



Photo courtesy of the FNC

Flourishing farm in Ansermanuevo, Valle de la Cauca

New Paths for Commercializing Colombian Coffee

Part 1 of *Tea & Coffee's* series on Colombia discussed growing domestic consumption and Part 2 covered the situations facing Colombia's next generation of coffee growers. The final part of the series looks at the nuanced and varied logistics bringing nearly one fifth of the world's Arabica coffee from Colombia's mountains to the market.

By Rachel Northrop

According to the July data of the International Coffee Organization, London, from October 2013 to July 2014, Colombia accounted for 10 percent of total global coffee exports and more than 17 percent of the world's exported Arabica.

Colombian coffee has a longstanding and hard-fought reputation for quality among roasters and consumers, but shifting consumer preferences are demanding even higher quality, added values like certification, and increasingly, the personal connection offered by various forms of direct trade, as explained in this issue's cover story. Today, the process of commercializing Colombian is diversifying. There are many new paths by which coffee finds its way to diverse buyers, all of whom turn to Colombia for a quality, added value, and personal connection that they can't get anywhere else.

The FNC's Unwavering Commitment

Brazil, Colombia's southern neighbor, exports almost twice as much Arabica as Colombia, but Brazil's production is logistically facilitated by flatter, more accessible land. Colombia's coffee-producing mountains are often referred to as "walls," and many farms are accessible by only a single road. The Bogotá-based Colombian Coffee Growers Federation's (FNC's) role in commercializing coffee begins with the development of the most basic infrastructure, such as purchase points located in remote coffee growing regions.

"The primary function of FNC is to defend the growers' interests and ensure

access markets to with best possible stable prices," said Luis F. Samper, chief marketing and communications officer with the FNC. "This is no easy endeavor. There are more than 560,000 coffee growers in 580 different townships scattered in Colombia's Mountains. The average coffee plantation is just 1.6 hectares."

Producers incur significant transaction costs in order to sell coffee from such small plots of land, where they harvest throughout the year and have to sell each lot separately, making regular trips to purchase points and rendering economies of scale generally impossible. "The invoices of individual transactions of parchment coffee sold in 2013 show that over half of growers' sales in local markets are for 70 kgs of parchment coffee (60 kgs or 130 lbs. of green coffee) or less. Nearly 800,000

invoices reflected coffee grower sales of less than 25 kilos of parchment," said Samper.

In addition to the proximity of 540 purchase points, Colombia's cooperatives extend producers a complete purchase guarantee. "The FNC provides the required liquidity and hedging to the coop system [to be able to carry out the guarantee]. The policy is designed so that no matter what the size of the transaction is, all producers can access current and transparent market prices every single day of the year, and are paid upfront at a location near their farms.

The FNC also regulates coffee exports to assure compliance with minimum quality standards. "FNC's Almacafe, Bogotá, tests and cups over 30,000 samples before export and an additional 1,400 samples are collected in consumer markets for tests. Almacafe is also a logistic operator that



Smallholders bringing coffee to market in Nariño.

Photo courtesy of Abstract Coffee

owns bonded warehouses and offers its services to domestic users and exporters, including the FNC as a coffee exporter.”

The FNC concerns itself with upholding Colombia’s reputation for quality at a scale of considerable volume, but the guild representing the country’s coffee growers focuses on new and diverse paths for marketing coffee grown in Colombia’s diverse wealth of terroirs. “The FNC has been selling over one million specialty bags a year,” said Samper. The FNC’s involvement in the specialty sector, like its presence in remote buying communities, forces private buyers to purchase at competitive prices. “Over the last five years the FNC has transferred nearly \$50 million in premiums to coffee growers producing specialty coffees,” said Samper.

Experiments in Production and Processing

Though much more modest in scope and scale, the two-year-old La Palma & El Tucan farm and mill operation in Zipacon, Cundinamarca has the same fundamental goal as the FNC: bring exceptional Colombian coffees to market



and increase compensation to those who produce them.

