

Coffee Barometer 2006

Certified coffee in the Netherlands



coffee  coalition

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1. Background

The Dutch Coffee Coalition (DCC) was formed in 2002 with the aim of improving the working and living conditions at the beginning of the coffee chain. The DCC comprises seven non-governmental development organizations and two trade unions (Hivos, Oxfam Novib, Solidaridad, Oikos, Zuid Noord Federatie, Pax Christi, Landelijke Vereniging van Wereld Winkels, FNV Bondgenoten, CNV Bedrijvenbond). It cooperates with NGOs and other trade unions in Brazil, Kenya and India.

The DCC regards working and living conditions to be the responsibility not only of employers in coffee producing countries: also roaster companies and supermarkets in the Netherlands should assume their responsibility and undertake direct action to support sustainably produced coffee.

The implementation of a code of conduct that incorporates the core labour rights of the International Labour Organization (ILO) in a companies' quality system will contribute to the improvement of the working and living conditions of coffee pickers in producing countries.

2. Introduction

Codes of conduct in the coffee sector have been proliferating in recent years in response to growing consumer concern about food production methods and the impact of those methods on poor people and the environment. Codes require suppliers to meet minimum standards on food safety, working conditions and environmentally friendly production.¹

Transforming the coffee industry into a sustainable economic sector presents an extraordinary challenge. The concept of sustainability in this realm includes such aspects as 'economic viability for farmers', 'environmental conservation' and 'social responsibility'. In recent years, the Dutch Coffee Coalition has called upon the coffee roasters and coffee retailers in the Netherlands to take their corporate social responsibility seriously and to adhere to a decent code of conduct.

This coffee barometer report presents an analysis of the market developments in the Dutch coffee sector. It also presents the market shares in the Netherlands of four different coffee production standards – namely Fairtrade (Max Havelaar Label), Utz Kapeh, Rainforest Alliance and Organic – briefly outlines developments and trends in the European market, and addresses various critical issues.

Figure 1: Roasted coffee consumption in the Netherlands

Year	Total sales of roasted coffee	Per capita coffee consumption
1985	114.704 tonnes	3.6 cups a day
1990	124.974	3.8
1995	121.527	3.6
2000	116.405	3.4
2004	115.233	3.2
2005	113.335	3.2

3. The Dutch coffee market

The Dutch like to drink coffee, around three cups a day on average. Coffee consumption in the Netherlands has remained relatively stable for the last two decades: the total annual consumption of roasted coffee is around 115.000 tonnes, see figure 1 (138.500 tonnes of green coffee are imported).

The countries of origin have changed in recent years. In 2004, the Netherlands' four main suppliers were Brazil (23%), Uganda (14%), Vietnam (10.9%) and Colombia (8.2%). In the European context, the Netherlands imports 4% of all the coffee imported into Europe, and less than 2% of the world's total production.

Dutch companies roast 20% of its green coffee import for export to other European countries. Some specialty roasted coffees are imported, for example Illy and Lavazza espresso coffee from Italy. 'No brand' roasted coffee is also imported from roasters in Germany and France.

The main player in the Dutch market is the multinational Sara Lee / Douwe Egberts, which has a market share of more than 50%. Its coffee products are widely known and are available on the shelves of supermarkets and in the out-of-home market. Other important players are the Ahold Coffee Company and Drie Mollen Holding, both of which supply supermarket own brand coffees.



