

TEA & COFFEE

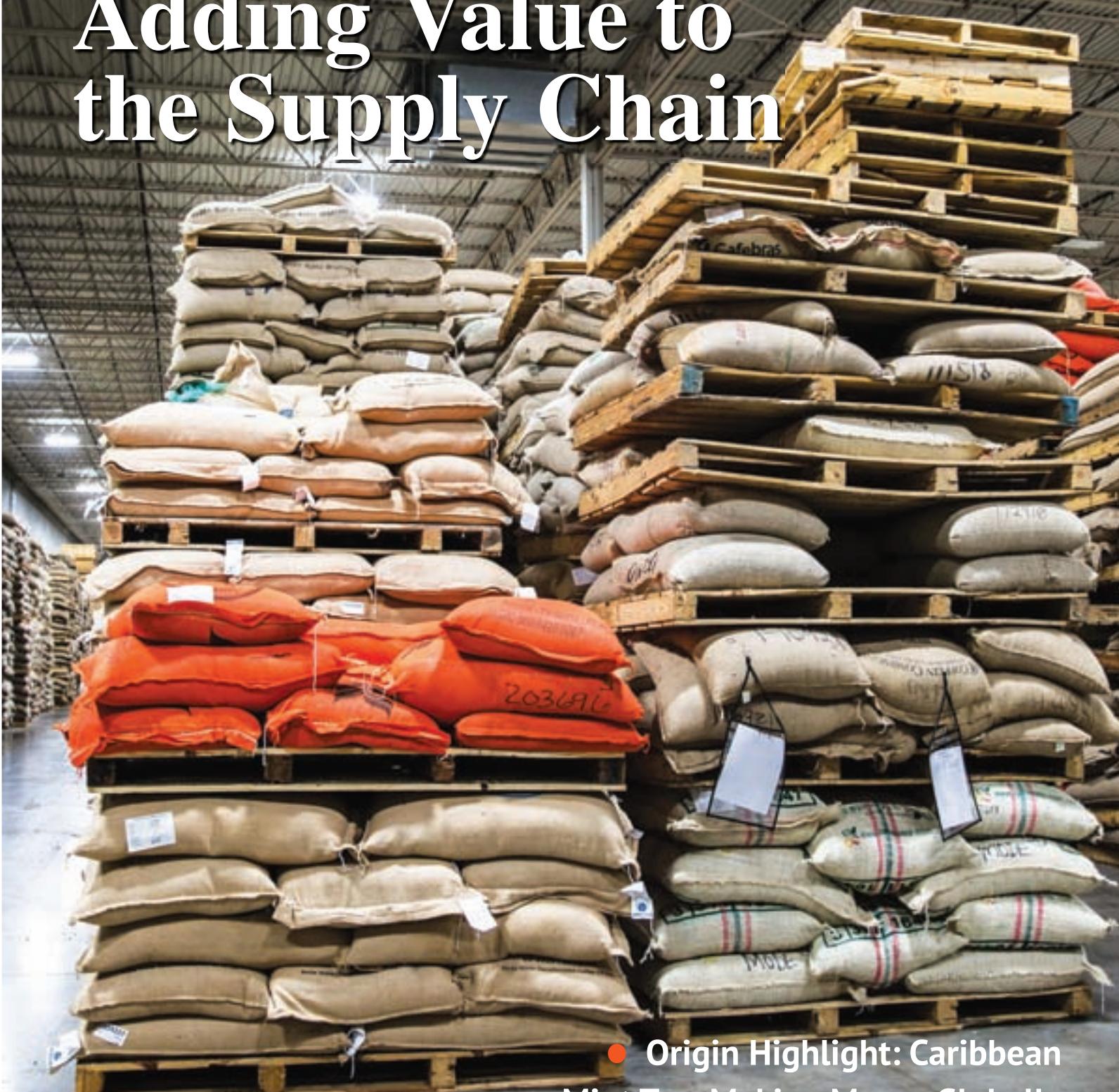
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Adding Value to the Supply Chain



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NEW & NOTABLE

TEA & COFFEE REPORTS BREWING WORLDWIDE

No Espresso Served at Alpha Dominche's New Extraction Lab

In early February, Alpha Dominche, maker of innovative coffee and tea brewing equipment, opened an extensive showcase café space in Industry City, located in the Sunset Park neighbourhood of Brooklyn, US, where the company is based.