“At La Palma & El Tucan, we are introducing new technical and commercial concepts that benefit small producers and favor exceptional coffees. We’ve put together a team of professionals with different areas of expertise that can add value to each step of the production and commercialization chain,” said co-founder and finance director Felipe Sardi.

Most coffee growers in Colombia inherit land and production know-how from family members, whereas La Palma & El Tucan approached coffee growing with scientific research and entrepreneurial acumen. “We began our venture by studying and identifying what the specialty coffee market was really asking for,” said Sardi. “The FNC has identified over 85 “*ecotopos*,” territories that are ecologically-suitable for cultivating specialty coffees, so we looked for the perfect location to start to start the project and deliver the product.”

The FNC’s commercialization policies are designed to be equitably replicable across Colombia, whereas startup operations like La Palma & El Tucan are invested in unlocking the potential of one community by reviving traditional coffee cultivation in tandem with groundbreaking experiments in varietal planting and processing.

“Neighbors & Crops is a sustainable relationship coffee model through which we buy coffee cherries, at much higher prices, from over 200 neighboring producers growing traditional varieties and experiment with different processing methods,” said Sardi. “With the Estate &



Manpower behind direct trade’s single-origin lots from Nariño and Huila.

Photo courtesy of Abstract Coffee



Photo courtesy of La Palma & El Tucan

Monitoring cherry temperature pre-processing at La Palma & El Tucan coffee farm.

Varietals program we've established six exotic varieties—Gesha, SL-28, Red Bourbon, Yellow Bourbon, Pache and Typica—which will produce the first harvest in May 2015.”

Expanding Exports

Both new and established companies are examining the precise demands of the market and tailoring commercialization to match. Even as Colombia's volume of production continues to increase, exporters are working to transform those millions of pounds of coffee, one sack at a time, into a product with personality by working more closely with producers.

Alexcafe is a 30-year old, family-owned company in Pereira, Risaralda that offers dry mill services and exports coffee from its own farms and from local smallholders to buyers around the world.

“Since its inception, Alexcafe has created a close connection with producers, which affords a better control of the raw material and guarantees the traceability of the product,” said Alejandro Quinceo, general manager of Alexcafe. Traceability

is becoming a baseline expectation for many buyers. Family businesses like Alexcafe have grown alongside producers, and new exporting companies are emerging to offer both traceability and reinvestment in production.

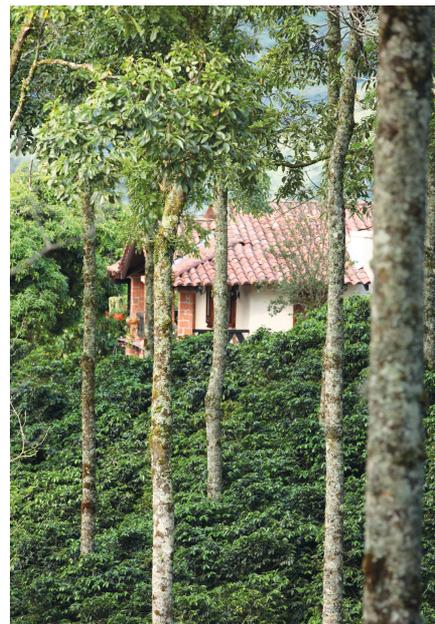
Coffee exporter Virmax was founded in 2000 in Bogotá with the goal of facilitating the development of long-term partnerships between high quality coffee farmers and roasters worldwide. “Our business model is geared towards continuous quality improvement that ultimately leads to long term benefits to the whole coffee chain,” said Alejandro Cardena, Virmax's founder.

Virmax's team of over 50 full time employees goes beyond the traditional role of exporter. Cardena highlights Virmax's ongoing investment in research and development on and off the farms, constant flow of communication with producers, and mentality of seeing producers as long-term business partners. “We recommend that producers deliver “day lots,” averaging 40-100 kg in parchment, to the warehouses. This means we see the producer more

frequently throughout the month. By keeping lots separate, the producer is free to experiment with processing methods, fermentation times and has direct feedback,” said Cardena.

