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Keeping Direct Trade Transparent



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Photo courtesy of Maja Wallengren

Keeping Direct Trade Transparent



Part one of this series, *Adding Value to the Supply Chain* (March), discussed value migration in coffee towards traceable products linked to a single producer or facility. This direct connection with the source is made possible through education, travel and branding individual farms and mills. Part two examines the benefits of transparency resulting from direct, traceable trade. Transparency's added value is less in transparency itself and more in where transparency provides access. Using transparency as a tool adds value to both the sourcing process and the final product.

By Rachel Northrop

It is the responsibility of all parties involved in the supply web to be transparent as to whether a coffee is simply sourced from traceable roots or is the product of a direct trade transaction by collaborating parties in regular communication.

Direct trade, to truly add value, must be transparent about where there is traceability and where there is not. The value of direct trade is in the nature of the information it provides – for guaranteeing quality, consistency, uniqueness and social/environmental values – not just that it provides detailed information. Inventing or inflating available narratives then, defeats the purpose of a transparent model that is as open about what is traceable as what is not.

Transparency for Producer Advocacy

The most common example of transparency in direct trade is the ability to trace a coffee, using the much-touted phrase, “all the way from farm to cup.” Chalo Fernandez is a Colombian coffee farmer; he is also a Canadian importer. For Fernandez, transparently promoting coffee from his family property allows him to present a product roasters and customers can connect with on a personal level.

“Every time I sell one bag of coffee,” said Fernandez, “it makes me so proud to help my community because I know how much it costs to grow the coffee.” Born and raised in the mountains of Huila, Colombia, Fernandez taught himself English while working in Australia and now lives with his wife and children in Ajax, Ontario, where he manages the importing side of his company, Chalo’s Coffee. For him, transparency adds the value of negotiating directly with buyers a price that covers costs of production.

And, because buyers know Fernandez personally, they value his coffee for the connection it affords in addition to the product itself. “Direct trade takes care of the farmer and the roaster. If I take care of the coffee, the roaster will be successful. And if the roaster pays for the coffee I will be successful,” concluded Fernandez.

Transparency in this kind of direct trade transaction offers producers the valuable opportunity to advocate for themselves and provides roasters and customers the value of partners with whom they personally collaborate. While singling out one farm and family benefits an individual farm, other applications of transparent direct trade benefit larger communities.

Systemic Transparency for Regional Recognition

Beyond relying on the stories roaster and farmers voluntarily share with each other, national coffee organizations and intermediaries build transparency



Chalo Fernandez of Chalo's Coffee with roasters on his farm in Huila, Colombia.

Photo courtesy of Chalo Fernandez

into the systems for buying and selling coffee.

In Costa Rica, Panamerican Coffee Trading (San Jose) works with Coopetarrazu (San Marcos) to introduce producers to buyers, transparently offering direct trade that is traceable back to a community and initiates with in-country experts. “In the 20 years I’ve been in this business, things have changed a lot,” Chino Lizano, trader with Panamerican Coffee, told *T&CTJ*. “Roasters are now asking for traceability, but in Costa Rica, coffee has always been traceable back to a community.” In instances where traceability is required by law, transparency means sharing the traceability that is already available.

The Community Coffee program at Coopetarrazu goes beyond the requirement of registering each contact sold by the communal mill and separates the coffee by the different neighbourhoods where it grows. “We’re impacting whole communities, not just one producer,” said Lizano. While savvy, bilingual farmers can use transparency as a tool to advocate for themselves, exporters use it as a tool to advocate for a larger region.

“In Costa Rica, we can demand traceability from the system. But in Nicaragua, where there are not the same laws, exporters step in and offer this added value.” Where a national or government system is not in place to trace exports, “we keep these transactions traceable. This transparency is what differentiates smaller exporters from multinationals,” said Lizano.

Transparency of coffees traceable to the regional level is valuable because, once buyers know the characteristics of a region, it allows them to develop an expectation for repeat sourcing.

Jonathan Withers is the green coffee buyer for Toby's Estate Coffee, a resale and wholesale roaster in Brooklyn. Toby's uses transparency as a way to differentiate between their direct trade coffees traceable to a single producer and those traceable back to a region. Toby's is selective in the information they communicate to customers via packaging. Transparency does not necessarily mean that all known information is shared; it means that all shared information is meaningful.

