3 Themes

1. Understanding Drivers for Differentiation

2. Status of Differentiated coffees and key trends

3. Understanding the actual Effects of Differentiation on sustainability
Differentiation in Many Forms

1. Quality & Specialty & Estate
2. Geographical Indications
3. Organic
4. Fair trade
5. Utz Certified
6. Rainforest Alliance
7. SMBC - Bird Friendly
8. 4Cs
9. Starbucks C.A.F.E. Practices
10. Nespresso AAA
11. Ready to drink products

What are they?

Differentiated coffees are a unique contribution to the coffee industry.

1. They keep people engaged, they keep them interested with new products, new flavors, new stories.
2. They also keep them interested by encompassing the ever rising consumer interest in ecological and social values (sustainability)
3. They are the main drivers of growth in most mature import markets
Geographical Indications

Potential of Geographical Indications

Giovannucci et al. 2009
Where are Leaders moving?

Firms and their commitments to sustainable sourcing…
16% of US Market is certified

Source: Daniele Giovannucci

Global Coffee Exports (green coffee)

Conventional 92%

Certified 8%

Source: Daniele Giovannucci (2010)
Opportunities

Still...more than one-quarter of U.S. consumers state that they don't buy green products because they are not available where they shop.

NMI's 2009 Survey of 20,000

Managing Benefits

• **Reputation** and Credibility
  - tangible value that translates to market growth, risk mgmt, and quality.
  - McKinsey survey of CSR & Harvard Jensen-Erhard Corp Analysis

• Very few companies have developed hard data to clearly measure their supply chains or even the long-term value of their CSR investments.

• Without this information, executives and investors often see 'CSR initiatives' as separate from a company's core business and shareholder value.
Risk of Claims

- Climate ripe for enforcement of environmental advertising claims
  - FTC revising its environmental marketing guidelines for ‘greenwashing’ (Federal Trade Commission)
  - International Better Business Bureau already seeing more cases
- Costs of administration and mgmt. for Private Standards

Standards as determinants of access

Standards ↔ Barrier to Entry

Competitive Factor
Standards for food and agricultural products increasing and increasingly complex

Best Public Role

public sector must provide more knowledge …not just information

– Countries that do it appear to succeed “rising tide lifts all boats” and even smaller entrepreneurs can take smarter decisions.

– While biggest firms are not interested because they have their own as an advantage.

– It is not that hard but firms and producers have to push for it (WB 2004)
Price Premiums

Quality still a primary factor
Premiums are a poor indicator
Net income is better indicator

2009

certified vs. sold – why the difference?
Can certifications hurt?

Three tools

- **Committee On Sustainability Assessment (COSA)**
  To understand what does and what does not work as well as establish the costs and benefits

- **Sustainable Commodity Assistance Network (SCAN)**
  Supports application of Sustainability initiatives with tech support at ground level

- **Financing Alliance For Sustainable Trade (FAST)**
  Provides financing for producer groups that pursue Sustainability
Committee On Sustainability Assessment

a global consortium of institutions
promoting the measure
and understanding of sustainability
### COSA Advisory Panel

<table>
<thead>
<tr>
<th>Producers</th>
<th>Donors</th>
<th>Initiatives</th>
<th>NGOs - Assns</th>
<th>Research</th>
<th>Private</th>
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<td>Colombian C. Growers Federation</td>
<td>European Commiss.</td>
<td>Rainforest Alliance</td>
<td>Solidaridad</td>
<td>Columbia U.</td>
<td>Kraft Foods</td>
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<td>East Africa Coffee Assn</td>
<td>UNCTAD</td>
<td>Fairtrade (FLO)</td>
<td>CQI</td>
<td>Cornell U.</td>
<td>Nestle</td>
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<td>Peru Junta Nacional</td>
<td>NORAD</td>
<td>Utz Certified</td>
<td>OXFAM</td>
<td>CATIE</td>
<td>Starbucks</td>
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<td>India Coffee Board</td>
<td>ICO</td>
<td>ISEAL</td>
<td>Social Accountability</td>
<td>CIRAD</td>
<td>Sara Lee</td>
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<td>Guatemala Anacafe</td>
<td>FAO</td>
<td>Organic (IFOAM)</td>
<td>SCAA</td>
<td>INCAE</td>
<td>SAI</td>
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<td>Mexico Dept. of Coffee</td>
<td>USAID</td>
<td>4C</td>
<td>European Coffee Fed</td>
<td>Embrapa</td>
<td>ECOM</td>
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*members serve as voluntary advisors, their participation does not imply endorsement of the findings or of the institutions*

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### Measuring Sustainability

- **Credible metrics**
  - broad participation beyond 1 label
  - professional, controls, counterfactual

- **Globally comparable data indicators**
  - \((\text{ec} + \text{ev} + \text{so}) = \text{complete balance sheet}\)
  - Single global standard – why reinvent wheels
  - UN database

- **Multi-criteria analysis**
  - business, academia, NGOs, certifiers, farmers
COSA Sustainability
performance of a farm, a region, or a standard

COSA now:
Colombia
Costa Rica
Cote d'Ivoire
Guatemala
Honduras
Kenya
Nicaragua
Peru
Tanzania

In process:
Brazil
Ethiopia
Ghana
Papua New Guinea
Vietnam