Alpha Dominche's iconic product, their Steampunk brewer, is unique in that it is equally suited to brewing coffee and tea. The Extraction Lab is committed to giving identical attention to both beverages.

The café-lab differentiates itself from a traditional café in that it will not serve espresso or any blended

drinks, but this intentional focus draws attention to the products being served on the 16 brewers, which will include 10-15 rotating coffees and up to 50 teas.

"Compared to a typical coffee or tea shop we are not trying to be a bit of everything; we do what we are good at – serving and making the best brew of every cup of coffee and tea," said CEO, Thomas Perez.

The brewing "recipes" for dialing in each product are developed by the international roasters and tea purveyors providing the products, such as Tim Wendelbo of Norway and Clipper Tea of Singapore. The goal of the café is to bring the best of the world's coffees and teas to one place, much like a wine bar, and to offer a refined space for both the curious novice and the connoisseur to taste in comfort.

Perez said that in designing the space, "we accounted for brew quality, beautiful aesthetics and experience." Tasting rooms and concept bars are becoming common across

the coffee and tea industries as consumers look for more than just grab and go and seek to learn more about the products they purchase.

The Extraction Lab has seating for 50 guests but no physical menus. Customers browse coffee and tea selections on digital tablets, reviewing as much or as little information as they need before making their choices. Eliminating a large wall menu or stacks of fold out menus makes the café more of a laboratory encouraging exploration and discovery.

This attitude of exploration is in keeping with the café-lab's site at Industry City, a 16-building complex along the South Brooklyn waterfront that has been converted into studios and workshops for New York's next generation of craftspeople. The future of coffee and tea is moving towards craft preparation and an ample understanding of the product's provenance.

Rachel Northrop

Yibin Hosts Sichuan China 2017 Annual International Tea Conference

The 2017 Yibin Sichuan China Annual International Tea Conference event takes place 17-19 March at the Yibin Crowne Plaza Hotel, which is close to the city centre and not far away from the Cuiping district, where some of the biggest tea gardens are located.

Yibin, a city of around five million people, is located on the banks of the Yangtze river and about equal distance from Chengdu and Chong Qing. With a 2015 output of around 234,000 metric tonnes of tea, Sichuan province is the fourth leading tea producer in China, after Fujian, Yunnan and Hubei.

The capital city Chengdu is home to

one of the largest tea wholesale markets in southwest China. Sichuan's mountains and river basin areas have rich soil and the right climate for high quality tea growing, thus making it home to several terroir teas of long-standing fame, such as Mengding Huang Ya, a famous yellow tea; Emeishan Xue Ya, Mengding Ganlu and Zhu Ye Qing, all green teas, and the fine Chuan Hong black tea, made from buds only.

In order to raise the profile of Sichuan teas within Western consumer markets, one of the province's biggest operators, the Sichuan Tea Group, along with about 30 other local tea-producing companies, has organized a series of joint promotional activities, one of which is the annual tea exhibition. The Yibin

Tea Conference is designed to offer suitable means to efficiently market the various the fine local Protected Geographical Indication (PGI) and other Protected Origin Appellation (POA) teas from Sichuan.

The Yibin Tea Conference will feature a tea expo and tea-market related presentations focused on direct trade and supply chain issues, and many receptions that are designed to encourage networking with the local suppliers.