Importers Initiate Direct Trade

Just like Colombia's exporters, interna-



tional importers are also building closer relationships with producers and helping them find new ways to bring their coffee to new markets. The excitement over direct trade and relationship-based transactions is prompting the development of import companies dedicated exclusively to this type of personalized commercialization, one where the coffee often has a buyer while it's still growing on the trees.

Abstract Coffee, Detroit, Mich., imports exclusively Colombian coffee, primarily from the departments of Nariño and Huila. "I started Abstract in 2011 with Diego Arteaga, who is from Colombia and has a unique network of farmers there that we partner with and import all of our coffee from. From day one our goal was to initiate farm relationships that no other importer had access to," said co-founder Cameron Braun.

Importers, who traditionally are even more removed from production than exporters, are eager to be involved in securing the precise quality of production their buyers seek. But, even this type of long-term investment doesn't eliminate the risk of market fluctuations. "Even paying our farmers a premium, many small



Photo courtesy of La Palma & El Tucan



Photo courtesy of the FNC

(Left) Parchment on raised beds in La Palma & El Tucan's solar dryers. (Right) Determining green coffee grade by hand-selecting defects at Almacafe's facility.

farms are having a harder time justifying the cost-benefit analysis of producing coffee. If current pricing levels continue, then it might mean many small Colombian coffee farms will switch to more profitable crops," said Braun. "Whether you are an importer or a café, I think the overall market is much better served with coffee trading at or above USD \$2."

Importers and exporters are working together to ensure that producing

Colombian coffee remains a profitable livelihood. Based in Amsterdam, "This Side Up Trade is a trade facilitation company, specializing in small volume direct trade. We uncover specialty coffee growers from all over the world and give micro-roasters the chance to buy directly from them," said founder Lennart Clerckx. "Our business model centers on arranging shipping for aspiring and active direct traders and introducing them to new coffee grow-



Photo courtesy of La Palma & El Tucan

External image of La Palma & El Tucan's wet mill facility in Zipacón, Cundinamarca.

ers. Micro-roasters all over Europe have shown great interest in developing long-term partnerships with growers.”

This Side Up will import its first coffees from Colombia this month. “We are working with Compañía Cafetera La Meseta in Chinchiná to find producers who we can partner with and introducing exciting growers who want to find an exporter to La Meseta,” said Clerkx.

La Meseta grew from family roots to export between 3 to 4 percent of Colombia’s coffee, some from its own farms and some purchased from local producers. “For us, exporting directly is part of the materialization of a dream of advancing up the value chain and being closer to the final client,” said La Meseta’s commercial manager, Sebastian Muñoz.

Built on the foundation of the FNC’s establishment of equitable producer access to competitive prices, today the trade of Colombian coffee can be initiated from any side, be it producer, exporter, importer, or roaster.

Innovation on the Horizon

“Colombia is highlighting our transition toward specialty coffee, which is rooted in a commercialization system with improved technology, where traceability, origin, brand, and special cup qualities hold more sway in the pursuit of added value to compensate rising costs of production,” said Muñoz.

“Our dream is to see coffee communities and cooperatives in Colombia gather around the idea of innovation and change,” said Sardi of La Palma & El Tucan. Innovation defines both Colombia’s coffees and the country’s attitude towards new ways of doing business. “Colombian producers are very independent, savvy. The future of Colombian coffee will depend on everyone’s ability to adapt to change,” said Cardena of Virmax.

The climate is changing, market demands are evolving, and the people involved in getting coffee from the farm to the roaster are ready to carve out new paths. Colombia’s rebound in production, thirsty domestic market, fearless rising generation, and innovative intermediaries prove that Colombia is ready to grow coffee with revitalized versatility. 