

# Creating a sustainable future for coffee

According to a report from the International Institute for Sustainable Development, "the global market (retail) value of the coffee sector will experience a 5.5% compound annual growth rate from 2018 to 2023. "This from an industry, which [Hivos.org states](#), was already valued at \$200bn in 2018," says coffee equipment provider Coffeequip.



Africa, specifically the East African countries of Ethiopia, Kenya and Uganda with their ideal climate and rich farmlands, plays a vital role in the industry as one of the world's major coffee producers. [Africa.com](#) predicts that East Africa's coffee industry is likely to grow by 7.5% from 2019 to 2024 and claims that there is even speculation that it will replace South America (Brazil being the world's largest coffee producer) at the "top of the global market within the next five years".

Africa.com also refers to [a survey](#) that shows that "South Africa's coffee industry is also thriving, with 13.3% increase in coffee consumption from 2014-15 to 2017-18."

But, Hivos.org warns things aren't as rosy as they appear. While major traders and roasters are capitalising on the growing demand, farmers are struggling to see similar profit margins while battling various stress factors such as price volatility, climate change and recurring outbreaks of pests and diseases – meaning that there's a real threat that demand will outgrow supply if action is not taken.

This is supported by the IISD's findings which go on to explain that it's disincentivising farmers from staying in the sector, which is worrying as 67% to 80% of the world's coffee farms "are smallholder farms primarily located in developing countries including 22 Low Human Development Countries (LHDCs) [this includes Ethiopia, Kenya, and Uganda] ..."



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George Bertolis, CEO of Coffeequip, urges fellow members of this industry to invest in creating a sustainable future for the industry, through active participation in sustainability initiatives:

"We have a duty, not only to supply our customers with the best quality coffee on the market but to also provide them with the assurance that they're supporting an ethically-sourced and environmentally-mindful product. We, as the first point of contact with the client, have the most power to effect change and address the issues that affect our fellow members in the industry supply chain."

Hivos.org broke down the largest problems that producers (coffee farmers) face into three major 'stress factors'.

### Major stress factors

**Production and value distribution:** "Demand is slowly but surely exceeding supply and while roasters continue to profit greatly despite this (through ways such as replacing low-grade Arabica with Robusta and diluting their blends to contain far more Robusta), only 10% of the aggregate wealth of coffee stays in the producing countries. This will only aggravate the situation as time goes by and if measures aren't taken to "adapt coffee production to climate change [and other stress factors], global production could even be lower in 2050 than it is today.

**Wages and labour:** "Low prices, excessive volatility and low yields not only affect farmers' income, it also reduces interest of farmers and future generations to engage with coffee farming, and it causes labour shortages during harvest time."

**Climate change and deforestation:** "Given the changes in climate, it is paramount the coffee sector encourages an integrated coffee production system with lower environmental impact at landscape level, to meet both economic and environmental goals while creating resilience to current and future climate change."

But, Hivos.org and IISD also state that some measures can or are being taken to overcome these stress factors, specifically through sustainability commitments.

### Sustainability commitments

**Investments in sustainability:** "In this industry, whose annual value is currently \$200bn, the total investment in sustainability efforts is an estimated annual budget of \$350 million. It goes without saying there is critical underinvestment since almost zero percent of profits are re-invested in increasing sustainability of the production side of the coffee value chain."

A lot more can be done to reinvest money from this major market into ensuring that there's still a market 30 years from now and it's the responsibility of those that stand to gain the most (roaster and traders) from this to action these sustainability initiatives.

**Voluntary Sustainability Standards (VSS):** IISD explains that VSS emerged as a means for roasters, retailers and consumers to distinguish between conventionally produced coffee and its more sustainable coffee equivalent (VSS compliant). VSS compliant coffee "would be produced in a way that was conscious of emissions, biodiversity conservation,

and worker health and safety considerations throughout the value chain, while also aiming to provide larger economic gains for producers...

"To date, there are some promising signs of VSSs' success on the supply side, particularly in recent years: VSS-compliant coffee experienced a CAGR of about 24% from 2008 to 2016, accounting for at least 34% of coffee production overall. 4C, UTZ Certified, Rainforest Alliance, Fairtrade and Organic are the main VSSs in the coffee sector, when ranked by production size."

**Market demand:** "Today's coffee trends include premiumisation, convenience, customisation, single-origin, and wide-ranging roast types. Market research has indicated that consumers – particularly in North America and Western Europe – look for aspects like ethical sourcing, sustainability and certification... The fragmentation and dynamics of the sustainability market contributes to high levels of confusion among ethical consumers, who are confronted with various seals and labels and different sustainability claims."

The quantity of certified and verified coffee that the top roasters buy, especially those that have undergone various mergers and acquisitions, vary as they try to establish autonomy and identity but also because they each differ in opinion about what a sustainability standard should entail – there's no one global standard.

**Sustainable sourcing options:** "VSS sustainability requirements often only apply at farm level, whereas retailers prefer a chain of custody certification for all links in the supply chain, comprising all traders and processors, or a sophisticated traceability system that can verify if a labelled coffee product comes from a specified source. In recent years, several retailers, roasters, and green bean suppliers started to develop their own in-house Sustainable Sourcing programmes, often partnering with existing VSS organisations.

"When well-executed, sustainable sourcing programmes tend to align with this general definition: A known relationship with producers that goes beyond the transactional to include a sense of equity manifest in mutual and transparent processes that promote best practices in coffee production and processing, to safeguard the rights and well-being of producers, workers, the community and the environment."

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