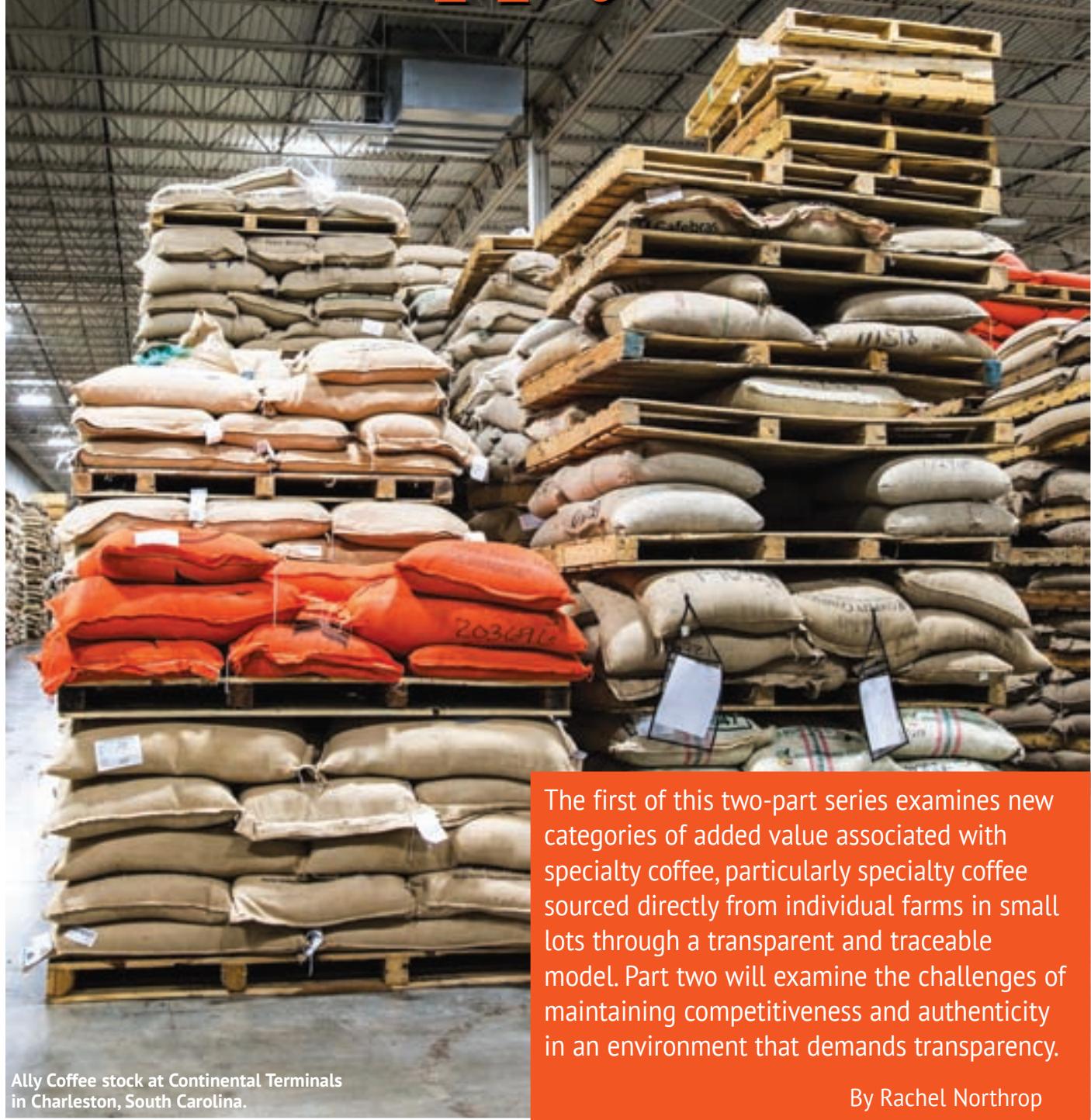
More information can be found on the China Chamber of Commerce of Foodstuffs and Native Produce website: www.cccfna.org.cn.

Barbara Dufrene



Photo courtesy of Ally Coffee

Adding Value to the Supply Chain



The first of this two-part series examines new categories of added value associated with specialty coffee, particularly specialty coffee sourced directly from individual farms in small lots through a transparent and traceable model. Part two will examine the challenges of maintaining competitiveness and authenticity in an environment that demands transparency.

Ally Coffee stock at Continental Terminals in Charleston, South Carolina.

By Rachel Northrop

As roasters, cafés and consumers opt to be more involved in sourcing their coffees by visiting farms and carefully evaluating samples of specific lots, exporters' and importers' roles in facilitating supply-chain logistics are also evolving. More origin travel, more containers subdivided into traceable microlots, and more farm and producer profiles mean that intermediaries who, in the past, focused on managing freight, customs and documentation, now assume new service-providing roles in addition to moving coffee from point A to point B.

The coffee industry has seen many categories of added value appeal to a range of consumers. For decades "cause coffees" and certified products have added value by providing customers with a social commitment in addition to a consumable product. Certifications add value by aligning coffee with consumers' convictions – be they for fair wages, chemical-free agriculture, or support of a specific community.