Figure 2: Coffee production standards



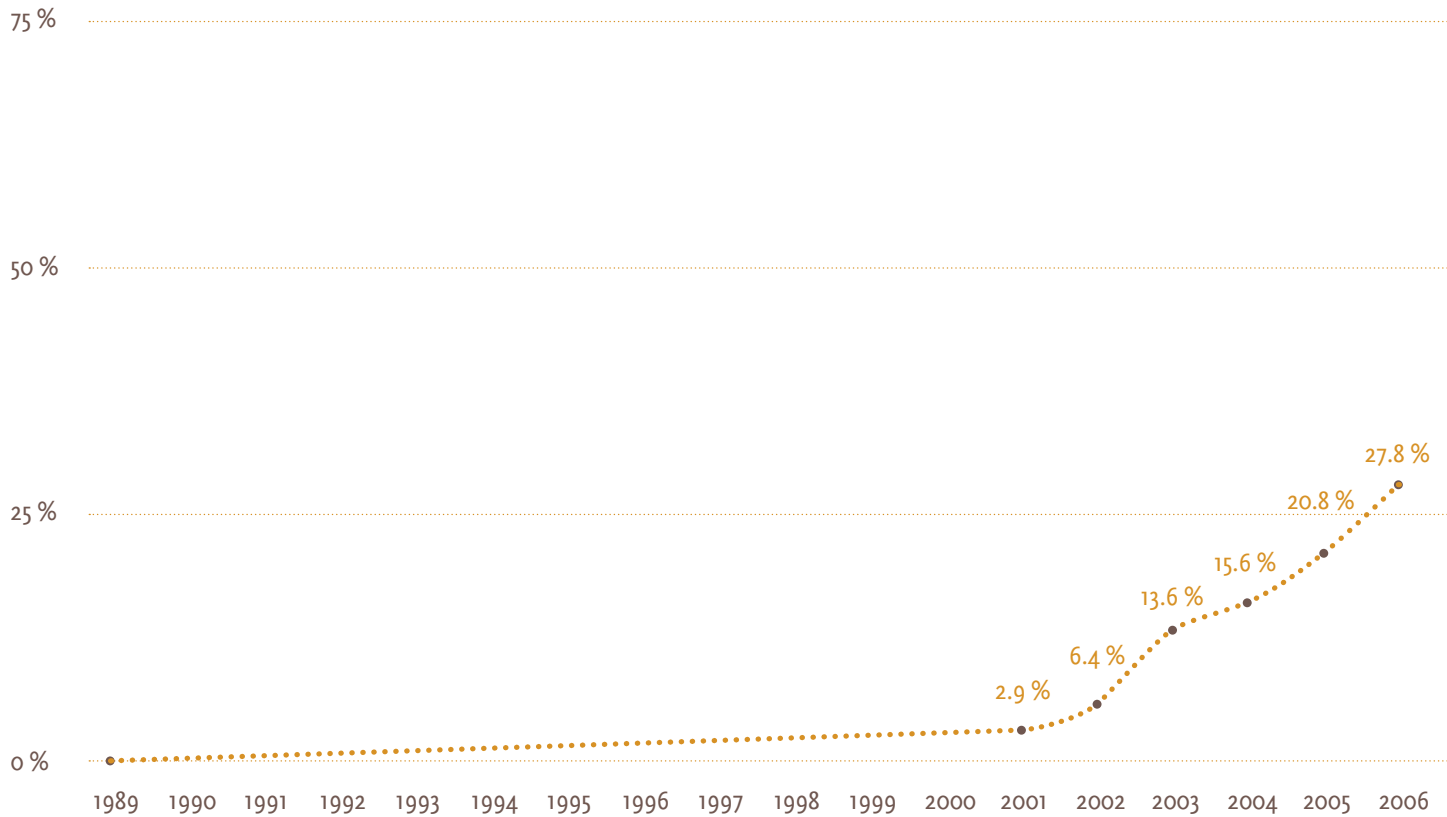
				
	Fairtrade	Organic	Rainforest Alliance	Utz Kapeh
Mission	Ensure equitable trading arrangements for disadvantaged smallholders who are organised into co-operatives	Create a verified sustainable agriculture system that produces food in harmony with nature, supports biodiversity and enhances soil health	Integrate productive agriculture, biodiversity conservation, and human development	Implement a global decency standard for responsible coffee growing and sourcing.
History & development	Began in 1970s as Max Havelaar in the Netherlands. Now several national organisations under the umbrella of the Fairtrade Labelling Organisation (FLO). Coffee first labelled product in 1989	Began in early 1970s as a farming movement and developed into internationally recognised system	Began in 1992 by Rainforest Alliance and a coalition of Latin American NGOs. First coffee farm certification in 1996	Founded in 1997 with criteria based on scientific fieldwork. Utz Kapeh Foundation started in 2002.
Requirements for farmers	Smallholders organised in democratically run organisations, ban on most toxic pesticides, integrated crop management	Use of non-synthetic nutrients and plant protection methods, soil conservation	Sustainable farm management, integrated pest management, worker welfare, community relations, biodiversity conservation through maintenance of shade cover or protection and restoration of native forest reserves	Good agricultural practice and worker welfare, based on adaption of EurepGAP standards, ILO, traceability and food safety
Label use	100% Fairtrade coffee	100% organic coffee	2 types: 1. 100% Rainforest Alliance coffee 2. minimum 30%-90% Rainforest Alliance coffee with a seal indicating the percentage of certified coffee	90% minimum Utz Kapeh coffee
Price premium	minimum floor price and fixed premium	minimum floor price and fixed premium	Negotiable premium	Negotiable premium

