

A photograph of two men in a coffee shop setting. The man on the left has a beard and is wearing a green shirt, gesturing with his hands as if speaking. The man on the right is wearing a white t-shirt and a watch, also gesturing. They are standing in front of a large coffee machine. The background shows a window with greenery outside.

Algrano MARKET TRENDS Report 2023

TACKLING MARKET JITTERS WITH DIALOGUE

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Edited by Luiza Pereira Furquim

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Forward

“In 2022, things were starting to bounce back [after the pandemic] and there was a short time of prosperous days. But then the war on Ukraine started, then inflation, then super high energy costs, and now high interest rates. Families and companies have depleted all their backups.”

This quote encapsulates the sentiment of many specialty coffee roasters in Europe and the USA today. It carries a perspective of the future, which affects green coffee sourcing and has implications for the whole value chain.

Our **third Market Trends Report** for differentiated coffees is an attempt at translating what this sentiment, which can best be described as market jitters, means for specialty with its risks and opportunities. If you buy, sell or roast coffee, it's a wealth of information.

The analysis was conducted by writer, researcher and teacher Erika Koss.

With a background in the humanities and social sciences, she focuses on trends that can create more equity between different actors in the industry.

By making this report widely accessible, we hope to improve producers' understanding of the realities of their buyers. This is part of our efforts to balance the information asymmetry in the coffee value chain. We also hope to provide roasters with insights from leading companies on how to address today's struggles.

We're not naive about the problems and contradictions that plague specialty coffee. Many of them are reflected in the report. The current assessment of quality standards that homogenises coffee as a function of price and makes lots from different origins interchangeable. This is a threat to a diverse coffee belt and the industry's values.

At the same time, producers stand to benefit from a growing desire for open dialogue. Buying behaviour today is similar to other periods of high inflation but, now, roasters and producers are much more connected. And that makes a difference.

We believe in optimism as an act of rebellion. How can we, as an industry, find a balance between the need for quality and affordability and the need for sustainability, diversity, and fair prices? How can producers occupy the positions of power previously inhabited by intermediaries and become more than the growers of raw materials?

The answer lies in dialogue and strong relationships. That's exciting. There is even a glimmer of hope that one day, maybe, we'll see a more balanced power dynamics between producers and buyers.

Luiza Pereira Furquim
Head of Content, Algrano



Acknowledgements

As the researcher and author of this report, Erika Koss would like to convey her sincere gratitude to the editor, Luiza Pereira Furquim.

Erika is also grateful to all roasters who completed the online survey, and especially the specialty coffee industry leaders for their time and honesty during interviews.

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Executive Summary

This is the third edition of Algrano's Market Trends Report, **dedicated to the specialty coffee segment**. It explores the economic and environmental context behind the sourcing decisions of roasters in **Europe** and, for the first time, the **USA**.

Insights come from the analysis of a comprehensive survey and extensive interviews with green buyers. The trends we highlight here emerge from roasters' realities as retailers, and their solutions to current economic and environmental issues.

Sourcing behaviour is dynamic. We start by looking back at roasters' actions from July 2022 to July 2023, then contrast them with future expectations to provide a balanced overview.

It's important to note that this is not your usual market report. It was **written to support producers and other actors engaged in the coffee supply chain**.

Our goal is to foster an understanding of roasters' sourcing challenges. Ultimately, we aim to improve transparency and contribute to a better dialogue between buyers and sellers.

The third edition of Algrano's Market Trends Report highlights the following:

- 1. Demand for specialty coffee continued to grow.** 52% of roasters are selling more roasted coffee than in previous years. There is also an influx of consumers who are new to specialty coffee; half of the roasters surveyed saw increased demand from this segment of their customer base.
- 2. Roasters bought more coffee. But there is caution about the future.** Nearly 60% of roasters sourced more green coffee than in the previous year. Despite a positive 12 months, roasters are cautious about the future. Inflation and economic disruption have made 61% more risk-averse when it comes to purchasing green coffee.
- 3. A need for affordable coffees is changing roasters' menus.** Consumer preferences lean towards coffees with less complexity and more affordable prices for 45% of roasters. Companies are adopting various strategies to navigate this. For example, some are

simplifying their menus and reducing the number of Single Origin coffees on offer. Others are introducing less complex coffees or darker roasts as more affordable options.



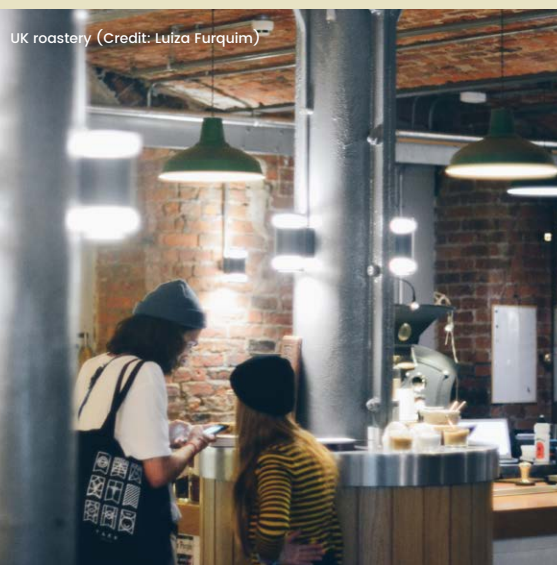
Cathedral Coffee in Portland, USA

- 4. Quality stayed the same despite higher green costs.** The average quality of coffee remained the same for most roasters (52%). At the same time, green is now more expensive for 80%. In countries where the price increase was greater, such as Colombia or Ethiopia, many (47%) struggled to buy. Yet, only 22% sourced lesser-quality green to manage costs. Even fewer (16%) bought past-crop coffee. These percentages are low but have doubled in comparison to last year's report.
- 5. High overheads demand efficient, streamlined teams.** Staffing costs and utilities increased for 89% of roasters. To manage costs, roasters are demanding more efficiency from fewer members of staff. Having to multi-task puts more pressure on green buyers. It also reduces time to focus on new coffees, partnerships and product innovation.

- 6. Prices to consumers are reaching a limit.** Retail and wholesale prices grew for another year for 71% of roasters. This is reflected in the prices charged for coffee-based drinks at cafés. Drip coffees are priced higher for 72% of roasteries. Espresso-based drinks, for 67%. Roasters believe they are reaching a limit. They question if prices can go up any further before they lose market share.
- 7. Quality is the top sourcing criterion. But relationships are essential.** Quality continues to be the number one sourcing criterion. Nearly all roasters chose it as one of the five main factors when considering coffee. In comparison, 45% of roasters selected "having a direct relationship with producers". This focus on quality doesn't outweigh supplier partnerships. 84% of roasters believe relationships with producers are essential to their long-term viability. They are also interested in better communication and expressed a desire for open dialogue with partners at origin.
- 8. The fermentation fever might be coming to an end.** Interest in new post-harvesting techniques remains high. 47% of roasters purchased green coffee processed in "new" ways. Yet, interview respondents want to source more coffees with clean cup profiles in the future and some suggested that

demand for fermented coffees in their market is declining. In line with that, 59% of roasters selected processing methods that lead to a clean cup profile (i.e. Fully Washed) as one of their top five sourcing criteria.

- 9. Consumer demand is a driver for sustainable sourcing and direct trade.** Requests for "ethical, sustainable or transparent" coffee are driving half of surveyed roasters' sourcing decisions. A similar percentage (47%) invested more in direct trade practices and in promoting how they buy coffee. Adding to that, 45% of roasters further asked their suppliers about transparency or traceability. With more information at hand, 43% were able to create their own sustainability, transparency or impact reports.
- 10. Producer stories are a growing tool for consumer education.** Many roasters (41%) increased the depth of producer storytelling on their website or packaging. This is a direct response to consumer demand and an educational tool. Customers asked 45% of roasters for more details about the origin and people behind the cup. Of note, 80% of roasters also said that producer stories are important regardless of demand.



Introduction

This report seeks to provide actionable information about the specialty coffee markets in Europe and the United States of America, reporting on factors from July 2022 to July 2023 that affect demand for green coffee, roasters' sourcing practices, and trends in the specialty coffee industry.

Its objective is to support and inform the decisions of coffee producers who are interested in specialty coffee, direct sales, sustainability, and traceability, and coffee roasters with a specialty coffee line in Europe and the USA.

What are the challenges of specialty coffee roasters in the current global economy? How are the challenges of the past year being addressed? Are there any resulting trends? What is the potential impact of the practices adopted by roasteries for coffee producers? These are some of the questions this report seeks to answer.

Though this report focuses on green coffee sourcing trends, it also hopes to create more understanding between producers in the Global South and consumers in the Global North. As such, the interviews and all survey questions were formulated to give coffee producers insights into roasters' challenges, needs, and decision-making processes.

Additionally, we believe the experience shared by leading companies provides valuable insights and inspiration for roasters across Europe and the USA.

Last year's Market Trends Report (2022) investigated the compounding challenges of the 2021 green coffee price boom, pandemic lockdowns, and the container crisis. This scenario created pressures for the spot coffee market, with problems around the availability of green coffee and on-time delivery.

Both roasters and producers took part in last year's research. However, it was Algrano's understanding that buyers have comparatively more access to origin



information through harvest or market reports. Producers, on the other hand, rarely get to learn about the people who buy their coffee.

The previous report highlighted roaster struggles around increasing competition, understanding consumer demand, finding customers willing to pay higher prices for coffee, and forecasting supply needs.



Alessandro Hervaz (left) and Thales Nascimento, Coopervass, Brazil

After pandemic restrictions ceased in 2022 and despite global inflation and rising costs in 2023, our findings demonstrate that demand for specialty coffee has continued to grow. Such growth didn't come easily or equally in different countries as these last 12 months presented a new set of challenges that continue to disrupt the performance of roasteries in Europe and the USA.

Though the price and availability of green coffee continue to be important challenges, the cost of green is no longer a key obstacle for sourcing coffee. Instead, increasing overheads, especially labour costs and limited cash flow, have shaped roasters' decision-making in the past year.

As a result, roasteries are responding by streamlining production and simplifying their menus, rather than investing in new producer relationships or product innovation.

The new economic reality has also led roasters to become more averse to risk. Current strategies to differentiate include purchasing coffee from new origins, educating consumers and staff, and providing information on ethical or sustainable practices.

In 2023, coffee remains one of the most under-researched crops relative to its value, lagging behind most other crops.¹ Funding opportunities in coffee continue to centre

within the sciences – analyzing disease-resistant crops and varieties – yet very little funding for coffee research in the social sciences or humanities exists.

While more funding for coffee science and agriculture is necessary, the scarcity of reliable and specific data focused on coffee's people and their behaviours negatively affects the ability of governments, private and NGO sectors, and the industry to give context to coffee's human-related challenges.

For this reason, a report like this one, funded and supported by Algrano, is an essential resource to consider the interconnected choices between the millions of people who comprise coffee's global value chain, and whose livelihoods depend on it.

Algrano has given some input in the writing of this report, composing the executive summary and co-authoring the conclusion. This was done in constant exchange with the researcher and didn't interfere with the survey and interview findings.

¹ <https://worldcoffeeresearch.org/resources/webinar-the-number-measuring-coffees-investment-gap>

Chapters one and two set the tone for reading the report. One covers the methodology applied to create the survey and questionnaires used to collect data and insights, as well as the criteria used to select valid responses and interview participants. Two provides an overview of the economic and environmental contexts that frame our investigation.

In chapter three, we introduce the four main challenges raised by roasters in areas such as volatility of green prices, raising costs of staff and utilities, confidence in forecasting and sourcing coffee, and appetite for new product development. There are also considerations on transparency, direct trade, and consumer demand for storytelling. In chapter four, we explore the key trends of 2023 that we learned from our survey and interviews.

Chapters five and six discuss roasters' evolving understanding of their value chains, the importance of relationships with coffee producers, and concerns around climate change and environmental impact. These chapters also address consumers' evaluation of certification schemes and the scarcity of information regarding the European Union deforestation regulations.

Finally, chapter seven presents our takeaways from the report data, posing questions about a new quality paradigm and the interchangeability of coffee origins based on profile and price. Our conclusion signals opportunities for coffee producers and points to directions the industry can take to further embrace sustainable practices in today's economy.



Processing at Fundo San Crispin in Villa Rica, Peru

● Chapter 1: Methodology

This report's data is based on the analysis of a quantitative survey distributed to roasters in Europe and the USA, completed by **86 roasteries**, and in-depth qualitative interviews with **11 green coffee buyers** of long-standing roasting companies.

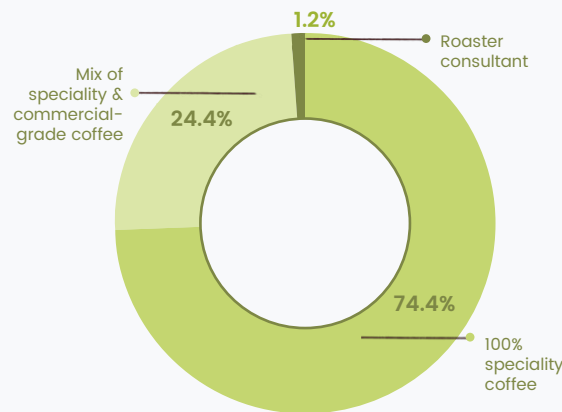
Both the survey and interviews were conducted between **July and August 2023** by the researcher Erika Koss, an American social scientist and sustainability expert who lives in Kenya. She inquired about sourcing behaviour, overall challenges, and sustainability concerns in the previous 12 months.

1. Survey Distribution

The survey was anonymous and distributed online to roasters on Algrano's network and beyond. Questions were designed to support the researcher's understanding of market challenges and opportunities in the last year.

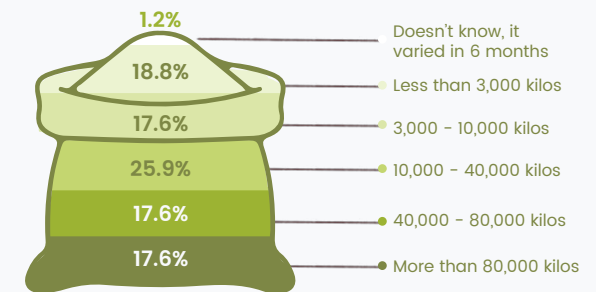
The survey targeted independent roasteries with any percentage of specialty coffee in their portfolio. Out of all 86 survey respondents, **75%** source specialty-grade coffee exclusively. Another **25%** source a mix of specialty and commodity-grade coffee.

● **Graph 1.** Role played in the coffee industry; type of organization represented



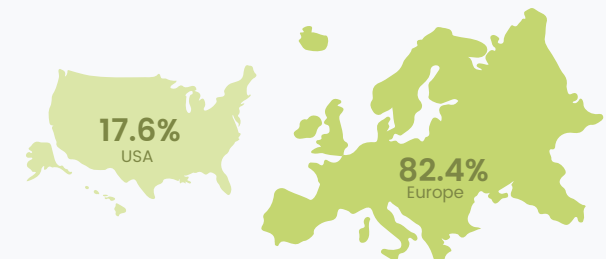
Respondents cover various sizes: **36%** source up to a half-full container; **26%** source between 150 bags and two full containers; and **35%** source more than two containers a year.

● **Graph 2.** Volume of coffee sourced per year on average, in kilos.



Most survey respondents are based in Europe (**82%**) compared to fewer throughout the USA (**17%**). Given the wide difference in the number of respondents from these two markets and the limitations this creates to contrasts and compare, the report uses aggregate results, without distinguishing between European or USA trends.

● **Graph 3.** Survey respondents' location



2. Interview Process

Interviews were conducted online via Zoom, lasting between 60 and 90 minutes. Several criteria were used for the interview selection process, which focused on coffee professionals who source green coffee for independent roasteries.

We invited green buyers with at least ten years of experience in the coffee industry, currently working in leadership positions in their companies. Consent was granted by all interviewees so their names could be identified.

All interviewed buyers have demonstrated some form of relationship with coffee producers or direct trade practices. Not all source coffee on the Algrano marketplace.

Roasteries were selected based on a range of geographical representation.



In Europe, interviewed roasters are based in six countries: England, France, Germany, Spain, Sweden, and Switzerland. In the USA, locations include five states: Arkansas, California, Hawai'i, Wisconsin, and New York.

While interview questions weren't designed to confirm any formal hypotheses about this year's market, Algrano sought to understand the impact of price volatility, inflation, and new sustainability requirements on demand for specialty coffee in Europe and the USA, as well as potential implications for the supply chain and relationships between roasters and producers.

Algrano also wanted to understand consumers' willingness to pay for coffees described as ethical or sustainable. The researcher took all these questions into account during her semi-structured interviews.



● Chapter 2: The Buildup to 2023



In light of continued volatility in the C-price landscape in 2023, we believe it's essential for producers to better understand what is driving the decision-making process of buyers and roasteries in the coming year.

To frame challenges raised by roasters in this report, we reflect on key global events that have affected the coffee industry. This far-from-exhaustive summary covers some economic and environmental themes affecting coffee producers and consumers.

a. **The Global Economy: Inflation and a Summer of Strikes**

The war in Ukraine, which started in February 2022, has had a prolonged impact on the price of commodities. The conflict has been a key contributor to the destabilization of global food and energy prices, particularly in Europe.