Specialty coffee, by definition, adds value through cup quality that meets the Specialty Coffee Association (SCA, formerly SCAA) standards across dimensions of fragrance, aroma, body, mouthfeel and flavour, assigning the qualifier "specialty" to coffees earning a score of 82 and above.

In today's coffee market, many of the social and sensory attributes that previously differentiated coffee by adding value are now viewed as baseline expectations. A broad cross-section of coffee drinkers have grown up with the terms "fair trade," "organic" "sustainable" as normal rather than remarkable. To remain competitive in an environment where the added values of the past are taken for granted by many consumers, today's coffee retailers, roasters and the intermediaries who supply them, are developing direct trade models to add value and create differentiated products by separating coffee into discrete lots based on where and how it was grown.

Understanding Direct Trade

Direct trade is a term whose definition continues to be much debated but always implies a connection between the original producer and the end consumer. Coffee labelled as direct trade indicates that the beginning and ending parties can easily learn each other's names and interact, and that this direct information flow translates to a direct flow of the physical coffee. This is where exporters and importers are taking on new roles: by creating a supply network that corresponds to the information network for selling direct trade coffee.

In the mountains of Ecuador, exporter/importer Caravela Coffee, based in Chapel Hill, South

Carolina, does more than buy and ship coffee from producers: they build whole containers that meet specific quality criteria determined by cupping score and profile. Starting with the soil on the farm, Caravela's in-country team in Ecuador seeks out microlots from different producers to ship together. Contrary to past models of mixing coffee from different farms to arrive at an average regional quality, Caravela's work as an exporter is in keeping those lots separate, very separate. "We have agents who go out and visit farms and producers and will do a diagnostic," said Badi Bradley, managing partner at Caravela. "Everything has to go through our physical criteria. We're about differentiating entire lots and maximizing income to the producers. We don't tell them to wait until they have a twenty-bag lot to deliver it; we say, deliver every lot, as small as you can. A bad lot will bring down the other ones, but if you separate it out then you can identify a higher scoring lot." Because lots are kept separate, exporters must also keep detailed records differentiating each lot to preserve the specifics of each separate lot's value.

Photo courtesy of Elida Estate



Direct trade coffees are marketed using narratives, therefore retailers, roasters, and consumers expect to have information about both the technical aspects of the farm and the cultural history of the producing family. The concept and practice of direct trade was catalysed then codified through the "origin trip," where roasters and retailers travel to the coffee source to interact with producers and assess quality – social, environmental, and empirical. Sometimes roasters or importers organize these trips, but it is always the producers and exporters who now act as the hosts, turning their daily operations into stops on coffee sourcing tours.

Historically, supply chain actors providing logistics services of processing and container prep held roles that were mostly behind the scenes. Now, the procedure for stuffing a container is not just in verifying that all bags are of a uniform, specified grade or screen size, but that irreplaceable lots are ▶

Origin trips where beginning and ending parties can interact are an important aspect of direct trade. (Pictured above) Elida Estate in Boquete, Panama.

labelled and packed correctly. Because direct trade microlots come from specific farms and are selected by buyers to meet multiple dimensions of criteria, they are not as replaceable as specialty coffee identified by region or cupping score alone.

Bradley and the team at Caravela manage the physical coffee and compile the corollary information differentiating each coffee, including photography and video footage. For a direct trade microlot coffee to be sold as such, it is not enough that it bears a certification seal or delivers a desirable quality; those added values are no longer enough to differentiate it. Direct trade lots are direct because they come with a clear and traceable back story, the kind that can be shared with consumers and adds a personal value not available from a logo or a flavour.

Ally Coffee, based in Lausanne, Switzerland, imports microlots of direct trade coffee from multiple countries, but their parent company, Grupo Montesanto Tavares, is based in Belo Horizonte, Brazil, where they export coffee from their network of farms. Ally began as an importer of coffee produced by these farms, which is direct trade in its purest form: coffee that is inherently traceable because it does not change ownership until it is sold to a roaster. For these coffees, a farm profile is already available. "People want to put a face with the product. They want to know as much as possible about the farm, farmer, and the product itself, which is why we created the farm IDs for each coffee," Ricardo Pereira, director of Ally's specialty division, told *Tea & Coffee Trade Journal*.