Figure 3: Share of certified coffee in the Netherlands, 1989 - 2006



4. The certified Dutch coffee market

In recent years the share of certified coffees has grown fairly rapidly in the Netherlands (see figure 3). Certification is the procedure by which a certification body gives written assurance that the quality of the coffee and the production process has been assessed and conforms to specified requirements. Product quality and traceability have attracted the interest of large commercial roasters (e.g. Sara Lee / Douwe Egberts) and the retail sector. The involvement of these companies explains the difference in volume, and has led to certified sustainable coffee having a 28% market share (32.005 tonnes). These developments have created a level-playing field for certified coffee, the main market parties have established or are in the process of establishing sourcing guidelines based on one or another production standard. The four

major coffee production standards are Fair Trade (Max Havelaar Label), Rainforest Alliance, Utz Kapeh and Organic. Figure 2 presents their labels and the main characteristics.

In 1989 Max Havelaar entered the Dutch market with Fairtrade coffee. In 2001, 2.9% of the coffee sold in the Netherlands was certified according to the standards of Fair Trade and/or Organic. In 2002, Utz Kapeh certified coffee entered the market in the blends of Perla coffee – the own brand of the Albert Heijn supermarket chain, which is owned by Ahold. In 2003, Utz Kapeh could supply enough coffee to the Ahold Coffee Company that the latter could label its Perla coffee ‘Utz Kapeh Certified’. In January 2005, the supermarket chain C1000 also switched to Utz Kapeh



certified coffee for its own brand. In 2004, Sara Lee / Douwe Egberts announced that it was to blend 2,500 tonnes of Utz Kapeh coffee for the Dutch market; in 2005, it tripled this amount to 7,500 tonnes. In 2006, Sara Lee indicated that it would increase the volume of Utz Kapeh coffee to at least 9,000 tonnes, with a maximum of 12,000 tonnes depending on the price development on the world market.² By the end of 2005, Dutch coffee roaster Drie Mollen Holding – an important supplier of private coffee brands to Dutch supermarkets – had started offering Rainforest Alliance, Utz Kapeh and Fair Trade coffee to its clients. In 2006, the retail chain Super de Boer has committed itself to use 30% of Rainforest Alliance coffee in part of its own brand blends. The own brand blends of Superunie and Koop-Consult supermarkets comprise at least 10% certified coffees. Only the Germany based

retail chains Aldi and Lidl have not taken any steps to adhere to a specific certification scheme regarding their own brand coffees in the Netherlands.³

Figure 4: Retail price of conventional and certified coffee (EUR/kg, September 2006)



More than 70% of the coffee in the Dutch market is non-certified, as shown in figure 3. Many of the coffee brands that are available in supermarkets do not contain any certified coffee. Depending on the brand and outlet, there is a lot of variation in the price of conventional coffee. However, comparisons show that all supermarkets use this conventional, non-certified coffee to attract shoppers into their stores by offering it at a very low price. Here, the price differential is minimal.

In 2005, Friends of the Earth Netherlands and Coffee Coalition conducted research in over 330 supermarkets in the Netherlands. The results show that Albert Heijn and C1000 are the trendsetters in offering their customers certified coffee: with 19 and 10 certified coffee products, respectively, they rank above the average (most Dutch supermarkets offer only six certified coffee products).