In coffee-producing countries, the war has led to an increase in the price of fertilisers. At the time of writing this report, the cost of inputs has started to go down. Yet, it still impacts the price of coffee on offer throughout 2023. If not taken into account, this cost puts producers' margins at risk.

Also at the time of writing, a war between Israel and Hamas, the political and military organization that governs the Gaza Strip of the Palestinian territories, broke out. Predictions about global economic implications have already begun.²

Some coffee sector publications have predicted the challenge that inflation poses to the premiumisation of coffee, explaining that consumers may no longer be willing or able to pay for premium products.³

In October 2022, the International Coffee Organisation (ICO) predicted that consumers were likely to cut back spending on out-of-home coffee and increase at-home consumption.⁴ In addition, the National Coffee Association's 2023 Trends report⁵ demonstrated a worsening financial situation for USA coffee drinkers, with 60% becoming more "cautious about their spending habits".

Meanwhile, in Europe, positive growth for the branded coffee shop market was predicted in 2022, but Project Café Europe

² www.worldbank.org/en/news/press-release/2023/10/26/commodity-markets-outlook-october-2023-press-release

³ newgroundmag.com/2023/03/premiumisation-of-coffee-inflation/

⁴ www.worldcoffeeportal.com/Latest/News/2022/October/Inflation-set-to-hinder-out-of-home-coffee-sales

⁵ intelligence.coffee/2023/03/us-coffee-consumption-hora-del-cafe/

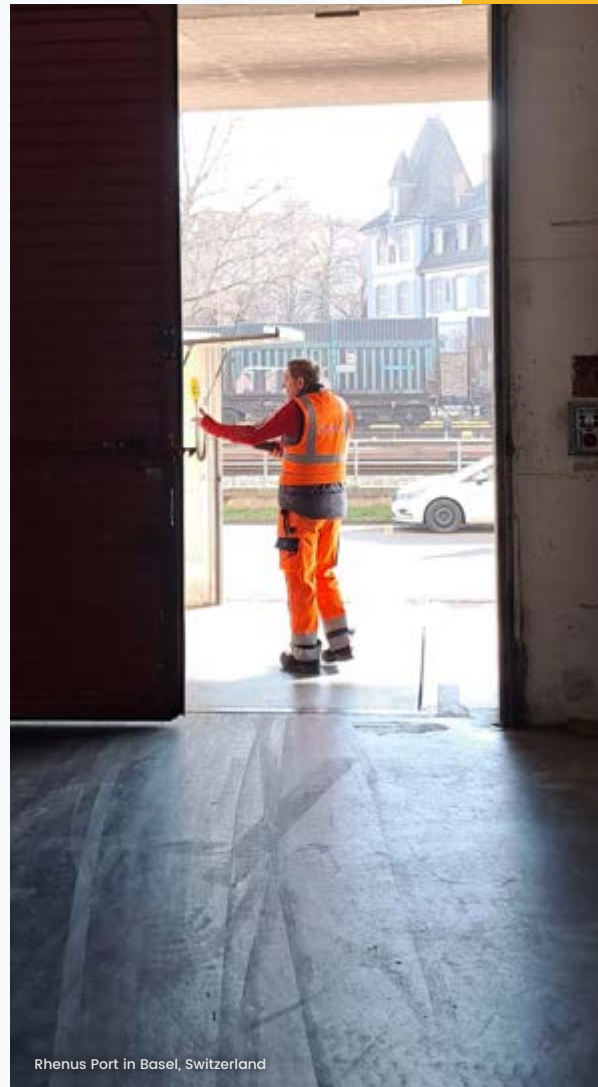
2023 found that “less than half of industry leaders surveyed expect trading conditions to improve over the next year” and that “17% expect trading to deteriorate”.⁶ In the UK, Project Café 2023 showed that increasing overheads were behind a 16% price hike in major coffee chains.

Unmatched by an increase in wages, the soaring cost of living and high interest rates led to what has been called “the summer of strikes” in the USA and a “hive of strike action” throughout Europe.⁷

Just as supply chains started to run more smoothly after the pandemic’s container crisis, a wave of industrial action was announced by dockworkers in major ports in Europe – including the port of Hamburg, the second busiest on the continent⁸ – and the USA.

In 2023, workers in dozens of public and private sectors such as hospitality, freight train drivers and cargo truck drivers have also been on strike in both industries^{9,10}

The ripple effects of such strikes continue to delay coffee’s arrival in some ports. While freight prices have started to decline in 2021, they have not yet returned to pre-COVID rates.



b. Environmental Crisis: the Year Climate Change Got Real

In the last two decades, the specialty coffee industry has become increasingly aware of the threat and impacts of climate change, widely considered by scientists as coffee’s single biggest threat.^{11 12 13}

The incidence of coffee pests and diseases has increased due to climate change. Yields and suitable land are decreasing, especially for Arabica¹⁴. Some producers have abandoned coffee altogether, while others seek new crops.

Such challenges have pushed the coffee industry towards a growing focus on climate resilience and regenerative agriculture. Included in this effort are new certifications: carbon-neutral coffee, regenerative organic certified, and more.

But these efforts need to intensify. In March 2023, the Intergovernmental Panel on Climate Change report confirmed that “global surface temperature has increased faster since 1970 than in any other 50-year period over at least the last 2,000 years” based upon “human activities, principally through emissions of greenhouse gases”.

To shift course, industrialized nations must join together to slash greenhouse gases roughly in half by 2030 and then stop adding carbon dioxide to the atmosphere altogether by the early 2050s.¹⁵

⁶ www.worldcoffeeportal.com/Latest/InsightAnalysis/2023/July/Major-European-coffee-shop-markets-in-focus

⁷ <https://www.euronews.com/travel/2023/10/10/europes-summer-travel-strikes-when-where-and-what-disruption-you-can-expect-in-august>

⁸ www.maersk.com/news/articles/2023/03/23/strike-action-at-port-of-hamburg

⁹ <https://shorturl.at/nzfM8>

¹⁰ <https://www.reuters.com/world/europe/strikes-protests-europe-over-cost-living-pay-welfare-2023-03-27/>

¹¹ International Trade Centre (2021). The Coffee Guide, 4th edition. ITC, Geneva, Switzerland;

¹² Davis, A.P, Gole, T.W., Baena, S., Moat, J. (2012) “The Impact of Climate Change on Indigenous Arabica Coffee (Coffea arabica): Predicting Future Trends and Identifying Priorities.” PLoS ONE 7(11)

¹³ Panhuysen, S. and Pierrat, J. (2020) Coffee Barometer 2020. Published by the Coffee Collective 2020: Conservation International, Hivos, Oxfam Wereldwinkels, Solidaridad. <https://coffeebarometer.org/>

¹⁴ Carrington, B. (2020) “More from the Cup” Better returns for East African Coffee Farmers” an ITC Report, published by ITC, Geneva, Switzerland. Accessed online 1 September 2023: <https://shorturl.at/thjQT>

In 2023, wildfires raged through the USA, Canada, and Greece, to name a few countries. Across the coffee belt, coffee pests, especially the coffee berry borer, continued to plague production.

Unprecedented heat waves from Spain to Vietnam have broken world records, with predictions of increasing heat to come.¹⁶ Hundreds of tornadoes have led to death and destruction from the USA to South Africa to China.

Torrential rains have caused disastrous floods in Libya, Japan, and India¹⁷, while the Horn of Africa continues to suffer from long-term drought, leading to humanitarian crises in Ethiopia, Somalia, and Kenya.¹⁸

Scientists predict that the El Niño phenomenon will continue through the Northern Hemisphere winter¹⁹. El Niño creates dry and hot conditions in Central America, Brazil, and Colombia. High temperatures and irregular rains may affect the timing and the blossoming of coffee flowers, threatening to decrease yields and quality in the 2023-24 crop.²⁰

To date, Indonesia, one of the world's top producers of Arabica, has been suffering from too much rain, which reduced productivity and led prices to a record high in June 2023.²¹

The state of Hawai'i has been hit particularly hard. Even before the Maui wildfires in August 2023, local farmers were already struggling with drought, coffee borer beetle infestations and an outbreak of leaf rust.

Attempting to address climate change, the European Parliament adopted a new law to fight global deforestation by banning the imports of commodities linked to the issue starting in 2024.²² The law's objective is to stop deforestation caused by the expansion of agricultural production.

This process has already begun: companies will need to prove their goods were not produced on land that was deforested after December 2020.²³ Some buyers and roasters have been proactively involved in finding solutions while others wait, uncertain of the specific ways this law will affect them and the origins where they source coffee.

¹⁶ IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland. <https://shorturl.at/yJU68>

¹⁷ <https://www.theguardian.com/world/2023/may/07/vietnam-records-highest-ever-temperature-of-44c>

¹⁸ <https://apnews.com/article/flooding-rainfall-climate-change-warming-atmosphere-d207e68ba3374bdc2af3d36e97a84a1b>

¹⁹ <https://reliefweb.int/report/ethiopia/horn-africa-drought-regional-humanitarian-overview-call-action-revised-26-may-2023>

²⁰ <https://shorturl.at/nz9Kl>

²¹ <https://valorinternational.globo.com/agribusiness/news/2023/08/28/el-niño-atrás-afecta-brasil-coffee-harvest-prices.ghtml>

²² <https://www.reuters.com/markets/commodities/too-wet-bone-dry-indonesian-coffee-crop-faces-el-niño-jolt-2023-08-14/>

²³ <https://blog.algrano.com/eu-deforestation-ban-coffee>

²⁴ <https://www.bbc.com/news/world-europe-63872393>

● Chapter 3: The Big Squeeze: Challenges and Solutions

From 2020 to 2022, specialty coffee roasters in Europe and the USA were forced to pivot in unexpected ways to survive the business challenges created by the COVID-19 pandemic. There was a sense of hope when lockdowns were lifted. Several roasters described 2022 as a “recovery” year. But this optimism was short-lived, especially in Europe.

After 2022’s coffee price boom, roasters were quickly hit by a combination of global inflation, rising interest rates, and labour issues.

Jonas Hult, Green Coffee Buyer at Swedish roastery Johan and Nyström, illustrates this struggle: “In 2022, things were starting to bounce back and there was a short time of prosperous days. But then the war on Ukraine started, then inflation, then super high energy costs, and now high interest rates. Families and companies have depleted all their backups. Costs are extremely high.”

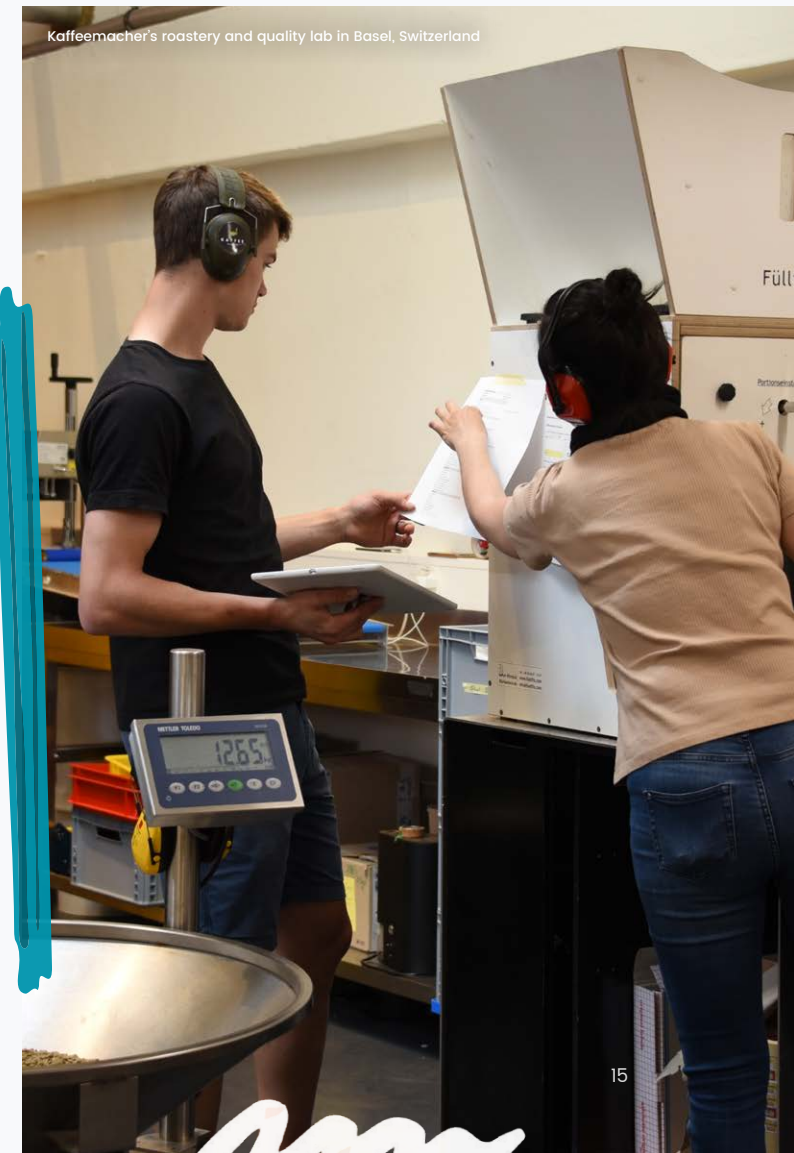
This chapter focuses on the four key challenges below. It will also cover some of the solutions sought by roasters:

1. Impact of inflation on consumer preferences
2. Volatile prices, forecasting struggles, and a sense of caution
3. Overheads going overboard
4. Differentiation in times of economic constraints.

Impact of Inflation on Consumer Preferences

How can roasters address the needs of both producers and their customers in a volatile market, balancing overhead increases, the cost pressures of suppliers, and a reduction in disposable income on the consumer side?

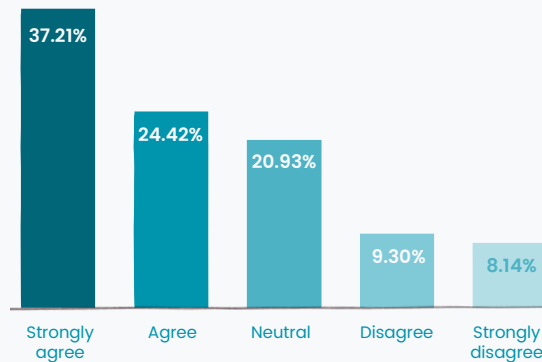
In 2022, optimism prevailed as companies who survived the pandemic felt the worst was over. Matthew Orchard, Founder and Green Coffee Buyer at London’s PLOT



Roasting, shared his experience: “I was quite hopeful. Business picked up quickly. I was purchasing slightly more coffee. But then the economic landscape changed in the UK”.

The landscape changed everywhere. And the consequences are clear. Of the roasters who completed our survey, **61%** agree that inflation and economic disruption have made them more risk-averse when it comes to purchasing green coffee. As a result, **30%** had to negotiate prices with suppliers more than in previous years.

- **Graph 4.** *Inflation / economic disruption have made my roastery more risk-averse when it comes to purchasing coffee.*



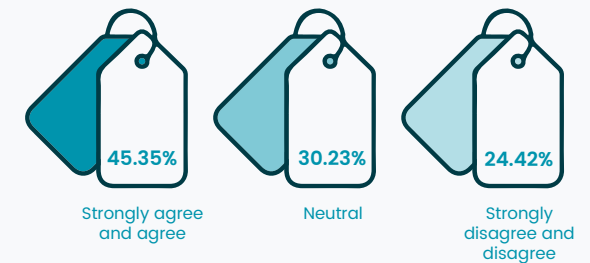
“We don’t take ownership of the coffee until we release it from the warehouses. That means that the coffee is technically owned by the importer that we hired to move it,” starts Ted Stachura, Director of Coffee and Green Coffee Buyer at Equator Coffees in California, USA.

“They are the ones who facilitate financing by having enormous lines of credit. With interest rates going up, that credit becomes more expensive. Importers pass that cost onwards. Insurance is going up too. It’s 3 cents here, 14 cents there... When you do the maths for a container of coffee, that adds up. Especially when you consider all the other costs.”

Survey data also shows that fewer customers are looking for complex flavour profiles and are willing to pay more: **45%** of roasters say that consumer preferences are headed towards simpler, more affordable coffees, as customers have become more price-sensitive.

This trend is confirmed by Alice Juguet, Green Coffee Buyer and Manager of Responsible Coffee at Coutume in Paris, France. Due to inflation and higher green coffee prices, she plans to buy less volume of “complex or new coffees”. Instead, she’s looking for higher volumes of “coffees that are still specialty and up to our quality standards but are more accessible in taste and price”.