Caravela Coffee's warehouse team in Quito, Ecuador.

Photo courtesy of Caravela Coffee



Photo courtesy of Caravela Coffee

Importer/exporter
Caravela Coffee's
in-country team
in Ecuador seeks
microlots from
different producers.

As an importer, Ally also facilitates direct trade coffee acquisition for buyers who have independently travelled to origin to source their own microlots and require logistics services for the specific lots they selected. "We've seen a slight increase in this type of transaction," said Pereira. "But the cost is usually too great for smaller specialty roasters to invest in the full expense of travel and sourcing and then partnering with an importer for importing services, financing and storage. The ROI isn't there for small lots of coffee to support this kind of direct trade."

Which is why buyers are more likely to approach with specific parameters – farm micro region, varietal, processing technique, elevation, cupping score, agricultural practices – for sourcing custom microlots to brand as something completely unique. Importers, exporters and producers then work together to deliver designer coffee that meets those expectations.

Managing the Product Portfolio

Ally, like many importers, also manages a spot inventory portfolio of microlot coffees, all of which have full farm profiles. "People are drinking better coffee and they want to relate to that product," Pereira observed. "Savvy consumers want to know the source of what they're buying. By providing that information we're helping our clients tell that story." These coffees, along with their roster of data, cater to the current surge of recently launched micro roaster operations. Rather than following an apprenticeship model of training under a buyer and roaster and then using that experience to inform a new business, many of today's roasters and buyers have non-coffee backgrounds and a limited frame of reference.

This obligates the importer, often a new roaster's first point of contact in the green coffee world, to act as an educator and consultant, in addition to managing ▶

the physical product. According to Pereira, "For people starting from the ground up, importers are the best resources. At Ally, we have an SCA certified lab to educate everyone in the industry. Education should go hand-in-hand with importing; it's integral to how we do business."

The need for information-based services tied to the trade of physical green coffee is prompted by the trend towards the productization of coffee. "The productizing of coffee is similar to what we have in wine," said Sanjiv Bhatia, founder/CEO of Armwire Software, a dynamic data transformation and Integration software company that helps companies manage their demand and supply chains. "There has to be a way to communicate the characteristics customers are looking to evaluate on to satisfy their requests. Separating coffee into smaller lots only makes sense if each lot is branded as a product and that brand is valued highly enough to justify the added cost of producing in discrete lots rather than large batches," he said.

Changing Roles in the Supply Chain

The parallel between specialty coffee and wine is often drawn to illustrate coffee's complexity and how nuanced variables from terroir to roasting curve influence the final flavour. The parallel also applies to the establishment of branding. Today's coffee farms are building the kind of name recognition vineyards use to sell premiere vintages of wine.

"We got first place in the 2016 Best of Panama competition and the highest price in the auction," remarked Wilford Lamastus of Elida Estate in Boquete, Panama. The estate's status as one of the top coffee farms in the country is due to equal focus on production and on building a brand through participation in competitions and professional organizations. "We produce, process, export; we host buyers, roasters, baristas, other farmers, and train competitors. I serve as president of Specialty Coffee Association of Panama," Lamastus explained.



Caravela Coffee producer partner in Ecuador inspecting the crop.

Photo courtesy of Caravela Coffee

The days when producers, exporters, and importers only handled physical supply and roasters and retailers handled branding are of the past. Now, producers and intermediaries add value to coffee by isolating each lot as a separate, unique product, and communicate this through direct engagement with buyers and consumers, both in person and through various media.

"We visited a great deal of our buyers this year!" exclaimed Lamastus. In Japan, Hong Kong, Taiwan, South Korea, Europe and the USA, he and his son toured many of the roasteries and cafés where his coffee is served, shaking hands and taking pictures.

To continue to add further value to specialty coffee, direct trade supply chain actors must jump this eagerly into their new roles as travel coordinators, marketers, educators, and liaisons enabling the delivery of coffee that comes with a name and face. ■

Rachel Northrop has been covering coffee from the ground up for *Tea & Coffee Trade Journal* and other industry publications since 2012, while she lived in Latin America's coffee lands writing *When Coffee Speaks*. She is based in Brooklyn, NY. She may be reached at rachel.northrop@gmail.com.

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