Figure 5: Market share of certified coffee, 2004-2006

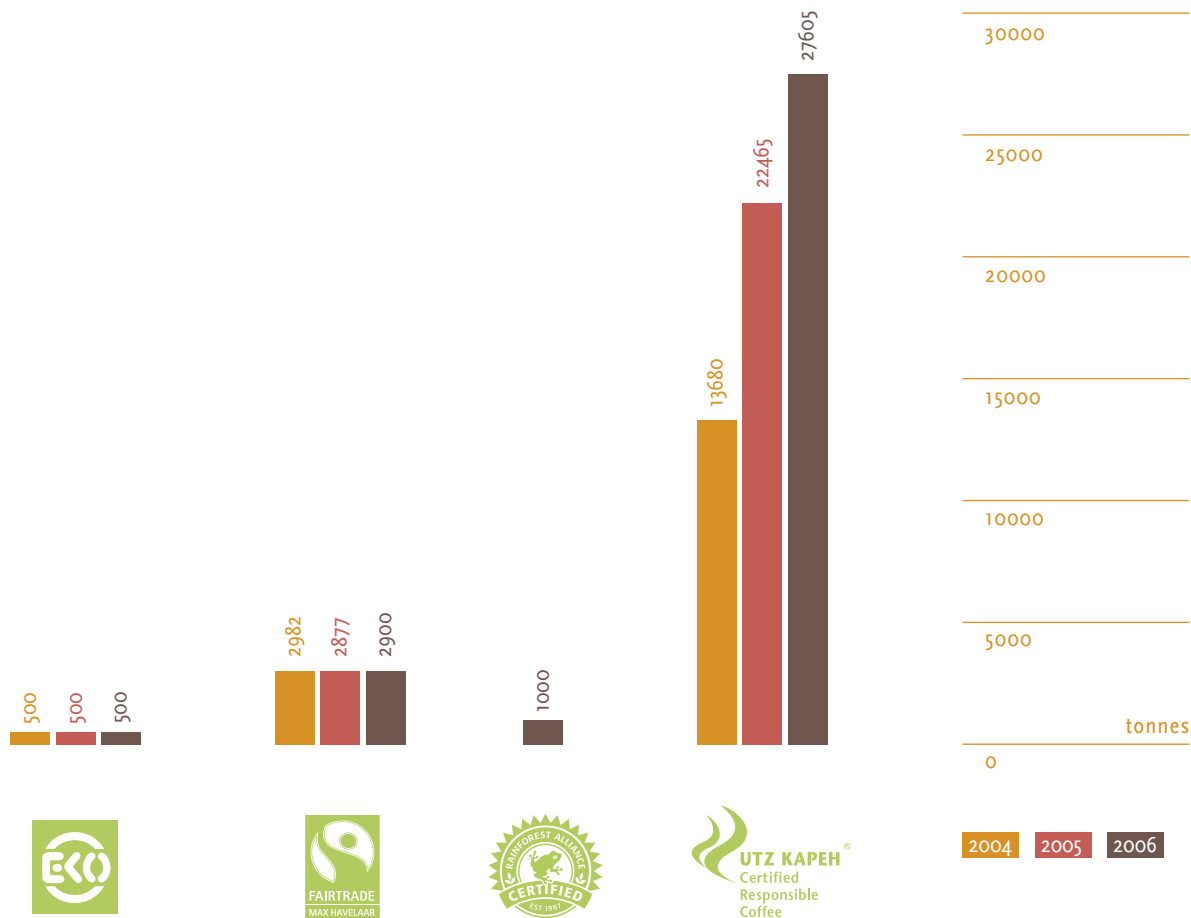
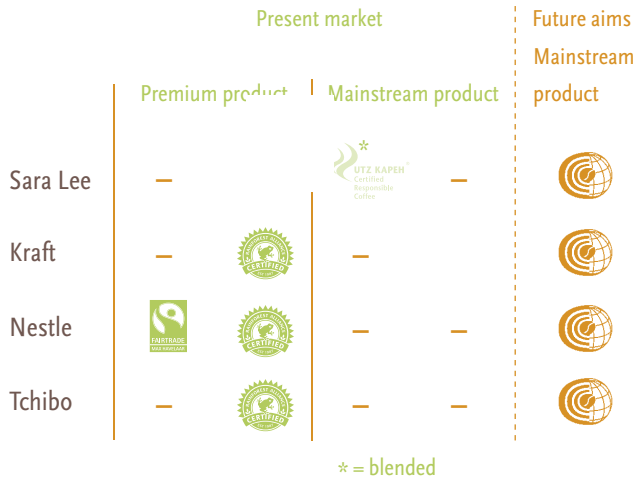