- **Graph 5.** *My customers are price-sensitive; they look for coffees they can drink at decreased or equal cost.*



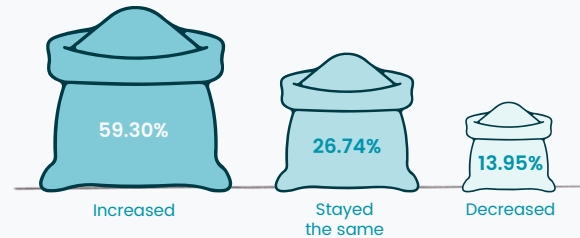
Other specialty roasters, such as Johan & Nyström, are expanding into grocery stores “to make our coffee more approachable for other people”. Bonanza Coffee Roasters in Berlin is also working on different profiles to satisfy clients in Michelin-star restaurants and hotels, which are seeking to work with specialty brands and drive their demand for more accessible coffees.

While anxiety for the future and aversion to risk were expressed by roasters, consumer demand for roasted coffee still shows strong signs of growth, as demonstrated by our survey results.

Most roasters (**59%**) have increased the volume of green coffee they purchased, seen more demand for roasted coffee (**52%**), and more demand from customers who are new to specialty coffee (**50%**). The average quality of green coffee purchased also remained the same for **52%** of roasters.



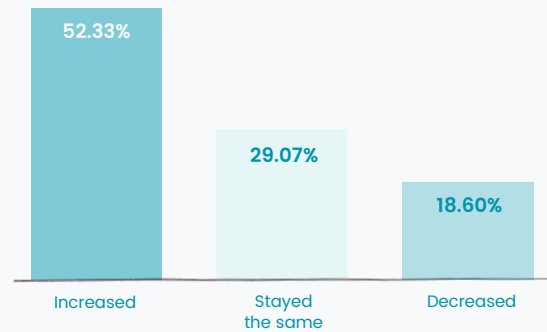
● **Graph 6.** The total volume of green coffee purchased in the last 12 months.



● **Graph 8.** Demand for roasted coffee from customers who are new to specialty in the last 12 months.



● **Graph 7.** Demand for roasted coffee (retail-wholesale) in the last 12 months.

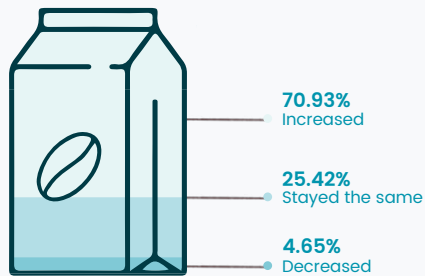


● **Graph 9.** The average quality of green coffee purchased in the last 12 months



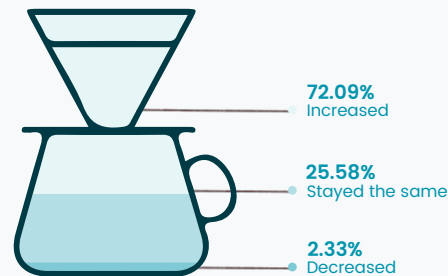
To compensate for rising overheads, **71%** of roasters are increasing prices charged to customers and clients for roasted coffee, as the graph below indicates.

● **Graph 10.** The total price charged to customers for roasted coffee in the last 12 months.

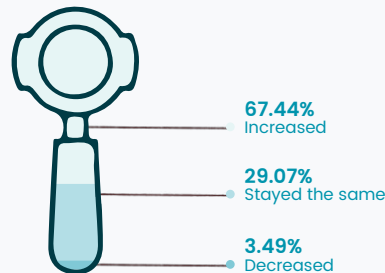


Beverage prices are also increasing. Compared to last year, **72%** of roasters are charging more for consumable coffee beverages, like drip coffee or cold brew, and **67%** charging more for consumable espresso beverages.

● **Graph 11.** Price charged to customers for consumable coffee beverages (i.e. drip/filter coffee, cold brew, etc.) in the last 12 months.

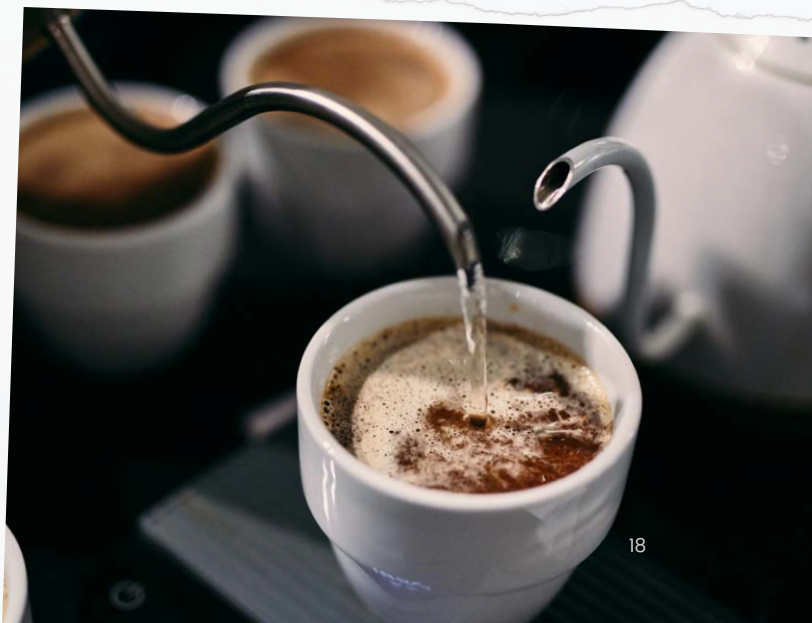


● **Graph 12.** Price charged to customers for consumable espresso-based beverages in the last 12 months.



“ We are raising prices a bit. Then, we try to be more efficient, which we learned from the pandemic. We’re using the same number of people as in the pandemic and running a tight ship. It’s a big deal for us to be so efficient to absorb some of the cost.”

Jonas Hult,
Johan & Nyström



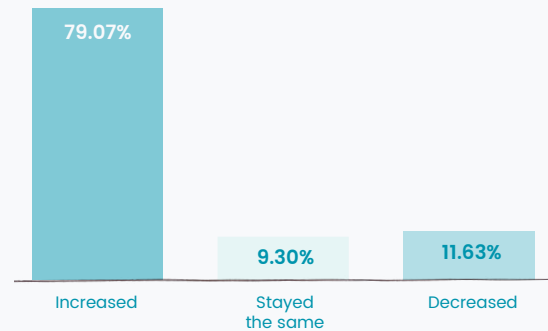
Volatile Prices, Forecasting Struggles, and a Sense of Caution

In the first half of 2023, fewer roasters struggled with the cost of logistics compared to the previous report. Of those who did, cash flow issues were the main reason, making it hard for nearly one-quarter (23%) of survey respondents to manage their warehouse stock. However, only 17% struggled to release coffee from the warehouse and only 10% said that increased delivery costs are a problem.

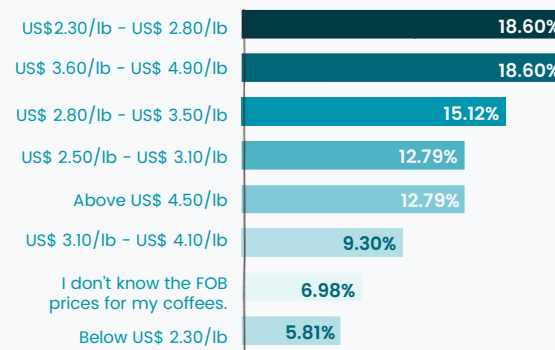
These numbers indicate that COVID-related challenges around warehouse inventory are diminishing. On top of this, 78% confirmed that the average price of green coffee purchased increased.

A wide range of prices was paid for green coffee. Most roasters (46%) paid between US\$2.30/lb and US\$3.50/lb for their least expensive coffees. For the most expensive coffees, most roasters went above US\$4.50/lb. Only 34% fell below that threshold.

● **Graph 13.** The average price of green coffee purchased in the last 12 months.

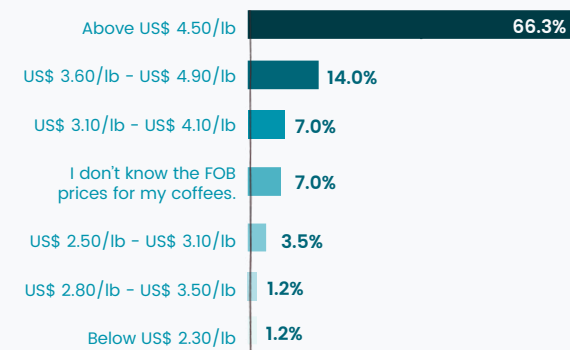


● **Graph 14.** FOB price least expensive green coffee from any origin (USD/lb).

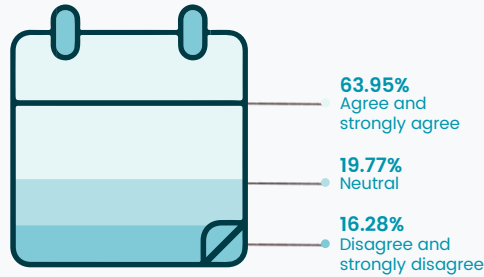


Green coffee from Mount Ijen, Indonesia, pictured by Alfa Jaya

● **Graph 15.** FOB price most expensive green coffees from any origin (US/lb).



● **Graph 16.** *Planning the purchase of coffee ahead of time has become more difficult due to green price increases or fluctuations.*

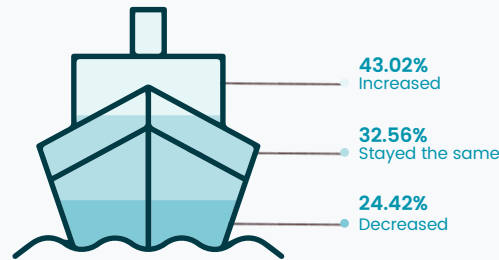


However, roasters are cautious about their future buying - especially in Europe. Among survey respondents, **64%** agree that their ability to plan and purchase coffee in advance has become more difficult due to price increases and fluctuations.

“Our forecast for next year is cautious,” says Jonas of Johan & Nyström. “We’re not going to buy more, just steady.” At PLOT Roasting, Matthew also doesn’t plan to buy more coffee this year. He wants “to maintain [his] relationships with producers,” and plans to purchase some less expensive lots from the same farmers.

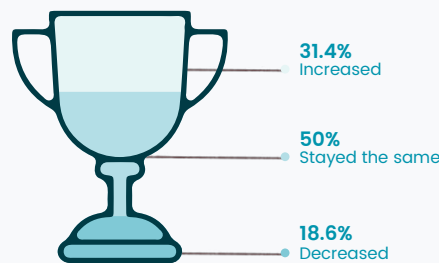
In contrast with forecasting difficulties, more than half of survey respondents (**43%**) increased the total volume of forward-booked green coffee between 2022 and 2023.

● **Graph 17.** *The total volume of green coffee forward booked (as opposed to spot purchases) in the last 12 months.*



This growing interest in forward-booking has been leading to greater awareness of payment terms to producers. Dakota Graff, Director of Coffee and Green Coffee Buyer at Onyx Coffee in Arkansas, USA, goes as far as defining direct trade as “an attempt both to get coffee faster and pay people faster” than in other trading relationships.

● **Graph 18.** *Demand for a wider variety of micro-lots or competition lots in the last 12 months.*



“How you pay for coffee can sometimes be even more important than what you pay, but it depends. We’ve done a lot of work at Onyx to make sure our buying program is quick and efficient in terms of payment. We hold an import license as well, which is a key part of our business. We import a tremendous amount of coffee ourselves.”

While most specialty roasters don’t have import licenses or the cash flow to pay producers FOB in full, the same logic applies to the payment terms of the importers they work with. Roasters can still have an impact through the speediness of their orders. By contracting coffee earlier in the harvest, or as soon as samples become available, they facilitate a quicker payment process.





Cathedral Coffee in Portland, USA

Overheads Going Overboard

In expensive cities, surviving COVID-19 was particularly challenging due to the high cost of rent combined with the high cost of living.

While companies are required by law to pay their staff minimum wages, the increase in both inflation and the cost of living means that wages don't go as far in larger cities such as New York City or London.²⁴ In these places, roasteries like Joe Coffee Company and PLOT Roasting have chosen to pay even more to incentivize and retain staff.

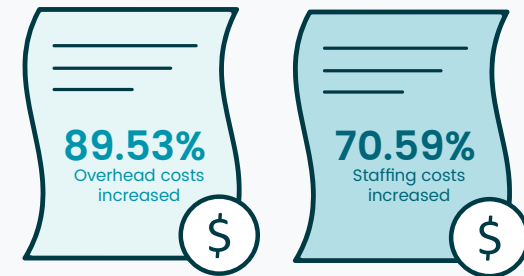
Amaris Gutierrez-Ray, Senior Director of Coffee and Roasting and Green Coffee Buyer at Joe Coffee Company in New York City, explained that the cost of the subway, the primary means of transport for their 300 employees at 20 cafés and headquarters, increased after the pandemic.

Joe Coffee's rents, electricity, and gas bills have also not gone back down to pre-pandemic rates. Due to high rent and inflexible landlords, they had to close four café locations permanently.

Even though we are in a post-pandemic world, we still feel its aftershocks, now compounded by global inflation. Overhead costs are taking their toll on roasters, as **89%**

said operational costs have increased. The percentage of roasters who pointed out that staffing expenses have gone up was **70%**.

- **Graph 19.** *In the last 12 months, roastery overhead costs in general compared to what happened with staffing costs in particular.*



Similarly, labour costs remain a challenge in London, where the London Living Wage is an option for business owners. Matthew of PLOT Roasting explains: "Labour costs are particularly high. We want to pay fairly, so we subscribe to the London Living wage for all our staff, which is above minimum wage. So many businesses in London have problems with retention, especially with inflation, so we pay above London Living Wage. Everyone is feeling the squeeze."

In Berlin, Germany, Bonanza also feels the pressure. Scott Tedder – Green Coffee Buyer and Head Roaster – explained their need to cut costs by simplifying the coffee menu.

²⁴ <https://www.nytimes.com/2022/11/14/nyregion/new-york-minimum-wage.html>.

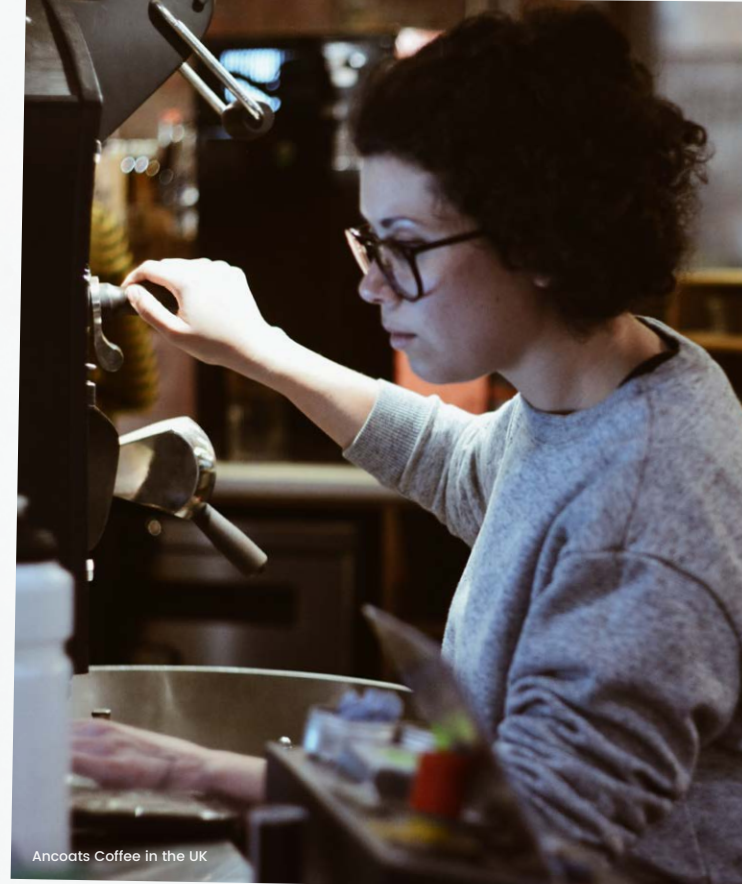
“Everyone has been fighting to survive, to keep our heads above water. It’s finally settling down a bit. But now everything costs more – green coffee, shipping, staffing – we can only raise prices to a certain amount before our customers go somewhere else.”

Scott Tedder,
Bonanza Coffee Roasters

As Scott explains, one way they have had to “squeeze the purse” is by demanding greater efficiency from fewer staff members. The roastery, for example, used to employ six people. Now there is only one, which is Scott. “I’m very tired,” he says.

For vertically integrated roasters like Kona Coffee and Tea, labour issues are challenging on both ends, from farm to café. Malia Bolton Hind, Managing Director of her family’s farm-to-cup coffee business in the Kona region of Hawai’i, feels the challenges on both sides, from the high cost of labour and the pressure to charge even higher prices for their Kona coffee beans, which were already more expensive than other origins before this all started.

On top of that, Malia explains that small businesses don’t receive sufficient support from the state’s government. “We have such high tax brackets, and Hawai’i is driven by tourism. Hawaiian history centred on a few businessmen having huge export and import businesses, like in pineapple and sugarcane [production].”