Recently returned from a sourcing trip to Colombia, Withers expressed his focus on differentiating Antioquia as a region. "It's important for me to illustrate that we're working with different companies in the area," said Withers. "El Ramo is a blender of independently great profiles to make a static product. It's the best example of how we bridge that space between having a lot of factual information about producers, and then simplifying it for packaging." The blended coffee is still traceable back to individual producers, but in this case, that level of transparency is not meaningful to consumers in the context of building regional recognition among customers.

While the full, complex transparency of coffee might not make it to a consumer-facing informational card or coffee packaging, transparency is also a tool for internal training, staff edification, and essential to the core ethical values guiding many businesses.

Transition from Internal to Branded Transparency

Transparent supply chains offer added ethical value before yielding financial returns. A company's direct and traceable sourcing practices, adhered to based on their core beliefs, has additional value when presented



Photo courtesy of Coopetarrazu

Coffee drying on the Coopetarrazu patio in San Marcos, Costa Rica.

to the consumer.

Mocha Joe's is a wholesale roaster in Brattleboro, Vermont. For ten years they have been sourcing directly from farmers in Cameroon's Oku Valley, Bolivia, Sumatra and Guatemala, based on relationships owner Pierre Capy has with producers, all generated organically through mutual friends and colleagues. But, even as direct trade and traceability emerged as categories for adding value to the customer, Mocha Joe's chose not to transparently promote its sourcing practices.

"The value, for us, has never been about money or sales," said Erik Johnson, roaster at Mocha Joe's. "The added value of our direct trade partnerships has always been in being able to build a scalable model that benefits everyone. We want to develop another way of working with people in a system that has so many abuses," said Johnson, referring to historic underpayment of smallholders.

Instead of reducing the complicated narrative of their direct sourcing down to a sound bite that could fit on a coffee bag or in the few minutes of a wholesale pitch, for a decade Mocha Joe's chose not to share it at all, beyond a brief paragraph deep on their website. But, as direct trade gained popularity among consumers and became more common in the industry, Johnson saw something troubling happening: the over-emphasis and glamorization of sourcing practices to make money or push an image.

He knew the company had to be transparent about its investment in partnerships at origin, including efforts like certifying Cameroon's first organic coffee. "We needed a place to share our identity, so we created the separate Roots retail line to transparently tell the story our direct trade coffees by serving them as single origins, rather than just using them as part of our blends, which we also still do," said Johnson. ▶



Photo courtesy of Toby's Estate

Photo courtesy of Mocha Joe's/Pierre Capry



Mocha Joe's partnerships at origin helped to certify Cameroon's first organic coffee.

To avoid any risk of fetishizing one producer, Mocha Joe's and Toby's use transparency as a tool to differentiate the levels of traceability between blended or single origin different direct trade coffees. If all coffees are presented as farm to cup coffees like those exported by Fernandez in Huila, then the instances when this full traceability is in fact true becomes diluted and is less meaningful.

The final part of T&CTJ's series on adding value to the supply chain will look at the value of transparency in involving more parties in the supply chain and making the sourcing process more collaborative, starting at origin. ☕

The Terms of Transaction

Direct trade, traceability and transparency are terms continuously redefined by different users. This article understands them to mean the following:

- **Direct trade** is a coffee sale in which the original producer(s) (individual or group) and final roaster/retailer are able to identify and communicate with each other. The transaction can be initiated by a roaster seeking a supplier, a producer seeking a buyer, or intermediaries referring suppliers and buyers to each other based on common criteria.
- **Traceability** is the capacity to trace a coffee as it moves downstream in the supply chain from farm to retail. During this process, a specific lot of coffee – ranging in size from less than a bag to several containers – retains an identifier indicating its original provenance. This usually takes the form of the name of a farm, producer or mill and carries a unique code.
- **Transparency** is the willingness of different parties to disclose traceability information. It is understood that direct trade coffees are both traceable and transparent, their transparency adding value associated with quality, consistency, ethics, and sustainability. However, just because a coffee is traceable – indicating a verifiable log of its provenance – and transparent about that traceability does not mean that all parties have met and personally negotiated the terms of the sale to qualify it as direct trade.

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 coffeelands writing *When Coffee Speaks*. She is based in Brooklyn, NY. She may be reached at rachel.northrop@gmail.com.

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