Figure 5 shows the size of each of the four coffee product standards in 2004 and 2005, and provides an estimate of their market shares in 2006. The market share of Fairtrade (2.900 tonnes) and that of Organic (500 tonnes)⁴ have remained stable over recent years and their growth potential seems limited. It should be noted that there is an overlap between the two: 17% of Fairtrade coffee (493 tonnes) is also certified as Organic. This means that the total volume of Organic certified coffee is 1000 tonnes. It is estimated that the total volume of Fairtrade and Organic coffee will amount to 3.400 tonnes in 2006, which although a small volume is higher than that of Rainforest Alliance

coffee (1.000 tonnes), which for the Dutch market is a new sustainability initiative.⁵

Most of the demand for Utz Kapeh certified coffee in the Netherlands comes from Ahold Coffee Company and Sara Lee / Douwe Egberts. This coffee standard has grown rapidly: it now has an 86% market share (27.600 tonnes) in the Dutch market. The prospects for further growth are good, as Sara Lee / Douwe Egberts has stated that, within 10 years, it will be buying only sustainable produced coffee.

Figure 6: European markets for multinationals in certified coffee, 2006



5. European trends in certified coffee

Major changes are taking place in the coffee market. It is no longer possible for the world's five largest multinational roasters (i.e. Kraft, Nestlé, Sara Lee, Procter & Gamble, and Tchibo) to ignore the political role of the Fairtrade movement in questioning the current coffee trade system. In terms of volumes, these major roasters buy almost half of the world's supply of green coffee beans.







Over the last few years, the major roasters have started to take an interest in coffee production standards: all five companies now source a small proportion of their production under more than one production standard (see figure 6). Nestlé has a Fairtrade product line and uses Rainforest Alliance for its AAA programme in Nespresso. Sara Lee has a mainstream partnership with Utz Kapeh. Kraft works together with Rainforest Alliance in mainstream and premium markets, while Tchibo recently launched a Rainforest Alliance 100% private brand. Procter & Gamble concentrates on American markets and sells Fairtrade and Rainforest Alliance coffee.

Nestlé, Kraft, Sara Lee and Tchibo actively take part in the Common Code for the Coffee Community (4C). 4C is an initiative of GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit GmbH). It was started in January 2003 as a joint initiative of coffee producers, trade and industry, trade unions and NGOs to develop a global code of conduct aimed at achieving overall sustainability in the production, post-harvest processing and trading of mainstream green coffee. The broad support and commitment of the various stakeholders is promising. The main actors in the coffee chain accept the idea that the whole chain should meet a decency standard, which leaves room for the idea that the whole chain should be certified. 4C is scheduled to become operational in 2007.

Certified mainstream coffee in Europe

Two major players have already adopted certified coffee production standards that address the mainstream market (see figure 6). Kraft will buy 11.300 tonnes of Rainforest Alliance coffee in 2006, while Sara Lee / Douwe Egberts has announced that it will purchase 12.000 tonnes of Utz Kapeh coffee for the European market in 2006. Furthermore, these companies plus Nestlé and Tchibo support the 4C initiative and will source 4C certified coffee as soon as it becomes available in 2007.

Figure 7: Certified coffee availability in Europe, 2005

	2004 total import of green coffee in t	 UTZ KAPEH Certified Responsible Coffee blended (less than 90%)	 UTZ KAPEH Certified Responsible Coffee labelled product (more than 90%)	 Blended (less than 30%)	 Labelled product 30%-90%	 Labelled 100% product	 Labelled 100% product
Belgium	187.437		*				*
France	234.761	*	*	*		*	*
Germany	958.042	*		*		*	*
Ireland	4.712	*				*	*
Netherlands	138.595	*	*		*		*
Switzerland	65.846	*					*
UK	118.601	*	*	*		*	*
Denmark	54.813	*	*	*		*	*
Finland	63.461	*					*
Norway	36.040	*					*
Sweden	89.466	*	*	*		*	*
Spain	218.998						*
Italy	387.452		*			*	*

Mainstream markets
Premium products

Certified premium coffee in Europe

Fairtrade and organic coffees occupy a market niche that is still small in volume (on average, less than 2% of consumption in the more developed markets). However, with an average sales growth figure many times greater than that of conventional coffees, it has attracted the attention of large roasters and retailers.