Ancoats Coffee in the UK

Staffing costs amount to a significant percentage of most roasters’ overheads throughout Europe and the USA. For **37%** of surveyed roasters, staff accounts for 10-25% of operational costs. For another **37%**, wages and other employee expenses account for a minimum of **25%** and up to 50% of their overheads.

Differentiation in times of economic constraints

Product innovation is an obvious way for businesses to differentiate themselves. But with high interest rates and less money available to invest in product development, roasters are choosing other approaches to differentiate themselves and compete.

Our survey highlighted three main forms of differentiation in an environment of economic constraint: the expansion to new sales channels, consumer education (often with a focus on sustainability), and the simplification of the roastery's whole bean menu.

Streamlining the menu might appear to be the opposite of differentiation. But roasters are doubling down on fewer roasted products with strong concepts where they have measured resonance with consumers.

Sales Channels

Wholesale continues to be roasters' main sales channel. It's how **53%** of roasters sell most of their coffee. Only **14%** of surveyed roasters said e-commerce is their main channel, despite reports that online sales increased in the pandemic years.

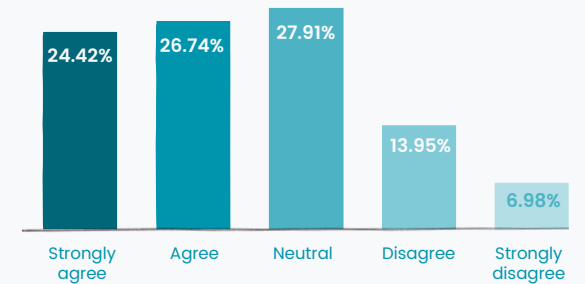
● **Graph 20.** Where do you sell most of your roasted coffee?



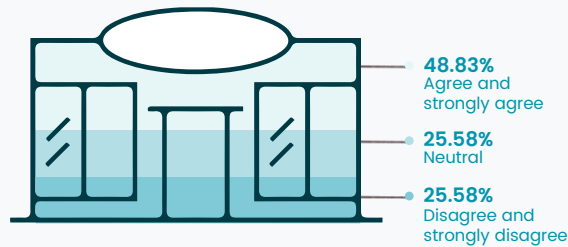
Despite the growth in the at-home market, **51%** of roasters said they still prefer to sell coffee in person than through e-commerce. This doesn't mean they are ready to rely on wholesale alone.

There is growing interest in diversification. Nearly **50%** of roasters stated they want to expand to new sales channels such as supermarkets and multi-roaster subscription services.

● **Graph 21.** I prefer to sell my products through cafés, restaurants, or in person B2C (business to consumer) relationships, compared to e-commerce options.



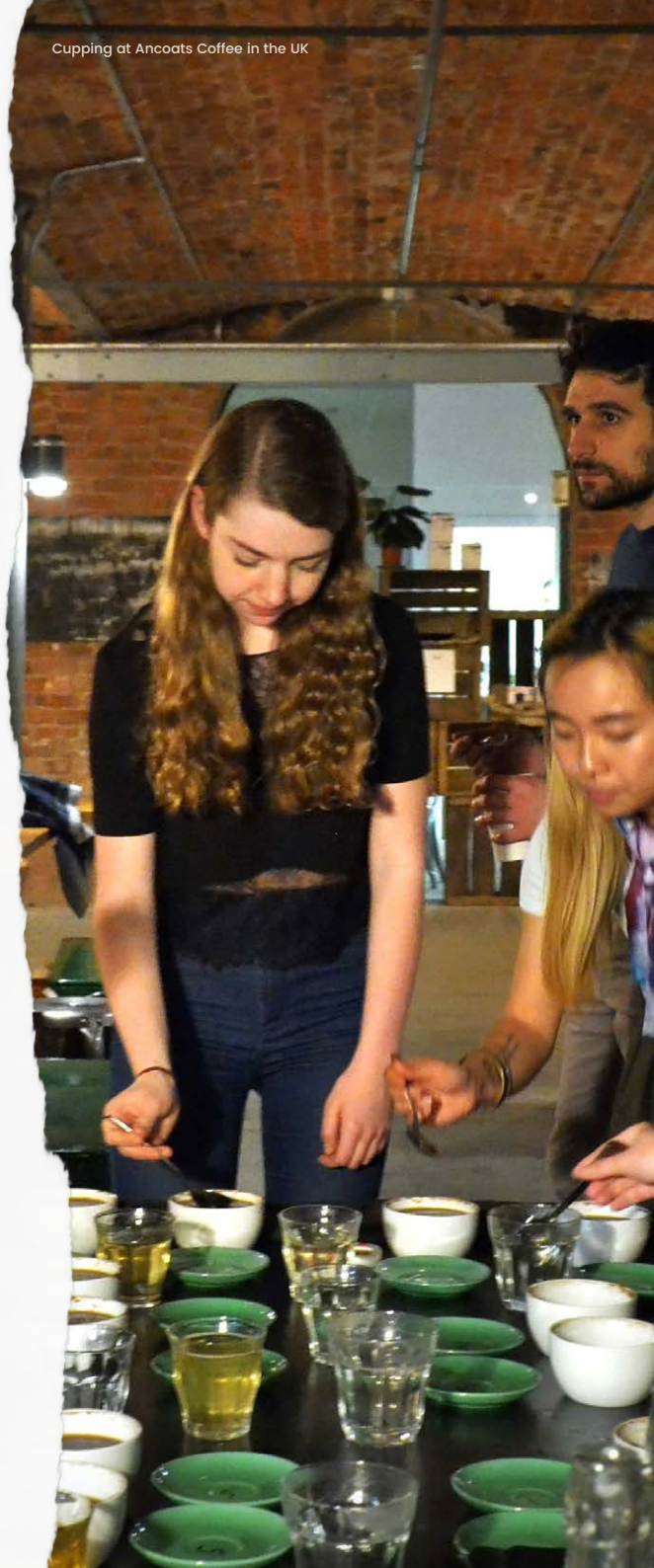
- **Graph 22.** I am looking into expanding to new sales channels such as supermarkets or multi-roaster subscription services.



The need to diversify is a direct outcome of pandemic lockdowns. “We lost so much office coffee, restaurants, cafés, selling to airports and hotels, but we saw growth from online sales direct to consumers and selling retail packaged coffee to grocery stores,” says Ted Stachura of Equator Coffees.

Equator is based in Silicon Valley, home to dozens of global technology, internet, and software companies, where workers have been slow to return to the office. This partially explains why the roastery is still selling less volume than in pre-pandemic years.

To better compete in the at-home segment, Equator has recently launched its first-ever capsule coffee as a response to consumer demand.

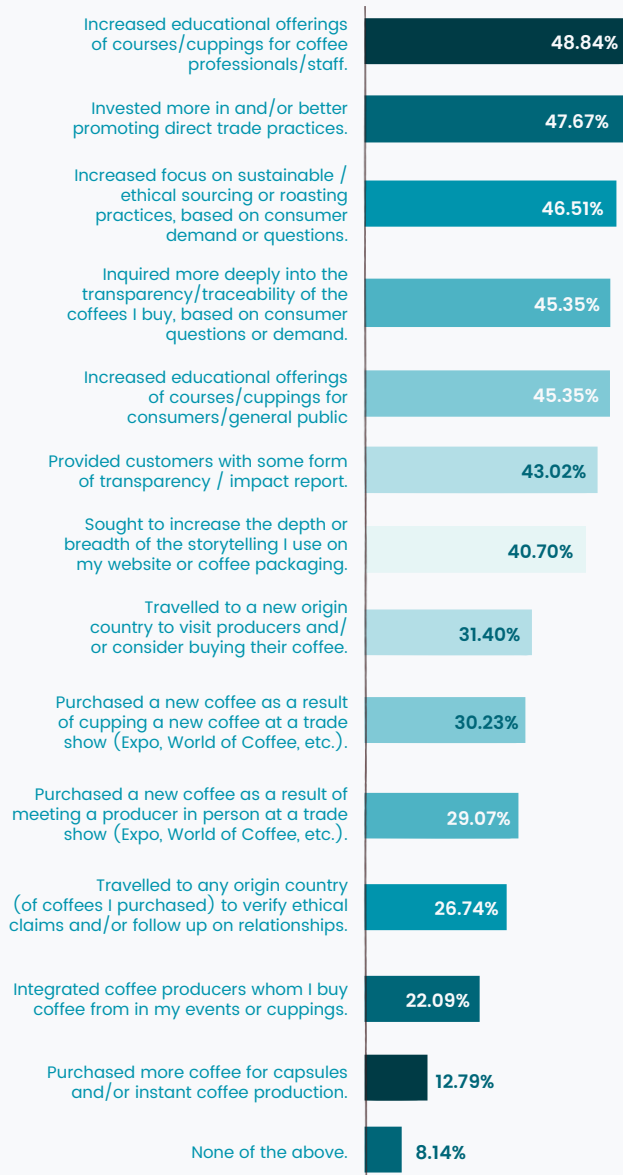


Consumer Education Through Coffee

Investment in consumer education is driven by consumer demand and a need to differentiate. **45%** of the surveyed roasters increased their educational offerings to customers. This is on top of additional courses and cuppings provided to staff and other coffee professionals, an educational segment that grew for nearly **50%** of respondents.

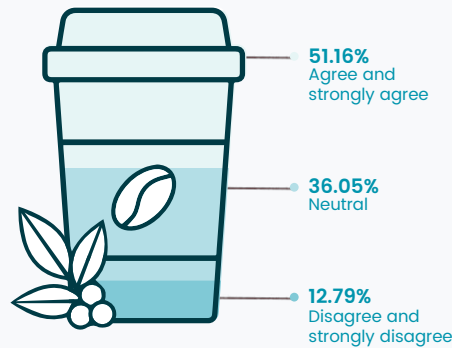
When asked about their new activities, more roasters say they are investing in education than in new equipment, merchandise, coffee for capsules or instant, rare varieties, and even origin trips.

● **Graph 23. Have you done any of the following in the last 12 months?**

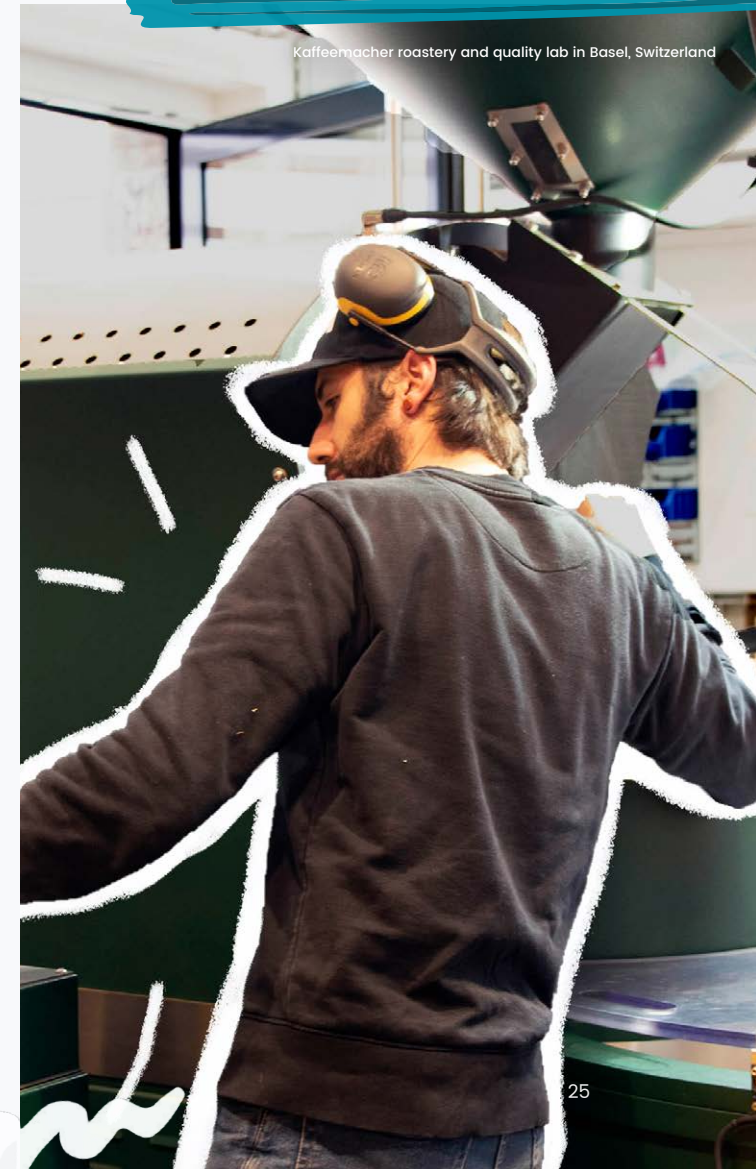


In a year of increasing climate awareness, and with a deeper understanding of the coffee value chain prompted by the latest price boom, education goes beyond brewing and barista classes. Instead, roasters are exploring other ways to educate consumers and shifting their focus to their sustainability efforts and sourcing practices. Of note, this approach to education is driven by demand.

● **Graph 24. Consumer demand for ethical sustainable or transparent coffee drives my purchasing decisions.**



One example comes from Joe Coffee Company in New York City. Since the pandemic, they have struggled to predict the sales growth of some products on their coffee menu. As the Green Coffee Buyer, Amaris analysed the performance of all of Joe Coffee’s coffees, from Single Origins to blends. She knew that customers were loyal to names like “The Daily” or “The Waverly”, coffees that are familiar and available all year.



Kaffeemacher roastery and quality lab in Basel, Switzerland

Cupping at SCA Expo in Portland, USA



But their seasonal Single Origins were not doing as well. By the end of 2022, Joe Coffee's Single Origin sales had plunged. "Our main concern about this wasn't financial. It was ethical," Amaris explains.

As their green coffee was sitting on the shelf for longer, she worried they wouldn't be able to buy the same volumes from their long-term producer partners in the upcoming harvests. Not to mention that quality was deteriorating, adding to the difficulty of selling their coffee.

One Single Origin that continued to sell well was a Colombian coffee that Joe Coffee offered 12 months of the year, enough time for consumers to become familiar with the producer's name.

To solve this problem, Amaris created a brand name and concept for Joe's seasonal coffees: "The Village", sourced only from female farmers. The coffee used would change seasonally, but the name and identity remained the same, simplifying the roastery's menu and helping consumers remember what they like.

Launched in March 2023, sales of "The Village" skyrocketed, giving Amaris hope that this may be an effective long-term strategy.

“ Since 80% of our long-term annual Single Origin contracts are with women producers, we decided to lean into our sourcing of gender equity coffee. We created a year-long offering that would have the same price point and the same graphic design elements on the roasted coffee bag but that would rotate with different women producers from different countries.”

Amaris Gutierrez-Ray,
Joe Coffee Company

● Chapter 4: 2023 Trends

Omar Maagaard of Komma Kaffee, Denmark



When it comes to consumer demand, roasters appear to have no consensus – often, their experiences are different and heavily dependent on the economic context of their specific market.

Currently, most roasters are being cautious. The interviewed group signals stagnant purchase volumes, aversion to risk, and being less open to new supplier relationships.

On the other hand, our survey shows that wholesale accounts have not reduced their order volume between 2022 and 2023. Several USA green buyers also mentioned plans to open new cafés and increase their online presence.

Given the scope of this report and the contrasting findings, this chapter will draw trends mostly from roasters' concrete actions rather than intentions in the analysed period. Impressions about the future will be covered when relevant but kept to a minimum.

Sourcing Criteria

Quality, suitable price range, and having a direct relationship with the producer were selected as the first sourcing criteria for most roasters, in this order.

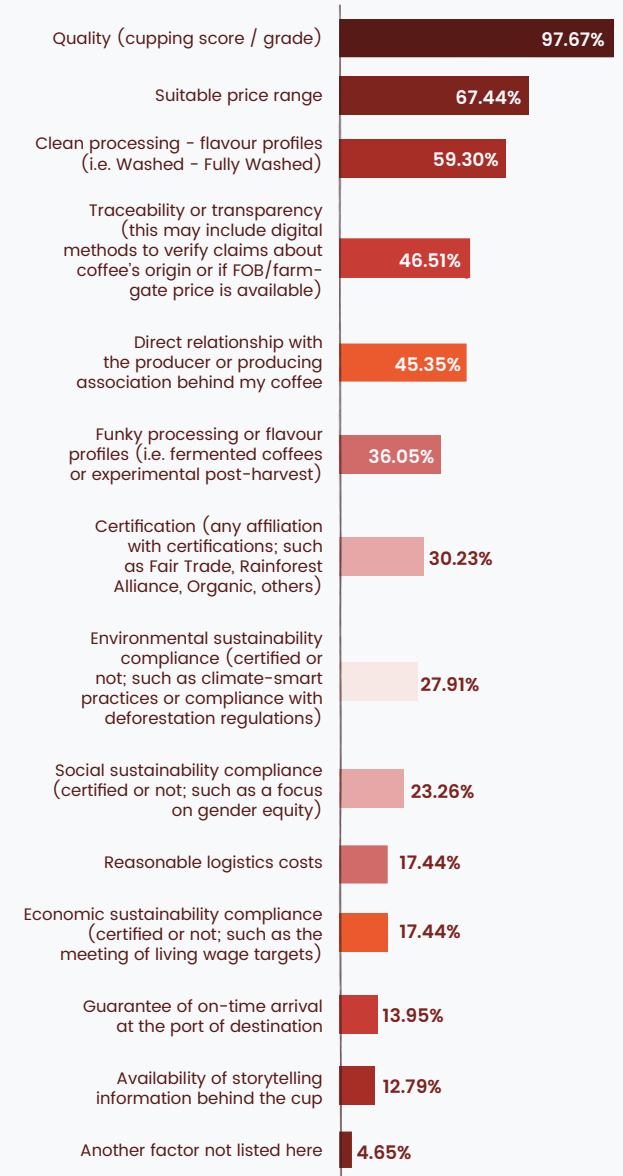
However, unlike the 2022 Trends Report, we decided to further explore sourcing criteria data in this iteration of the survey, introducing new options and analysing aggregate results.

