coffee value sales is represented by certified branded¹ coffee, far lower than in other EU countries such as Sweden (60%), the Netherlands (28%) and Germany (13%) in 2016.

In 2016, overall retail sales of certified coffee in Belgium were worth EUR 128.1 million and good for 9.9 thousand tonnes. Certified coffee accounts for 23% of total retail coffee volume sales, 90% of which are supermarkets' private labels².

Half of private label coffee sold in Belgium is certified. Leading supermarket chains like Delhaize and Colruyt have successfully tapped into the premiumisation trend for single-origin, pure Arabica coffee as well as highlighting transparency of sourcing from grower to the cup.

Third-party certification could become the norm, if commitment from large roasters would materialise

While private labels are at the forefront of sourcing third-party certified coffee, contributing to the overall growth of certified coffee sourcing, Belgian branded players are not as yet sufficiently convinced by the tangible benefits of third-party certifications, which is the main obstacle to certified coffee becoming the norm in Belgium.

The leading brands so far are less inclined to sign up to the third party certification schemes while several have established their own sustainability standards or considering doing so. The brands consider third party certification as not fully compatible to their own investment in the coffee supply chain and see UTZ, Rainforest Alliance and Fairtrade to be 'in competition' with each other. Roasters describe the certification process as complicated and expensive to implement and so in return for their commitment want certification organisations to ensure higher coffee quality standards and ideally greater flexibility in certification compliance.

Independent initiatives and direct sourcing seen by some brands as most effective, carries the risk of leaving farmers vulnerable to individual roaster demand

Company sustainability programs are becoming more popular among brands, which see such initiatives as a better way for roasters to deal with grower issues and to work with coffee farmers directly. Company owned initiatives are regarded as possibly more transparent and enable roasters to avoid unethical grey areas. According to interviewees, roasters prefer to trade directly with the farmers without intermediaries and also to market the 'story' of the African community as a strong and attractive selling point and differentiator to their consumers.

¹ Branded coffee: Coffee sold under a brand owned by a coffee manufacturer

² Supermarkets' private labels: This includes all grocery retailers' private labels

Yet the research has shown that direct sourcing can leave small scale coffee growers highly exposed to the demand of few players should these brands switch their attention to other regions and other suppliers.

Genuine long-term sustainability is better ensured based on third party certification standards, strict implementation guidelines and code of practice.

Certification programmes should work together to help transform the image of spending in third party certification from a cost to an investment with tangible return in terms of quality and visibility

For stakeholders to commit further to certified coffee, a more flexible approach to the certification process is needed. In order to meet the 100% certified volume target, different third-party certifications should be considered as incremental. Brands and roasters should be able to mix certifications (FT, RA, UTZ) to allow flexibility in sourcing.

More transparency in certified coffee labelling in terms of origin would help brands perceiving the certification more as an investment with a tangible return, than a cost, which helps brand visibility and trust and as consumption of certified African coffee, against other high volume origins.

African coffee growers need consistent long-term demand to improve bean quality and cupping to meet Belgian coffee roaster standards

Third party certification programmes are designed to deal with “grey areas” helping farmers to avoid unethical practices with a consistent support plan and training. However, only a joint long-term commitment by the brands with certifiers can ensure issues are followed through. Lack of consistent demand for certified African coffee is an obstacle to the development of long-lasting sustainable projects in Africa.

With no guarantee their certified coffee will be sold, farmers cannot join the certification process. Enablers such as NGOs and government institutions support farmers with training and financing needed to enter the certification process, yet it is the direct involvement of value chain actors (roasters and traders) that can inform farmers and cooperatives about the quality they need to achieve to meet Belgian market demand.

What are the expected benefits (qualitative prescribed) for African farmers if certified coffee becomes the norm in Belgium?

East African regional growers must be supported to reach the level of quality and sustainability expected. Long-term commitment is essential to transition to consistent farming and processing practices. The industry agrees that Belgian roasters are unlikely to provide that level of consistent commitment, and instead collaboration with certification programmes would rather help ensure wider activity and partnerships along the entire supply chain.

Small farmers are the backbone of coffee production in Africa. While the quality of Arabica is widely recognised to be exceptional, more should be done to make farmers aware of the cultivation and processing techniques that result in a consistent quality and a premium taste at the cupping stage.

African farmers have no knowledge of where their coffee is consumed and what is the outlook for different coffee types and roasts in end-markets. Encouraging more interaction between roasters and farmers improves transparency and can positively influence farmers’ decisions on cultivation and processing practices to meet end-market expectations.

Africa’s volume of certified coffee is growing, yet it still accounts for a very small share of total production

Despite structural issues, which include price volatility, trade relationships and shipping issues, the volume of certified coffee produced in Africa is considered to be sufficient to cover current volume demand for certified coffee, yet most value chain actors complain that the coffee does not as yet match their requirements in terms of cupping quality.

Most African farmers that are certified have multiple certifications; however, there is a substantial gap between the volume of certified coffee produced and actual volumes sold as certified. For instance, of all UTZ certified coffee produced in Africa, only 18% is sold as UTZ certified.

More should be done to ensure that the coffee currently grown as certified finds the right buyer as often certified coffee is sold as non-certified, de facto cancelling the gain for certified farmers. It is therefore crucial for the industry to engage directly with farmers to work towards improving the coffee processing practices which can best meet Belgian roasters' cupping requirements.

What can be learned from countries where the market share of certified coffee is higher?

Traders partner with capacity builders to assist with the process of adhesion, yet business links between each player along the supply chain and farmers must be established for certified coffee to meet end-market demand.

The success of third party certification in the Nordics provides a 'virtuous case study' for the Belgian branded roasters to emulate. Successful players are those that invest in the supply chain as a long-term strategy to ensure a reliable, superior quality coffee supply, product innovation as well as meeting high ethical standards.

A viable solution seems to come from coffee roasters and retailers in Norway, Sweden and the Netherlands. They have made long-term commitments with regard to sustainability and invested directly in coffee farming in Africa with the aim to shape coffee quality around their needs, which in turns enables farmers and processors to access vital information around consumer demand. Roasters collaborate with third-party certification partners to ensure farmers get long-term support beyond individual coffee brands commitments.