Nestlé – the world’s largest multinational coffee company – made a surprising move in late 2005 by announcing that it will introduce on the UK market a Fairtrade line called Nescafé Partners’ Blend.

Although mainstream companies are getting involved there is little indication that they see certified premium products as anything other than a niche product in their portfolio of brands; for example, the Rainforest Alliance 100% certified premium coffee products from Tchibo, Nestlé and Kraft are clearly being targeted at a different set of consumers from those that buy the more traditional coffee products.

At the moment, Utz Kapeh is the European market leader for certified coffee (40.000 tonnes), followed by Fairtrade (33.044 tonnes) and Rainforest Alliance (30.000 tonnes). Figure 7 presents an overview of the availability of certified coffees in various European countries. Many roasters blend Utz Kapeh or Rainforest Alliance coffee with their conventional coffee. What is remarkable is the market share of Fairtrade coffee in Switzerland (6%), and its availability at German discounters (e.g. Lidl) since 2006. The Dutch retailer Super de Boer is the only company in Europe that buys 30% of its coffee from Rainforest Alliance and labels its mainstream own brand with the Rainforest Alliance logo and a disclaimer.

An increasing number of companies buy one or more certified coffees (see figure 6). Nonetheless, none of them sells large volumes of certified coffee to the roasters in the main coffee consuming countries, such as Germany, Italy, France and Spain.



Figure 8: Shares of certified coffee from the five major coffee roasters

International market shares of certified coffee

The share of certified coffee sold by the five multinationals Kraft, Nestlé, Sara Lee, Tchibo, and Procter & Gamble is still very marginal (see figure 8). Because of its Utz Kapeh blends, Sara Lee procures 2% of its coffee from certified sources. Kraft purchases 1.5% of its coffee from Rainforest Alliance. Tchibo buys for its new Rainforest private brand 0.7% certified coffee. Nestlé and Procter & Gamble buy less than 0.5% certified coffee from Rainforest Alliance and/or Fairtrade to be used for new premium products.

The production of sustainable, certified coffee exceeds demand by roughly 200%. However, certified coffee has good prospects because an increased demand for certification can be expected in the future due to consumer demands, governmental policies and trade rules.⁷

Shown: 2.652.000 tonnes coffee, marketshare of the five major coffee roasters together, 2005.

 = 1.000 ton coffee
 = 1.000 ton certified coffee

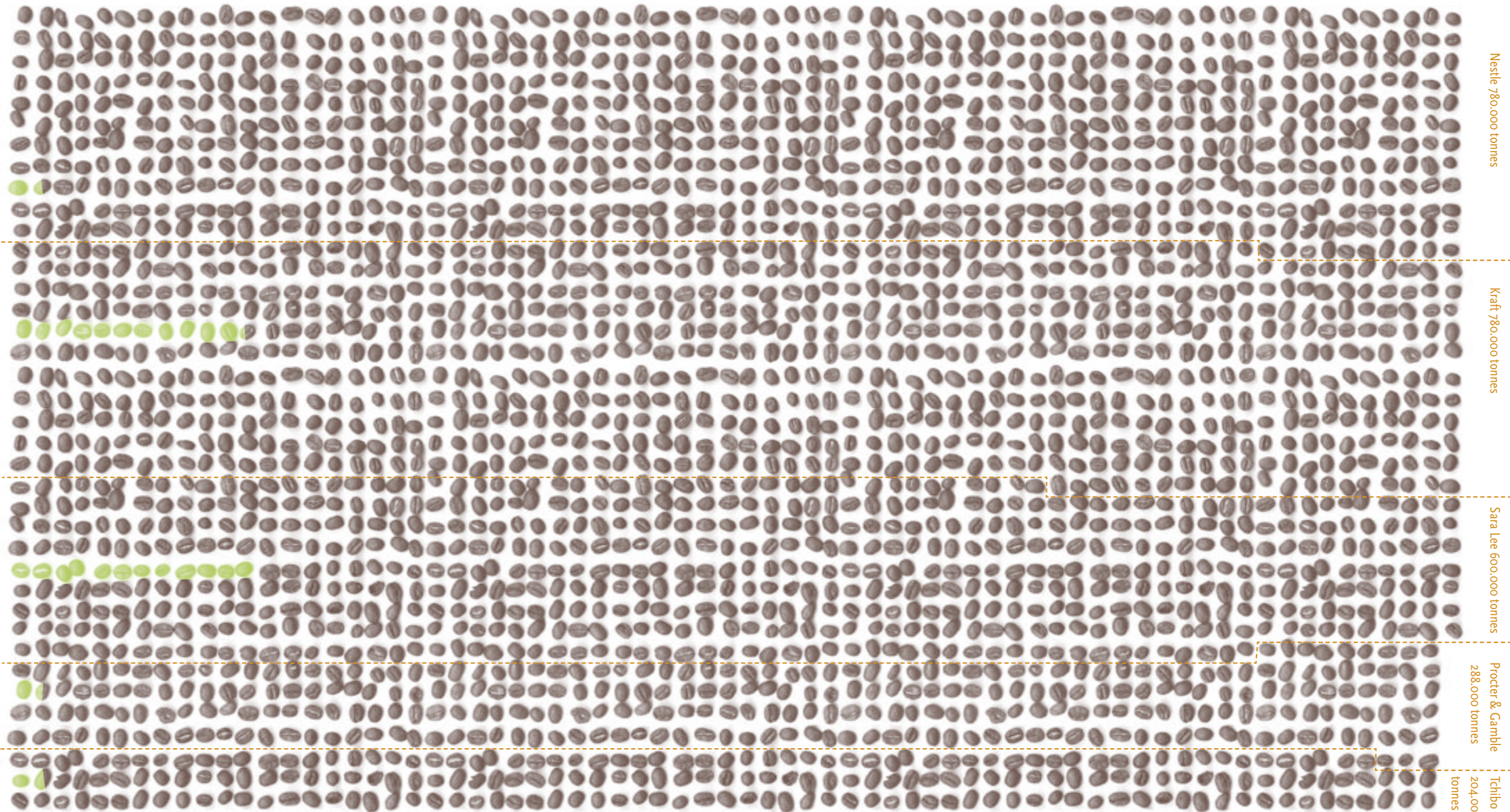
 1.500 tonnes certified coffee
 0.2 % its market share