Our final chart is based on how often a given criterion appears among roasters' top 5 when making purchasing decisions, regardless of order. Though this doesn't allow us to properly compare results with last year's report, we believe it paints a more accurate picture of buyer's needs.



Diana Fisgativa of Perky Blenders Coffee Roasters, UK

● **Graph 25. Top 5 coffee purchasing criteria.**



A total of 14 categories were devised for survey participants to choose from. These are the most common criteria to appear on the Top 5 considerations for roasters surveyed:

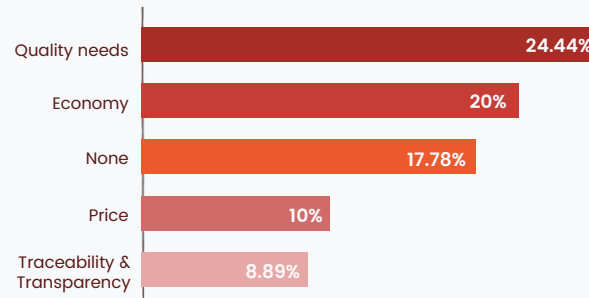
- Quality based on cupping score or grade: **97%** of roasters
- Suitable price range: **67%** of roasters
- Clean processing or flavour profiles: **59%** of roasters
- Traceability or transparency, which may include digital methods to verify claims about coffee's origin: **46%** of roasters
- Direct relationship with the producer or producer association behind the coffee: **45%** of roasters

While the preference for quality is hardly a surprise, it's interesting to note the importance of processing methods that yield a clean cup, a result that is backed by our interviews. We notice that price seems to have gained importance over the past year, perhaps due to the current economic scenario.

These results are also supported by the responses to another survey question. When asked about what roasters most want producers to understand about their business, **24%** listed an issue of quality, such as concerns about achieving consistent quality even with higher volumes, maintaining quality through the entire transportation process from farm to roaster, or keeping consistency between offer samples and landed samples.

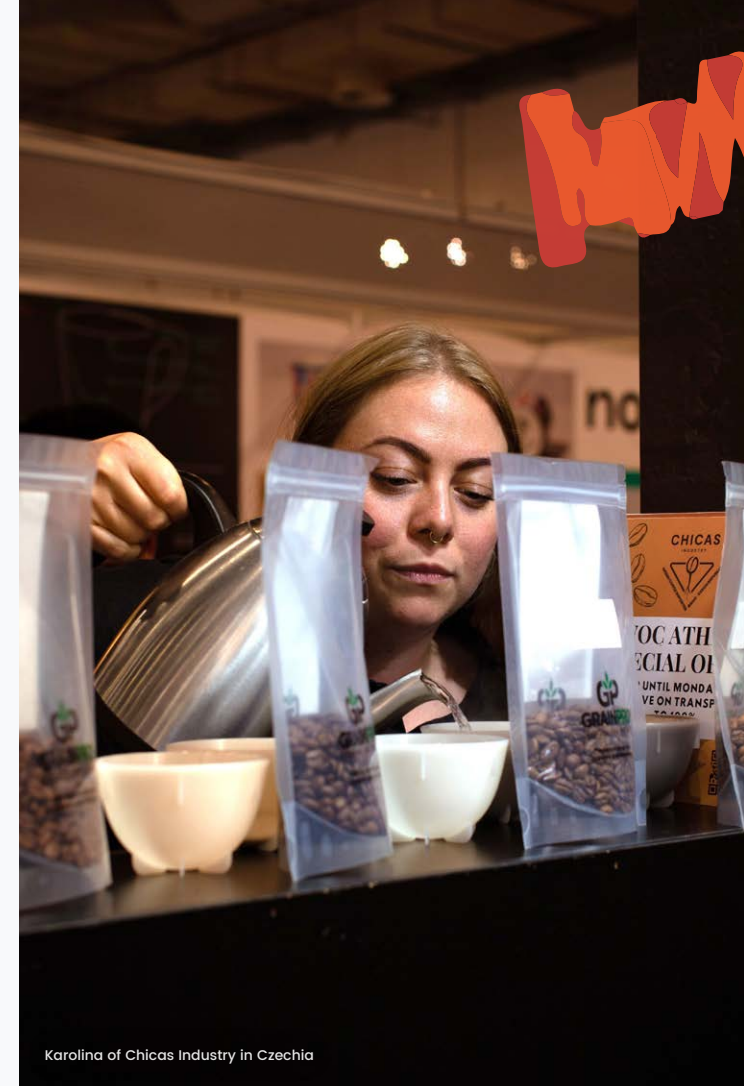
In the category of economic challenges, **20%** listed issues such as inflation, rising energy costs, high wages, and taxes, which lead to limitations based on roasters' financial challenges. In the category of prices (**18%**), roasters included comments such as struggling with the instability and fluctuation of the market and having the cash flow to store coffee for a long time (longer than three months, even).

● **Graph 26..** What challenge do you face as a buyer or roaster that you would like producers to understand about your business?

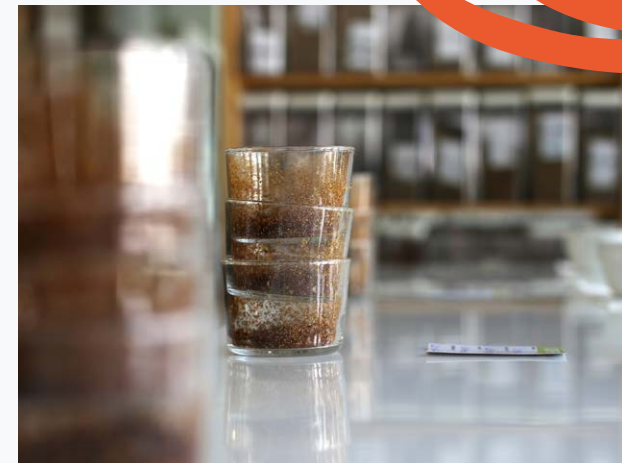


For both the USA and European markets, top trends from our research indicated that 2023 sourcing criteria are affected by several key issues:

1. Origin Preferences and Price Pressures
2. Coffee Species and Varieties
3. Coffee Fermentation: Changes in Buyer Preferences
4. Limitations on Product Development
5. Approaches to Transparency and Traceability
6. Demand for Storytelling and Origin Information



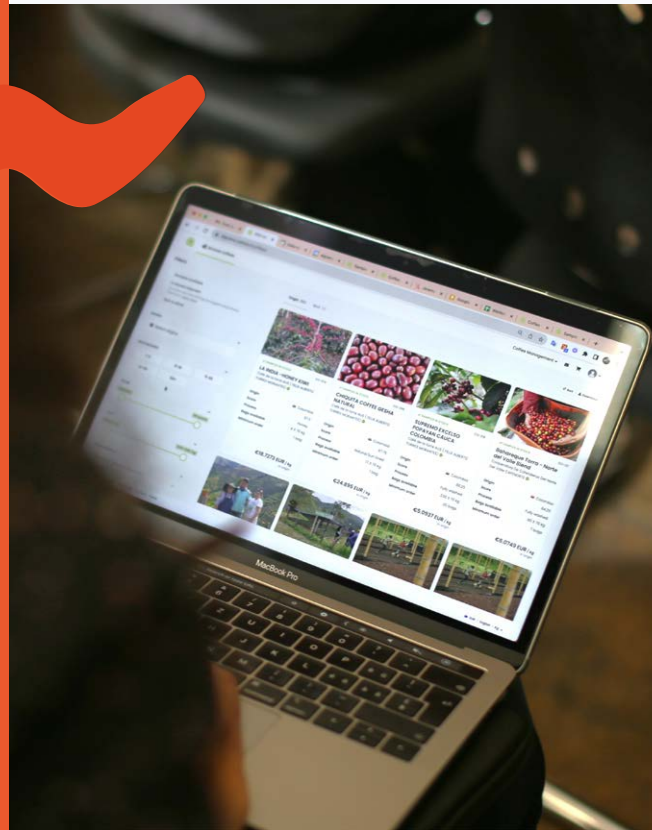
Karolina of Chicas Industry in Czechia



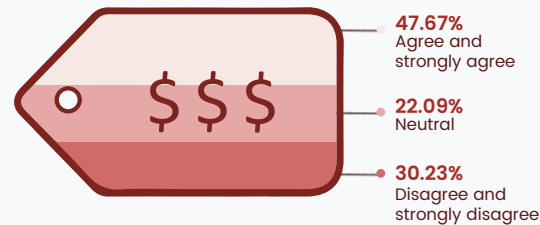
Origin Preferences and Price Pressures

In the first half of 2023, most of our survey participants have tried to address their current challenges and differentiate themselves from other roasters in many ways. It's reassuring to note that, though roasters are more price-sensitive and risk-averse (as stated by 61% of respondents; see graphs 4 and 5 on page 16), only 19% of them planned to change their top three origins.

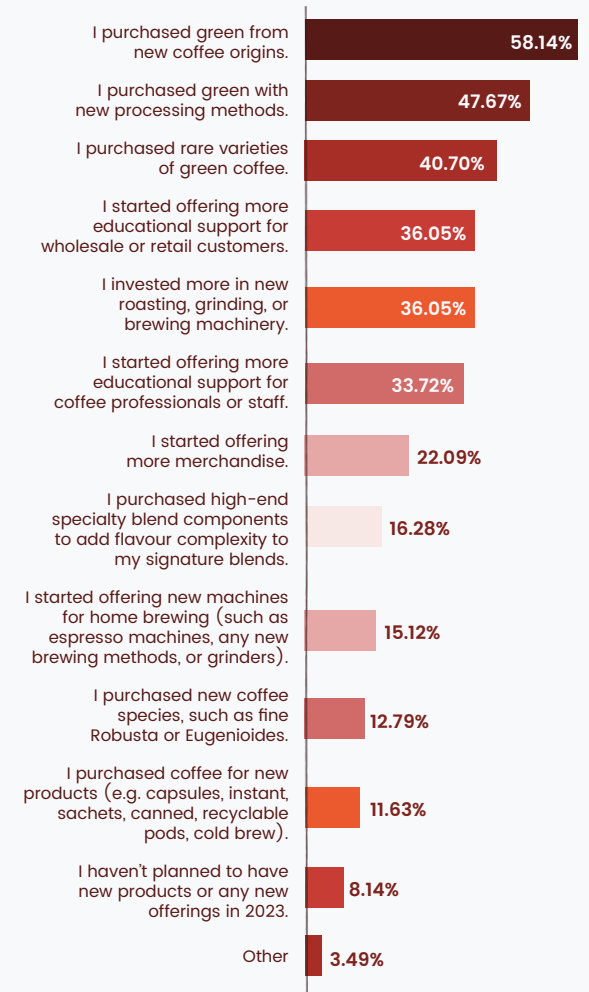
However, an astonishing 47% struggled to source coffee from countries where prices have gone up, such as Colombia and Ethiopia, and are looking for similar coffees from new origins to replace them. On top of that, 58% of roasters have purchased green coffee from new origins, either due to price or the desire to differentiate.



● **Graph 27.** Planning the purchase of coffee ahead of time has become more difficult due to green price increases / fluctuations.



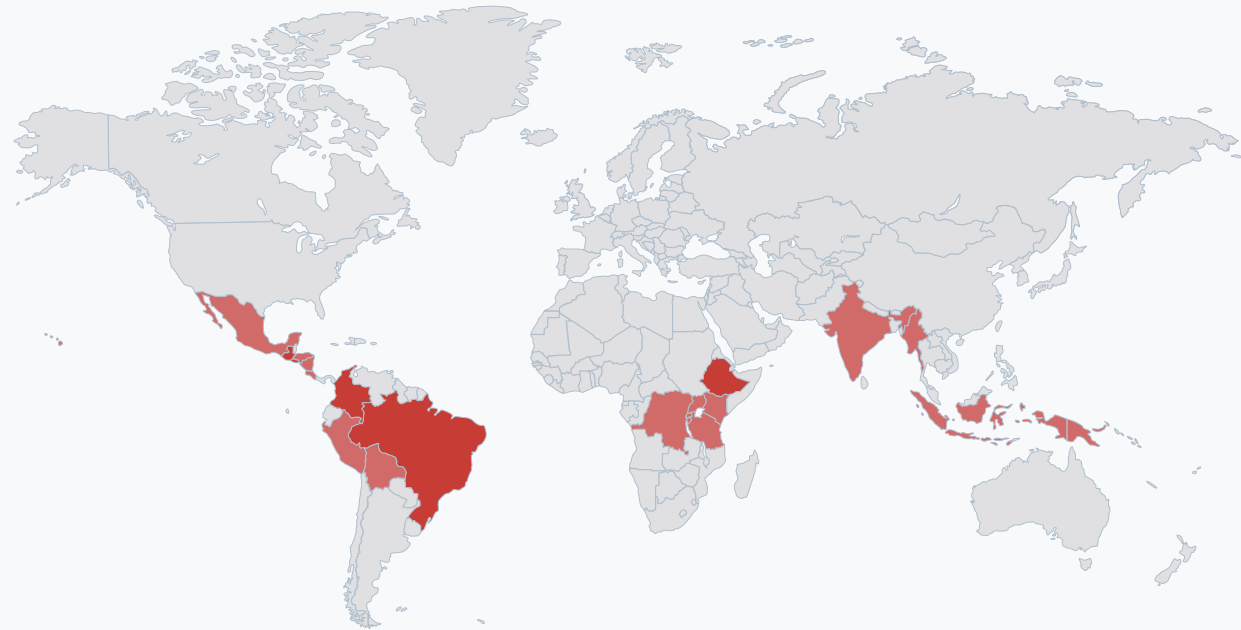
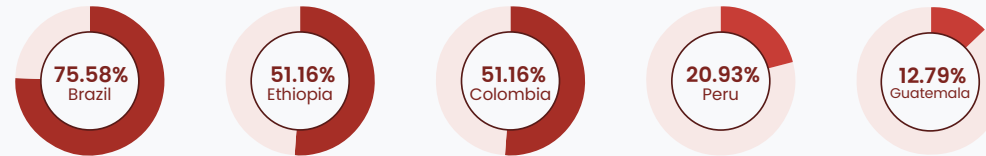
● **Graph 28.** Have you made any of the following new changes from the last 12 months?



As seen in previous years, Brazil continues to be one of the top three producing countries where roasters source from, chosen by **75%** of roasters. Ethiopia and Colombia come as joint seconds, selected by **51%** of roasters as one of their top three. Peru is also high on our table but with a significantly lower percentage (**21%**).

The survey listed **35** origins from which respondents were asked to rank their top three suppliers in volume. Of these, **22** were selected. Other than the countries already mentioned above, Guatemala, El Salvador, Honduras, and India were some countries ranked in the top three for more than **10%** of respondents.

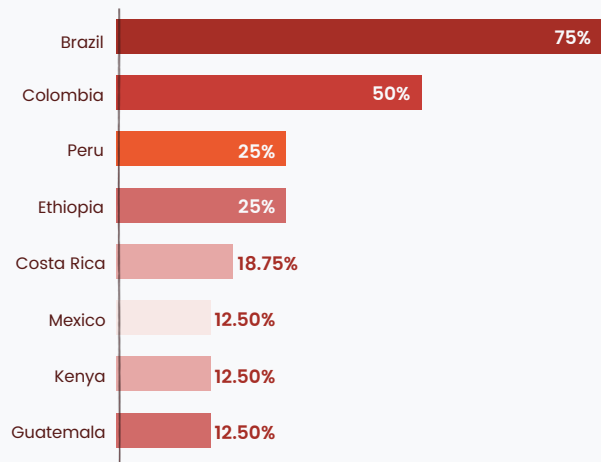
● **Graph 29.** Top 3 countries from where roasters sourced green coffee in the last 12 months, ranked in terms of volumes purchased.



11.63% El Salvador	10.47% India	10.47% Honduras	8.14% Kenya	8.14% Nicaragua	6.98% Rwanda
6.98% Costa Rica	5.81% Mexico	3.49% Bolivia	3.49% Uganda	2.33% Myanmar	2.33% Indonesia
2.33% Burundi	2.33% DRC	1.16% Hawaii	1.16% Papua New Guinea	1.16% Tanzania	

Survey respondents who knew they were going to change the composition of their top three origins were asked which producing countries they were prioritising. Brazil and Colombia are still favourites, followed by Peru and Ethiopia. But, given the low number of positive responses, we believe this to be less statistically relevant, and that the varied results speak of different sourcing strategies from individual companies.

● **Graph 30.** *New sourcing countries prioritised by roasters who state they are changing.*



Five out of the 11 companies interviewed named Ethiopia as one of their top three countries in 2023 for volume. Several of these buyers also indicated that a range of challenges will lead them to buy less Ethiopian coffee in the future – despite their desire to continue sourcing coffee from this origin.

Two roasters noted that, while their highest volume from Africa came from Ethiopia in the past, recent challenges with cooperatives (quality consistency and certifications) and exporters will lead them to buy less in the future.

A third interviewee brought up government regulations and the Ethiopian Exchange as reasons why sourcing from Ethiopia has become harder since 2021. This buyer mentioned that some Ethiopian producers have also had a challenging year. They're not happy with pricing, or timing, maybe even milling, and the coffee keeps moving to a different exporter."



In Europe, a fourth buyer expressed:

“To be honest, if Ethiopia didn't produce such outstanding coffee, I would probably never buy their coffee, because prices fluctuate so much, and it's always difficult with shipments, so the coffee is usually late.”

Coffee Species and Varieties

Coffea canephora comprises **40%** of the world's coffee (production volume) and presents more genetic diversity than Arabica.²⁵ It's commercially known as Robusta, though other regional terms are also used to describe it.

According to recent specialty coffee reports and developments in post-harvest, Robusta seems to be rising from its historic place as a low-grade commodity crop, often used in instant coffee or blends, to a unique Single Origin for some.

Our survey, however, shows that the debate around Robusta isn't yet reflected in the reality of most roasteries. A mere **2%** of roasters have bought *C. canephora* for the first time between 2022 and 2023. Only **6%** have increased their order volume and **4%** sourced more canephora for blends.

In addition, less than 13% of surveyed roasters purchased new coffee species, such as fine Robusta or Eugenioides in the 12 months we analysed (see graph 28 on page 30).

²⁵ Neuschwander, H. (2023) "The Rise of Robusta," *The Coffee Magazine*, R45, Winter 2023.

A different buyer in Europe also mentioned challenges with Ethiopia's pricing:

"Compared to the past, we used to buy four or five Washed and Natural lots a year. But this year, I can only afford to buy one lot. From what I understand, the government is pushing for producers to be paid more for cherry. But from my perspective as a buyer, the problem is that, in the last two seasons, the quality has gone down while the price has gone way up".

He noted that he now pays the same price for an 89-point coffee in Kenya as he pays for an 86-point Washed coffee in Ethiopia. This buyer plans to turn his attention to Kenya or Costa Rica.

This suggests that although roasters want to keep buying Ethiopian coffees and want to stay with the same producers based on relationships and quality, the price factors or realities on the ground may lead them to look for similar quality standards or coffees from neighbouring countries that fit their current sourcing needs.

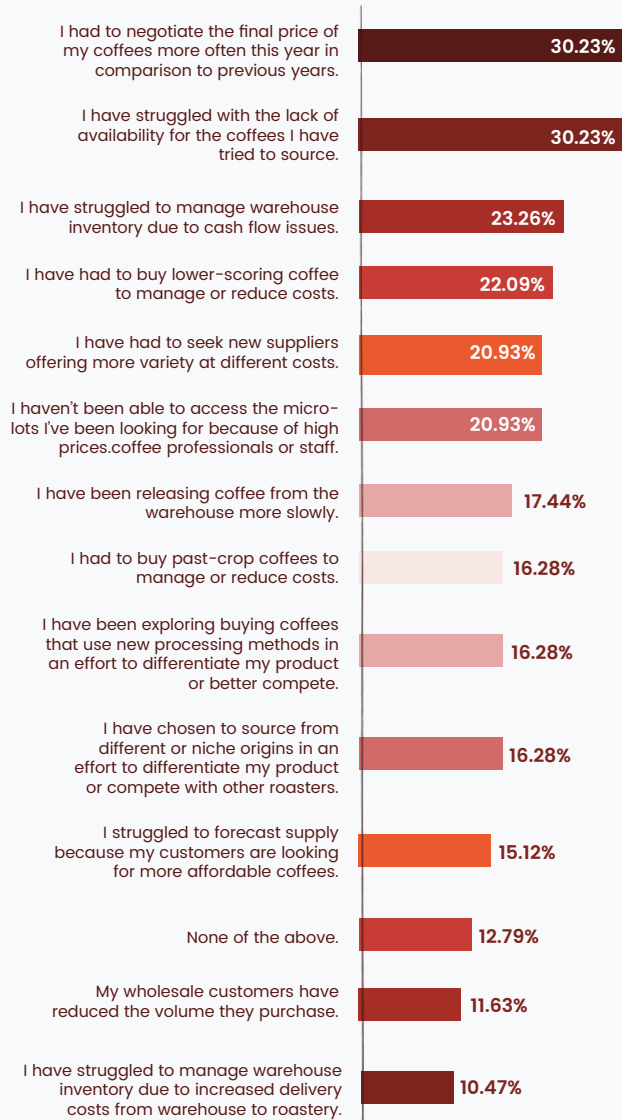
It's a sign that, despite the narrative around uniqueness in the specialty industry, differentiated coffees can also be interchangeable, much like commodities,

in the way quality standards are assessed by buyers today and when roasteries are pressured by economic struggle.

In this sense, it's important that the industry at large, and producers in particular, consider strategies to make their products less interchangeable in this challenging market situation and beyond.



● **Graph 31.** Have recent price fluctuations or any recent market trends affected any of the below as you make choices about the green coffee you have purchased in the last 12 months?



Among 11 interviewed buyers, one expressed enthusiasm for Robusta: Philipp Schallberger, Co-owner and Green Coffee Buyer at Kaffeemacher, a roastery and coffee school in Switzerland that sells coffee to the German-speaking markets of Switzerland, Germany, and Austria.

Philipp first started buying Single Origin Robusta five years ago, when the Fine Robusta protocol started to gain momentum. During COVID-19, when Kaffeemacher had to postpone all in-person educational courses, they invested in their YouTube channel, where they heard from community members that they wanted more Robusta. Kaffeemacher started running a course called “Robusta Lover” and hired a Q Robusta grader.

This roaster’s interest in Robusta extends beyond education or sensory potential: “If we don’t think about Robusta, then we exclude 40% of the world’s coffee producers. We see that Robusta will shape the future and we want our community to tune into this dance of what is good, what is bad. How it is about taste, yes, but also about agriculture?”.

Beyond coffee species, one interviewed buyer highlighted the importance of varieties for sourcing decisions. Dakota Graff at Onyx believes varieties to be as important as traceability:

“Knowing the name of the producer is a fairly new idea in terms of coffee. Knowing the variety, I think, is crucial in terms of expectations for price and flavour profile and how coffee is marketed.”

Our survey data also reflects an interest in varieties, with 41% of respondents saying they purchased “rare varieties” of green coffee over the last year.



Coffee Fermentation: Changes in Buyer Preferences

According to our survey, **47%** of roasters have purchased green coffee with “new” processing methods (see graph 28 on page 30). However, the survey shows that recent economic pressures are not a driver towards new processing methods and could lead to them becoming less attractive in the future.

One survey participant also expressed the wish that producers better understand the cup profile desired by consumers:

“Often, producers chase after improving new fermentation practices instead of improving classic methods like Washed, which are becoming incredibly hard to find in volume.”

Survey participant

Changing sourcing patterns in fermentation remains up for debate. For example, Dakota at Onyx anticipates that Natural and Washed Anaerobic lots will continue to be popular. In contrast, Scott Tedder of Bonanza Coffee Roasters has plans to buy fewer Anaerobic coffees. He first tasted this process years ago when visiting Costa Rica and has purchased a variety of lots since.

As he elaborates: “The exporter I work with in Costa Rica just sent me samples. All Honeys, Naturals, and Anaerobics. None of them were Washed coffees.” For Scott, this is a concern. He wants to have cleaner, Washed coffees on his menu but sees that some Costa Rican producers who “saw their friends and neighbours become really successful doing Anaerobic [processing]” are now focusing on this post-harvest method too.

But for this buyer, it’s clear that the demand for fermented coffees is changing. “I’m going to be buying less; demand for Anaerobic [coffees] in Berlin is less than [it was] two years ago.”

Marco De Rebotti, Co-founder and Green Coffee Buyer at Three Marks Coffee



Fermentation barrel at Sicafe's wet-mill in El Salvador

Roasters in Barcelona, Spain, agrees. “A lot of coffee professionals don’t like Anaerobic coffees. It’s not something for every day. The same applies to infusions. The first time you taste it, you go crazy. There is a wow factor.”

Marco has sourced several experimental lots from Colombia, but he only sees continued demand for one. For this reason, he plans to reduce his purchasing of Anaerobic processed coffee in the future.

Limitations to Product Development

Industry reports and publications constantly signal the growth of new products, such as Ready-to-Drink (especially in the USA) and instant. According to the Brazilian Soluble Coffee Industry Association, “Instant coffee accounts for 25% of coffee consumed in the world and its consumption is growing over 2% per year.”²⁶

Our survey, however, shows that independent specialty roasters are somewhat hesitant when it comes to embracing new products. Roasters’ resistance comes from the current state of the technology behind such innovations; either due to difficulties in reaching the necessary scale or finding sustainable packaging solutions.

Less than 13% of survey respondents said they have been sourcing new coffees for different products such as capsules and/or instant coffee production in the 12 months we analysed (see graph 23 on page 25).

Our interviews suggest that this might not be the right time for products that require large initial investments and a long development period. But green buyers also signal an interest in product diversification in the future.

²⁶ White Paper: “The total volume consumed today is equivalent to one million bags of green coffee per year.” Brazilian Soluble Coffee Industry Association (ABICS) (2022) “Quality Assessment of Instant Coffee: A Sensory Science Development.” Published in Sao Paulo, Brazil.





Veronika Kečkěšová at Algrano's quality lab

Equator Coffees in California has been in the instant coffee segment for years and sees increasing demand in this area. After almost two years of preparation, they have recently launched their first-ever compostable capsules for espresso with five offerings available: decaf, Fairtrade/Organic Mocha Java, Fairtrade/Organic espresso blend, and Fairtrade/Organic French roast.

While motivated by customer demand, Ted Stachura, Equator's Green Coffee Buyer, confirmed that they wouldn't have done it if they hadn't found the right packaging. "We resisted capsules for many years, but then we found fully commercially compostable material. It's not aluminium like the original Nespresso capsules."

Others like Bonanza plan to offer capsules in the future but aren't ready to launch this year. For now, they're offering a darker roast. According to Scott, this wouldn't even be considered specialty coffee in the past.

“ We kept getting requests for a dark roast. So, in 2022, as a test, we introduced one, and it ended up being successful. Some people might say we're destroying the coffee, but I think we can also support a different type of coffee to meet demand. The dark roast isn't even eating into our other sales. It's just what some people enjoy, and it sells really well.”

**Scott Tedder,
Bonanza Coffee Roasters**



Approaches to Transparency and Traceability

For us, one of the most positive trends in the coffee industry is the move from a basic interpretation of transparency and traceability towards a more complex view of the value chain, including dialogue and mutual understanding between producers and roasters.

Our understanding of the changing perceptions around traceability and direct trade practices comes largely from interviews but our survey points to growing consumer demand for information about the coffee's origin.

More than **46%** of surveyed roasters increased their focus on sustainable or ethical practices based on consumer demand and **47%** increased their investments in direct trade practices or in promoting how they source coffee in the last year (see graph 23 on page 25).



At the same time, consumer demand for coffees that fall into the category of “ethical, sustainable or transparent” are drivers for the sourcing decisions of **50%** of surveyed roasters.

“Direct trade is a loaded phrase,” states Amaris of Joe Coffee. She understands direct trade as a relationship with a producer that is “not just a one-way street”, but one where information flows both ways in the value chain.

As she puts it:

“If we are able to have conversations with people in our supply streams, that is a form of direct trade. It means that multiple people are talking together, not just one person decides on price or volume, and not just one person is focused on what only they need. It means that more people are coming together to determine the value and outcome of that contract and so then there is more potential to get traceability going in multiple directions.”

Evidence of a stronger emphasis on communication and a deeper understanding of the value chain can be found in roasters' increased provision of some form of sustainability, transparency or impact reporting (43%; ssee graph 23 on page 25). The growing popularity of reporting is fueled both by consumer demand for transparency as well as specialty coffee's desire to further promote direct trade practices.

Of our survey respondents, **45%** inquired more deeply into the transparency or traceability of their coffees, based on consumer questions or demand (see graph 23 on page 25).

All buyers interviewed were asked to discuss their perceptions of transparency and traceability. Their answers show a nuanced understanding, which can be difficult to capture in a single statement but point to a direction of dialogue and openness to more communication.

Jonas Hult at Johan & Nyström in Sweden thinks about transparency as "Openness. I think transparency needs to go both ways. To talk frankly and openly about the challenges we are facing. Perhaps why we cannot buy the amount we want to, why we need to change the percentage of the container, because of problems we are facing".

For Dakota at Onyx in Arkansas, "We do a lot of work on transparency. We publish as much pricing as we can on everything we pay for, including transportation and packaging and it's all documented. This may be helpful in terms of what we pay, but not necessarily helpful on the cost of production."

For Amaris at Joe Coffee Company in New York, transparency is about collaboration.

“ We have four sourcing values, and one is collaboration. We think that's the only way transparency will be useful. Collaboration is when you can have back and forth conversation about things like quality, and if we are using the right vocabulary to give each other information.”

Amaris Gutierrez-Ray,
Joe Coffee Company





Liliana Caballero Rojas at Hacienda Casablanca, Colombia

Demand for Storytelling and Origin Information

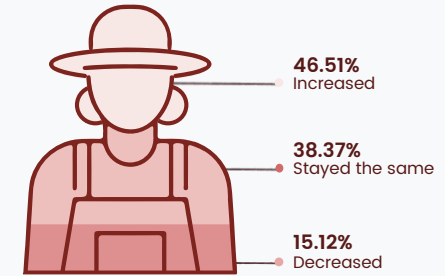
Many roasters are in the process of increasing the depth or breadth of the storytelling on their website or coffee packaging (**41%**). According to our survey, customers are asking for more stories or details about producers or coffee origin (**45%**; see graph 33).

This type of information fits roasters' wider focus on education. In the last 12 months, **49%** of roasters have increased educational offerings in the form of courses or cuppings for their staff or fellow coffee professionals. In addition, many are increasing their educational offerings for consumers and the general public (**45%**).

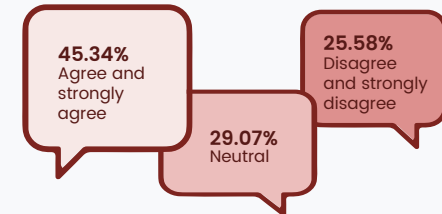
Roasters also reported more interest from consumers in more creative or detailed stories from producers (**46%**).

Regardless of demand, producer information or storytelling is increasingly important to roasters themselves. In the most unanimous finding of our survey, **80%** of roasters stated that producer stories are important as they try to create awareness about coffee farming among their consumers, regardless of demand.

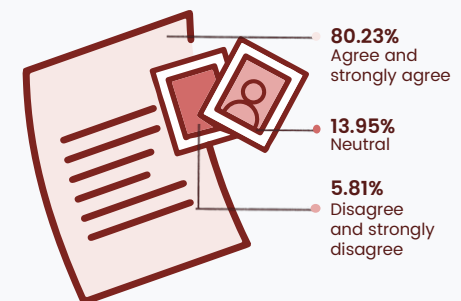
● **Graph 32.** Consumer interest in more creative or detailed stories from producers in the last 12 months.



● **Graph 33.** My customers ask more details or stories about producers or origins where I source my coffee.



● **Graph 34.** Regardless of demand, producer stories are important as I try to create awareness about coffee farming among consumers.



How producer stories are told and who tells them is also a growing topic of debate among roasters and buyers. Matthew Orchard of PLOT in the UK noted that he's mindful "of telling stories the way producers want to be perceived."

In France, the concept of terroir and storytelling are linked, as explained by Alice of Coutume: "Each coffee is a kind of travel, a connection to some other world. And coffees are so different! Something strong in Coutume is the reflection of a terroir, which is fundamental for us as French people. People talk about terroir with a focus on soil, but it is also about culture and the place where the coffee comes from. For me, the roots are in the history of a people, of a territory."

In Kona, Hawai'i, Malia Bolton Hind confirmed the importance of using online platforms to share the story of Kona Coffee and Tea: "Customers want connection and transparency, so they can see the impact coffee has on the grower side."

Through her work managing a farm and café, Malia has first-hand experience with the importance of transparency. "We take it to the consumer directly and be transparent about where it's grown, how it's processed, and how that becomes a beverage at our café. It gives the consumer confidence that they are supporting ethical farms and workers."

Among USA roasters, coffee has long been used as a strategy to increase awareness of human rights or community challenges. Colectivo Coffee Roasters, a Wisconsin-based company with more than 700 employees, a roastery, and 20 cafés, is an example of this.

The company has a history of creating special blends to raise money for community causes. These have included pre-COVID fundraiser-coffees and events for the Wisconsin Hunger Task Force, or America's Black Holocaust Museum, located near the roastery.

After COVID, Colectivo streamlined its special offerings but decided to keep the community blends. One such coffee is the "Pride Blend," now in its third year as a Single Origin, which is sold during Pride Month in June with profits donated to a local LGBTQ organization.

As Al Liu, Colectivo's Vice President of Coffee, explained: "This year, we wanted a Single Origin to link with another goal: to connect our customers with origin countries that have legalized same-sex marriage, like Mexico, Brazil, Colombia, and Costa Rica. We chose a Single Origin Colombia this year, as one way for us to highlight this issue."



L Nascentes project for female producers in Santo Antonio do Ampara, Brazil, created by Sancoffee

● Chapter 5: A New Understanding of Relationships in Coffee

Zjevaun Janga of Ripsnorter (left) and Valentin Kimenyi of Gasharu Coffee



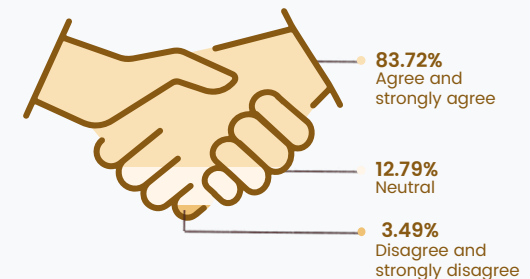
Just as roasters' understanding of transparency and traceability is becoming more nuanced, the specialty coffee industry is deepening its views on the value chain and the many actors that play a role in it.

As in life, so it is in coffee: relationships are not all made equal. Philipp Schallberger of Kaffeemacher questions himself about the types of relationships producers want. He says that having direct contact with producers doesn't always lead to a long-term partnership.

"It goes both ways, like love or friendship. It can end. That's okay, too. We all have ideas of what we like and don't like, so this also comes to the sustainability of the relationship, and what this relationship is or is not."

From our survey data, **84%** of roasters agree that long-term direct relationships with farmers and associations are essential to the long-term viability of their business. They also largely agree (**81%**) that relationships with importers are essential. Though importers have always been closer to roasters, our data shows that there is space for producers to become more vocal on the buyer side of the value chain.

- **Graph 35.** Long-term direct relationships with farmers or associations are essential to the long-term viability of my business.



As Al Liu of Colectivo Coffee Roasters shared: “My focus has been on connectivity and coffee, which comes from so many different cultures and countries around the world to our consumers.

“Most people in specialty now focus on origin, having a strong supply chain, and knowing who your producers are. Working with the same producers year after year is good business on a professional level and sometimes you become friends on a personal level.”

Al Liu,
Colectivo Coffee Roasters

If in the past people in the middle of the supply chain were considered “villains”, who manipulated producers to profit from their hard-earned income, we are now coming to a more nuanced understanding of the essential role that importers and exporters play – even in direct trade.

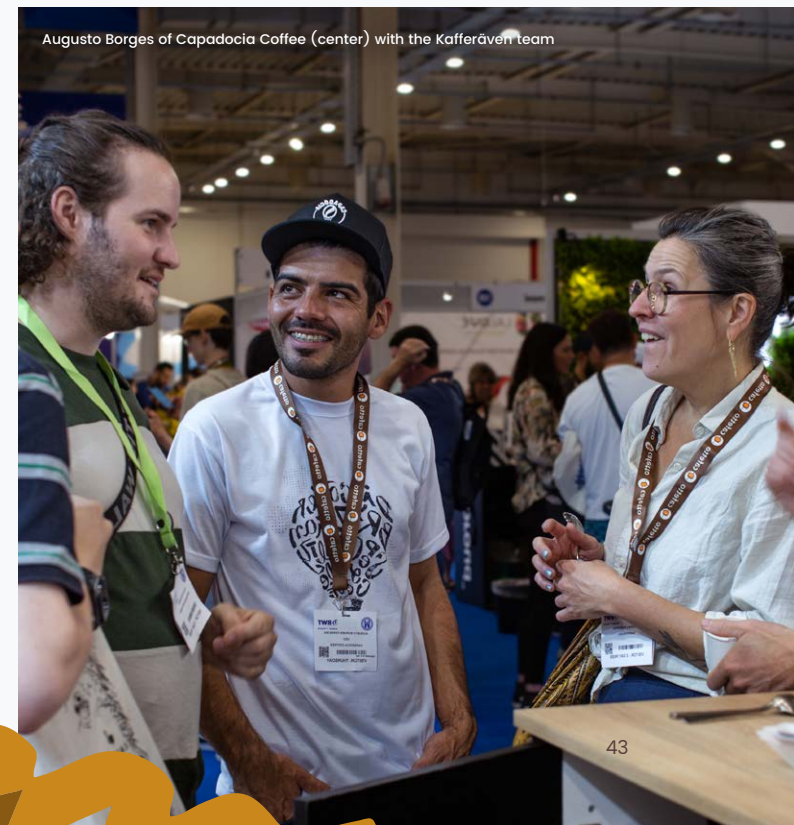
As Alice Juguet from Coutume observes, “I can more easily manage the risk when I buy coffee through an importer, who can also be reliable for the quality of coffee and the management of payments.” Having been approached by producers who don’t have export licenses, Alice stresses the need for cooperation between smaller farmers and local exporters.

Amaris at Joe Coffee Company has also been approached by producers asking her to buy their coffee directly, with payment upfront. As this may be a perception of direct trade to some producers, Amaris has used those occasions to explain that relationship coffees still need to be financed for Joe’s business model. “We need more honesty about business needs on both sides to have value-based conversations with people in your supply chain.”

Speaking from Sweden, Jonas Hult of Johan & Nyström explains that having

relationships means making sure that “everyone in that value chain is treated as equal as possible, and also that we have the best relationship that we can have with each party involved”.

He continues: “We move several containers a year, and we need help. It’s too much work. It’s too complicated. We [also] want the importer to have really good relationships with producers, because they’re talking about a bill of lading or financial transactions and more.



Augusto Borges of Capadocia Coffee (center) with the Kafferäven team

“ We want the whole value chain to be appreciated and as integrated and as direct as it possibly can be.”

Jonas Hult,
Johan & Nyström

Eli Blaich of Algrano (left) and Irene Villavicencio of MAV Coffee



To make relationships stronger throughout the value chain, roasters expressed a wish for more open and free communication from producers. Al of Colectivo says he wants “more transparency” from his partners at origin. When explaining his desire, he didn’t talk about adding a burden of data collection or coffee information. Instead, he wants open dialogue.

“I would ask producers to consider, at least with long-term buyers whom they know, not to be afraid to share when something negative is happening, especially if it’s something out of their control.”

Al believes that “if we’re really business partners, then tell us what’s really going on. Don’t just tell us what you think we want to hear. Don’t sugarcoat. I understand this is cultural too. But I think if we’ve been working together for all these years, let’s have an open conversation so we can both plan together”.

Roasters interviewed indicated their reliance upon importers as a necessary part of a complex global chain, playing a role in managing risk and providing finance.

One difference now is that many roasters no longer rely on importers to discover coffee like they once did. Relationships with producers have become equally important and their role is now broader.

Though importers facilitate transactions, Jonas shares the positive outcomes of having producers as equal partners. “The producers we work with have not been afraid to ask us for help if they need it. During the pandemic, we financed some producers, which is not something we normally do. Some asked us for a letter of intent, so they could get credit from the bank. For me, a real sign that our relationship is working is that they can ask, and we do what we can to help when they need it. We can have an honest conversation.”

A better understanding of the exporting and importing process among the more experienced roasters in the specialty industry is being built over time thanks to more direct relationships with producers. However, it’s important to note that the burden of finding pathways to international markets still falls largely on producers.

If roasters want to collaborate with smaller farmers, cooperatives, and those with less experience in exporting, it’s essential that roasters help to build these pathways through their importing channels.

● Chapter 6: Sustainability Concerns, Certifications and Deforestation

The coffee industry lacks any global consensus about what we all mean when we talk about sustainability. But the classic “Brundtland definition” of Sustainable Development as that which meets “the needs of the present without compromising the ability of future generations to meet their own needs”²⁷ provides some guidance to the key themes of sustainability: that we simultaneously consider both our needs and those of future generations.

From our survey respondents, consumer interest in sustainability is a key driver in both sourcing decisions and investment in consumer education.

This is demonstrated by a few of our survey results, where more than half of respondents agree that consumer demand for ethical, sustainable, or transparent coffee drives their purchasing decisions (51%, see graph 24 on page 25).

Considering that there are three pillars of sustainability – economic, environmental, and social – we see roasters expressing awareness and concerns on all fronts.

In the economic arena, Alice Juguet of Coutume believes there is a “real wish to change the way coffee is traded and produced so it can be more economically sustainable both for Europe and for producers, so we can all keep having coffee”.

For Al Liu of Colectivo Coffee Roasters, the main concerns are around the negative effects of climate change: “Harvests starting earlier or later, rains being irregular, too much, too little, or not at predictable times for farmers. This whole summer I keep hoping, ‘Please Brazil, don’t have a frost,’ because of the way that would affect both Brazil and the rest of the coffee world”.

On the social front, Marco De Rebotti of Three Marks Coffee says he understands sustainability to be “about people, how to treat people in the right way. This means everyone: between us and our café,



Alex, Q Grader at Moali Lab, hired by Fundo San Crispin in Peru

²⁷ World Commission on Environment and Development (1987) “Our Common Future” Report. sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf



Chacra Don Dago in Peru (Photo by Rookie in the bar)

between us and producers, between us and importers, between us and our customers”.

While Marco struggles to find bags that don't come from China, Scott Tedder of Bonanza Coffee Roasters has successfully eliminated single-use bags in the newest of their four cafés in Berlin. The roastery is now selling coffee in refillable airtight containers.

“Now in the AirScape silos, we have a controlled environment for the roasted coffee, with a special piston made. The silo is behind the till, and we price the coffee based on grams, so customers bring their own jar or bag, and can get as much or as little as they wish,” says Scott.

But packaging may be inconsequential to producers. Roasters expressed a wish to become more involved in social or economic sustainability projects but they don't know how. Some are also unsure of how to finance this type of project, as well as their time and travel costs to producing countries.

Those roasters who have closer partnerships with producers are the ones who have more opportunities to support projects at origin, including initiatives of local companies. Earlier in 2023, Matthew Orchard of PLOT Roasting flew to Kenya and offered courses

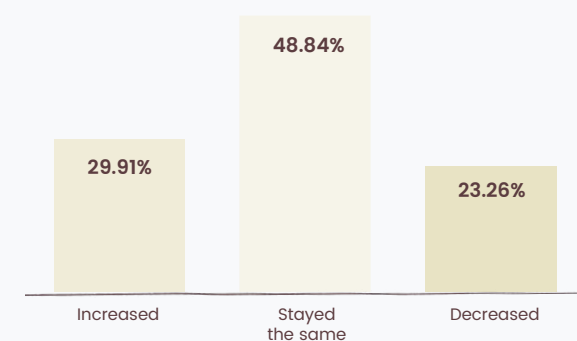
on brewing, green coffee, and sensory to young baristas working at café in Kenya.

“The goal of the café and my training with them was to upscale young people and give them better chances at employment. As a smaller company ourselves, it's hard to get access to social sustainability projects, but I would like to do more”, says Matthew.

Certifications

Despite consumers' growing interest in origin information and sustainable coffees, demand for certified coffees among specialty roasters doesn't seem to present a strong trend towards either direction. In 2023, a similar number of roasters increased their certified volumes as the number of those who reduced them. Most roasters (49%) continued to source the same amounts.

- **Graph 36.** The total volume of certified green coffees purchased in the last 12 months.



Ted Stachura of Equator Coffees in California shared his belief that this is largely due to a lack of understanding from consumers. “Compared to Organic, I still think Fair Trade is less understood by our consumers as a whole. Any roaster in the world can say they’re part of ‘direct trade’, paying higher prices. But in Fair Trade there are rules, and consumers don’t always understand this difference and why it matters.”

At Kaffeemacher, Philipp sources many coffees that are certified as either Organic or Biodynamic but “we don’t necessarily label them as such.” Recently, the roaster has sponsored producers’ transition to organic farming by paying **75%** of the final organic price premium for their yet-to-be-certified coffees.

Time is one of the big challenges when it comes to certifications. Joe Coffee Company in New York sources a large volume of Rainforest Alliance coffees. But as Amaris explains, auditing and reporting take her a long time. “And it’s also a lot of time for producers. In that case, you’re not paying yourself an hourly wage. Your time is your most valuable resource.”

In California, Equator Coffees has long-standing relationships with Fair Trade USA and Organic coffee producers, which comprise about 55–60% of their volume. Though “Fair Trade is not a panacea”, Ted believes that “in a down market, when coffee price drops, the higher minimum floor price is a massive benefit for producers.”

Equator pays producers more than the Fair Trade minimum price “because of our high expectations for quality, which means that our samples need to match a certain cup score”.

Fair Trade also offers a social premium, which AI of Colectivo sees as very beneficial for many producers.

As AI reflects, “I’ve seen this in other places too. I go visit one year, then return the next, and something new is there, all because of that social premium.”

But certifications are adapting, too. Recently, UTZ and Rainforest Alliance completed the alignment of their programs as part of the merger process that started in 2017. In 2023, Fairtrade International announced an increase in its minimum price, effective as of 1 August 2023.

“My longest relationship with a producer is with a Fair Trade cooperative in Chiapas. When I visited Mexico in 2001, I saw things were one way. And now when I visited earlier this year, I can see a vast difference in the things they’ve done with their social premium.”

AI Liu,
Colectivo Coffee Roasters



Deforestation

This year there has been a lot of speculation about the ways that new deforestation regulations, such as the European Green Deal to be implemented in January 2025, might place a greater burden on coffee producers.

The European Commission, the European Council and the European Parliament have taken forest conservation a step further with the adoption of a ban on products linked to deforestation. The European Union Deforestation-Free Products Regulation (EUDR) seeks to reduce the footprint of EU consumers and is a pledge to stop deforestation and land degradation.

Since the announcement, Coutume in France has joined the Alliance for Forest Preservation.²⁹ For Alice, “the main issue will be the need to be able to show where exactly the coffee comes from. It really affects the meaning of traceability, because the new law will give the capacity to the administrative authorities to check that this coffee is not responsible for deforestation”.

The announcement hasn't impacted buyers who source their coffees under the Fair Trade USA system, as the organisation is independent of Fairtrade International (FT USA has been conducting a stakeholder consultation about the premium increase). Neither Equator nor Colectivo Coffee Roasters expressed plans to reduce their Fair Trade USA volumes.

For buyers certified under Fairtrade International, the new minimum price for Arabica is now at US\$1.80/lb, an increase of 40 cents of dollar over the previous price of US\$1.40/lb. For Natural Robusta, the price increased by 19 cents to US\$1.20/lb.

The premium for Fairtrade Organic coffee has also increased from 30 to 40 cents per pound. According to Fairtrade International, the goal of this price increase is to “provide farmers with significant price risk management support in times of wild market fluctuation and adapt to their needs as they face inflation in their home countries and substantial additional costs due to climate change adaption.”²⁸

²⁸ <https://www.fairtrade.net/news/fairtrade-increases-coffee-minimum-price-as-farmers-face-mounting-economic-and-climate-pressures>

²⁹ <https://alliance-preservation-forets.org/en/>

Stakeholders will have between 18 and 24 months to implement the law, but this will likely present bigger challenges to coffee producers without systems in place that allow them to collect, store, and share data.

As a result, the regulation “can potentially have significant social and economic benefits for communities whose livelihoods depend on forest ecosystems, it presents challenges for companies of all sizes, in particular when it comes to addressing the new requirements regarding data collection”.³⁰

The new law may hold particular challenges for smallholder farmers. Digital tools will be necessary to ensure compliance through geographic information and traceability. With a higher demand for transparency, there are concerns that producers will be put under pressure to collect data, spending more time and money in the process.

While we didn’t address the new deforestation law in our survey, several of the roasters we interviewed expressed concern for the livelihoods of coffee producers whom they have been working with.

Marco from Three Marks Coffee is “definitely worried” about the survival of producers who depend on coffee. “We are scared because we don’t know what’s going to happen and we are worried about producers because they are still struggling and getting bad salaries. How can we adjust this? My personal fear is that it’s already hard enough to live as a coffee farmer. How many more will leave coffee because of this law?”

“Even if we are willing to, I’m not sure if we are going to be able to import some coffee anymore. It means our producer partners will need to become more aware of this regulation and willing to share this information. It also means they will need to invest in some traceability tools, another cultural shock that may break up some relationships.”

Alice Juguet,
Coutume

With all the challenges faced by roasteries, the lack of information available is keeping most companies from being proactive in this matter. Jonas of Johan & Nyström isn’t “sure yet how to approach it, because the information so far has been scarce.”

When asked who will bear the burden of responsibility, he replied: “I don’t know, but I’m hoping that it will be more on us, because producers have enough to think about”.



Alessandro Hervaz at his organic plot in São Gonçalo do Sapucaí, Brazil

³⁰ <https://www.digitalcoffeeofuture.com/magazine/en/seven-deforestation-monitoring-tools-that-can-support-compliance-with-the-eudr>

● Chapter 7: Conclusion and Final Considerations

Washed processing at Gasharu Coffee in Rwanda



1. Adjusting the Specialty Quality Paradigm

When we think about trends in specialty coffee in 2023, new products such as capsules or instant coffee may come to mind first. Or maybe we think about experiments in post-harvesting or continued research in climate-smart varieties.

These have not been areas of focus for the roasters we surveyed and interviewed for this report. More roasters are including producers in their cuppings and events than purchasing green coffee for new products (see graph 23 on page 25).

Yet, there are relevant shifts in sourcing behaviour, transparency, and sustainability that coffee producers and the industry should be aware of as we move forward in the coming years.

As we've seen in chapter three, demand for specialty coffee continued to rise in 2023 in spite of, or perhaps supported by, the challenges with COVID-19 restrictions. There is a shift in the quality behind this growth as consumers, and roasters by extension, seek

coffees that are more accessible in taste and price to cope with higher costs of living and cater to a broader consumer base.

While quality remains a top sourcing criterion for virtually all roasters who participated in our survey, the current economy has made 61% of them more risk-averse and 62% more uncertain, finding it harder to forecast than before. Now, rising overheads and limited cash flow seem to hold back roasters' appetite for ever-rising quality standards and the prices they command.

As anxiety about the future continues to grow, changes in consumer habits, fuelled by pandemic years, created a new customer base for many specialty roasters. Half of them have seen more demand from consumers who are new to the universe of high-quality coffee (see graph 8 on page 17).

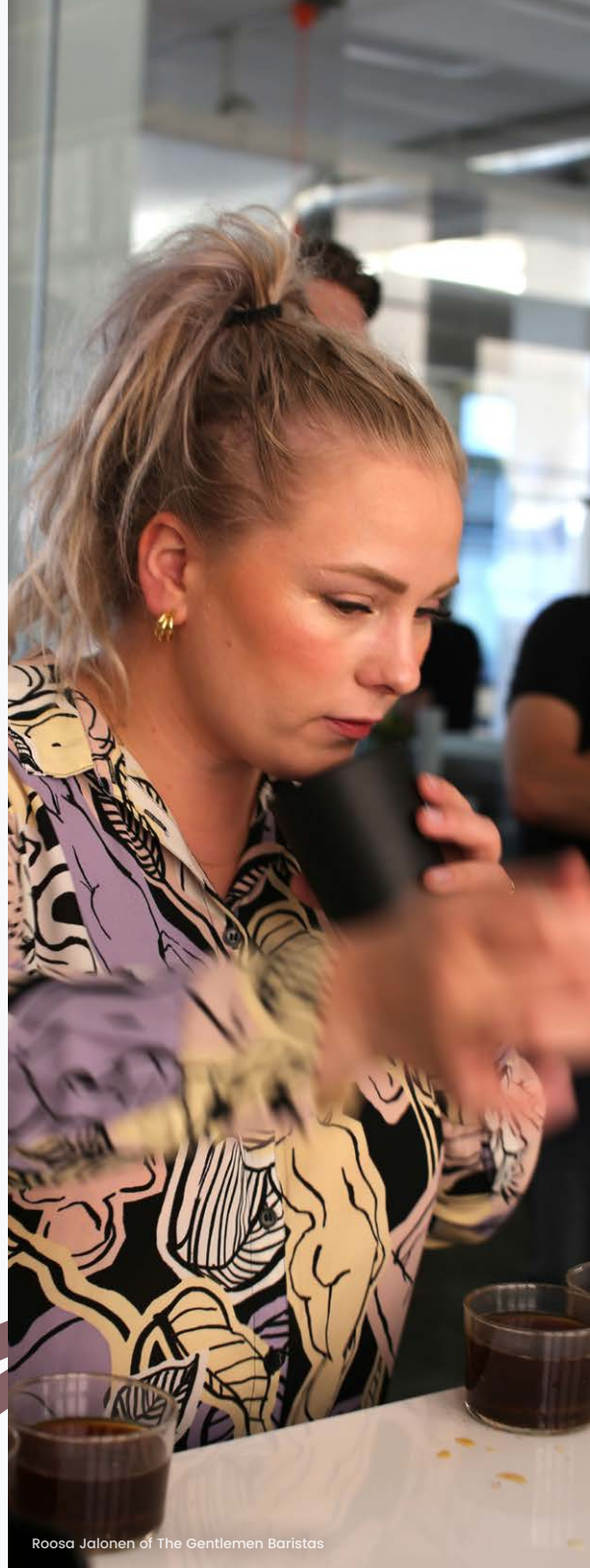
To tap into this market, roasters are looking to expand beyond their usual points of sale, which, for the last few decades, has been

focused on the coffee shop. In 2023, many are pursuing ways to enter grocery stores for the first time or to expand their online presence as more people are brewing and consuming coffee at home.

Other roasters are adopting darker roast profiles to cater to demand or finding creative solutions to consolidate their single-origin menus.

The implications for producers are many, as this report's data confirms a continued preference for certain origins and dampening excitement around experimental processing methods.

Scott Tedder of Bonanza Coffee Roasters suggested one way this approach might look in the future, as the demand paradigm adjusts. "One lady we work with in Brazil said she planned to stop all production of her anaerobic coffee. She told me that it wasn't worth the risk. But I asked her, 'Wait! We really like it; can we have 200 bags?' And she said 'For you, okay. I'll do it if you commit to the whole lot.' We agreed and bought it all. But I wouldn't advise anyone to produce 200 bags, put it on a spot list, and just hope someone will buy it."



Roosa Jalonen of The Gentlemen Baristas

2. Riding the Fourth Wave

The combined effect of current global challenges seems to have led to fatigue, and a feeling of slow burn among roasters and green buyers. As revealed through the interviews, both in the USA and Europe, there remains a prolonged state of a kind of survival mode, rather than a burgeoning expansion that some predicted after COVID-19 lockdowns ended.

Given that specialty coffee continues to represent a smaller segment of coffee consumption, we see a shift in perspective: less focus on targeting elite coffee drinkers and more focus on expansion to the general public.

In the latest edition of *The Coffee Guide*, the International Trade Centre (ITC) proposed that fourth-wave coffee is marked by the scaling up of specialty coffee through the adoption of commercial approaches.³¹

In this sense, the fourth wave blends the best of the second wave and the third wave. When it comes to quality, these approaches can meet in the middle—with less focus on specialty coffee for the elite and instead considering new ways to widen the joys of high quality coffee for the general public.

³¹ International Trade Centre (2021). *The Coffee Guide*, 4th edition. Eds. M. Bozzola, S. Charles, T. Ferretti, E. Gerakari, H. Manson, N. Rosser, P. von der Goltz. ITC, Geneva, Switzerland, page 15.

While our survey didn't set out to verify a fourth wave and none of our participants named it, there are signs that ongoing challenges of the current global economy could be accelerating the consolidation of a new wave, with specialty roasters embracing some commercial strategies towards wider distribution and approachable products.

This is evident in ways that specialty roasters are adopting simplified menus and more affordable coffees to support the demand for differentiated coffees in the current economy.

For now, a focus on consumers who are new to specialty doesn't seem to have reduced the demand for coffees on the higher end of the quality spectrum, since many roasters continue to source rare varieties and micro-lots that are processed in novel ways.

While it seems that unique coffees will continue to have plenty of space for aficionados, it also seems funky lots will not be driving popular growth in demand in the near future.

Reaching wider audiences doesn't have to compromise specialty coffee's key values of high quality, transparency, storytelling,

and sustainability. After all, if we apply "a second-wave commercial approach to third-wave sustainability concepts," we may increase coffee's social and economic impact – as the ITC report recommends. "Ultimately, selling more coffee at a fair price benefits the coffee supply chain – and especially producers – far more than selling small amounts at a high price."³²

In this sense, riding the fourth wave may increase benefits for producers and their communities, as well as the environment.



3. Origin Interchangeability: Questions for the Specialty Industry

The interchangeability of coffees and origins based on quality and price is perhaps the greatest contradiction to roasters' claims around sustainable sourcing seen in this report. A paradox between the desire for more accessible prices and sustainability was implied in many of the interviews with research participants.

This poses a risk of further accentuating the concentration of production in the coffee belt. Roasters already favour Brazil, Colombia, and Ethiopia for their sourcing. These are among the largest coffee-producing countries in the world and have been for many years.

The report shows that roasters may be changing the countries they choose to buy from in the pursuit of high quality at affordable prices. This is a key motivator for specialty roasters and perpetuates the dominance of origins that produce at large scale.

³² Ibid.

If we are indeed seeing a move toward more approachable coffees in specialty markets, with a need for consistent quality and economies of scale — what will be the implications for countries that produce less volume? And what might this mean for the future of a diverse coffee belt?

In last year's report, the authors questioned specialty coffee's "capacity" to "keep the price high, and even close to living-wage benchmarks." They interrogated ways to ensure that coffee wasn't a "vanity project" for the Global North and that the market conditions then weren't seen as another boom and bust cycle.

These remain valid questions today. As some green buyers and roasters start to adopt commercial approaches to survive or to scale up, catering to economic shifts and resulting patterns in demand, they must balance their price pressures while meeting sustainability goals.

The current economy poses new questions for the coffee value chain. Given global inflation and overhead costs, how might specialty coffee companies apply their values of uniqueness and differentiation to a fourth wave? How can the quest for quality and affordability meet the need for sustainability and diverse origins in both producing and consuming countries?

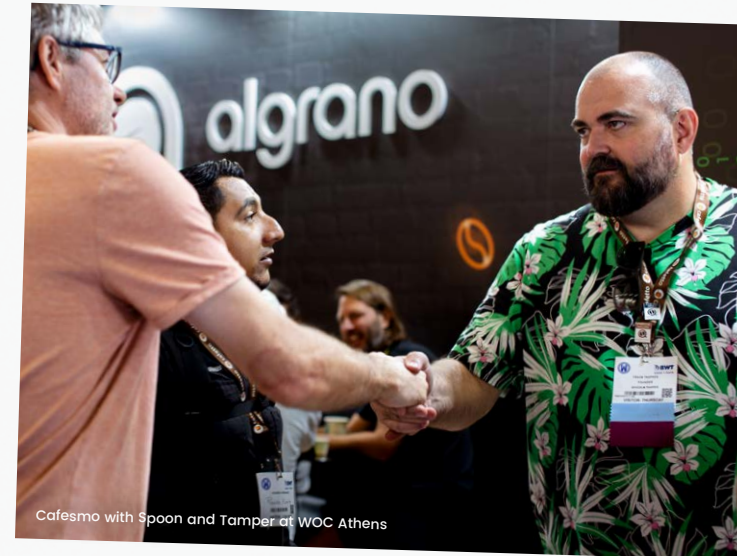
4. **Shifting from Transparency to Open Dialogue**

Highlighting trends for 2023, chapter four pointed to possible directions for the industry's current challenges. This is reflected in the desire expressed by roasters to have a more open dialogue with producers that showcases a deeper understanding of the human complexity within coffee's value chains to their consumers.

As Malia Bolton Hind of Kona Coffee and Tea in Hawai'i reflected:

“**Coffee is a canvas where I am promoting people and building relationships. This is where my heart is—and I'm seeing the hard work of our farmers being translated and supported by people buying our coffee products.**”

Malia Bolton Hind,
Kona Coffee and Tea



Cafesmo with Spoon and Tamper at WOC Athens

In this sense, price and quality can be discussed together in the context of ongoing business relationships. Strengthening partnerships at origin can help address roasters' cautious approaches to future buying decisions.

If establishing such relationships has been considered by many in the past as a way of getting marketing material, roasters seem to be turning a corner. Among survey respondents, 84% agreed that long-term direct relationships with farmers and associations are essential to the long-term viability of their businesses (see graph 35 on page 42).

This shift in mindset comes with a continued acknowledgement that producers are far more than growers of raw materials. Instead, they can be business partners, colleagues, and even friends. This viewpoint underpins the opinions of most interviewed roasters, such as Jonas Hult at Johan & Nyström in Sweden, who explained his understanding of transparency on page 43.

Jonas added that “our goal is that we grow together with producers. So that when we grow, they grow. We want this mutual benefit: when we’re doing well, so are they”.

Statements such as these show that relationships in specialty coffee have become far more than marketing. As the industry matures, transparency is becoming more than a one-way flow of information. And traceability is more than mapping GPS coordinates or naming a specific cooperative on a coffee bag.



Allan Botrel of Sancoffee (left) and Veronika Kečkěšová of Algrano

5. Room for Optimism

While the backdrop to this report may seem discouraging to some, we find the most optimistic outlook for the future based upon the increasing depth and honesty in the relationships between roasters and producers.

Some examples from the interviews show this clearly. As Matthew Orchard of PLOT Roasting in the UK confirms:

“ Our intention is to form long-term purchasing relationships with producers who align with our values and to purchase their coffee. The bulk of my job is developing and maintaining relationships and finding more direct ways to get that coffee to us.”

Matthew Orchard,
PLOT Roasting

Similarly, Alice Juguet of Coutume in France remarked: “I’m not a coffee trader in the traditional sense. Yes, I’m looking at trends, but my focus is on building relationships.”

In California, Equator’s goal “is to build long-term sustainable relationships with the people we buy coffee from,” said Ted Stachura. “This means that, if we buy from you this year, our intention is to buy from you the year after that, and after that – if the quality is good and prices are fair for both.”

Signalling that roasters are ready for closer relationships with producers, Al Liu of Colectivo Coffee Roasters in Wisconsin desires more honesty. “When it’s appropriate, I hope for more vulnerability and trust with producers. It’s the nature of any relationship to share difficulties during hard times.”

Such openness can bring new opportunities for coffee producers to take ownership of their business relationships and consider their role in a long global value chain. Though it’s well-known that obstacles of language barriers and access to market information remain persistent, we welcome this new disposition from roasters.

We also hope a report like this can do more than address gaps in producer’s access to information. Roasters must be aware of how economic sentiment and sourcing

behaviour can seriously impact the value chain – especially when producers face many problems of their own.

Coffee remains a buyer-driven market, where equitable and balanced relationships are not the norm. We didn’t confirm any substantial transformations in power dynamics between roasters and producers. Still, there are encouraging examples indicating a shift in relations that we haven’t heard before.

To conclude this report, we bring an account shared by Philipp Schallberger of Kaffeemacher in Switzerland.

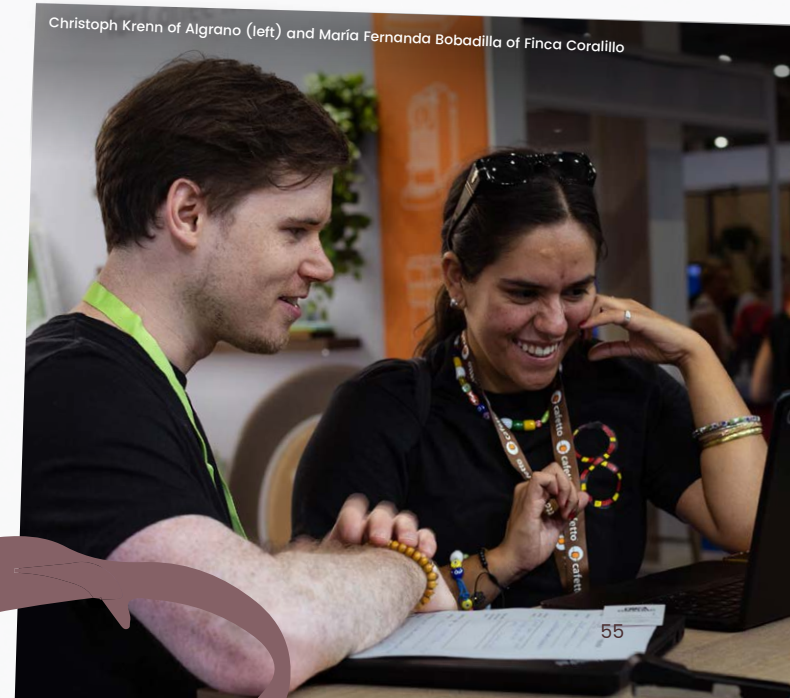
Philipp shared the story behind a recent purchase of a Robusta lot. It was his fourth consecutive year buying that coffee. Still, the female representative of the cooperative in Ecuador didn’t simply jump on the sale. “I’m not sure if I should sell the coffee to you,” she said.

Ultimately the purchase only went through after Philipp made a decisive commitment to buy the same coffee again in the future. “This was the first time I had to fight for our coffee,” he remembers.

For Philipp, this was “a new feeling as a buyer, because I’m used to thinking that I have all the buying power. But at that

moment, I realised that she had the selling power. I don’t know if she had another potential buyer, but she knew she had the quality and a good story.”

In specialty coffee, we have much to look forward to, if this is a sign of things to come. This is why there is room for optimism. We hope that such depth and honesty in relationships between producers and roasters is not merely a trend but the industry’s new normal.



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