 11.300 tonnes certified coffee
 1,5 % its market share

 12.000 tonnes certified coffee
 2.0 % their market share

 1.500 tonnes certified coffee
 0,5 % its market share

 1.500 tonnes certified coffee
 0.7 % its market share



Conclusion

In the Netherlands, codes of conduct in the coffee sector have proliferated in recent years. While Fairtrade and Organic show relatively stable figures, the emergence of new coffee certification initiatives – like Utz Kapeh and Rainforest Alliance – have expanded the market share of certified coffee significantly.

The level-playing field for certified coffee in the Netherlands is growing, and the main roasters and retailers have established or are in the process of establishing sourcing guidelines based on one or another certification scheme. The adoption of certified Utz Kapeh coffee by both Ahold Coffee Company and Sara Lee / Douwe Egberts has resulted in a phenomenal expansion of the share of certified coffee, namely from 2.9% in 2001 to 27.8% in 2006. Fears about a diminishing market share of Fairtrade and Organic have proven to be unfounded. Interestingly, the growth seems to be a result of a change of attitude and a higher level of awareness of sustainability in the Dutch coffee industry.

As certification becomes more widespread, the roasters and supermarkets are searching for ways to distinguish themselves from the competition and to guarantee the sustainability and traceability of their coffee products. For example, the adoption of Rainforest Alliance labelled coffee by Super de Boer for its own brand coffee with a lower threshold (30%) than labelled Utz Kapeh coffee (90%) in the supermarkets of Albert Heijn.

At the same time, companies are hesitant to pay extra to producers who comply with minimal social and environmental standards: Sara Lee / Douwe Egberts indicated to wait for the market price development before purchasing more Utz Kapeh coffee in 2006.

Although the overall developments in the Netherlands are promising, there will have to be growth in the European demand for certified coffee before the working and living conditions of coffee producers worldwide will improve. The demand for certified coffee differs from country to country; the main coffee consuming countries (e.g. Germany, France and Italy) purchase very little certified mainstream coffee. The involvement of multinational roasters may result in the expansion of a level-playing field for certified coffee in Europe. As shown in the comparison between the main coffee multinationals, the relatively small volumes give the impression that these companies will not use certified coffee on any major scale in their established brands at any time soon. The same applies to large European retail discount chains, like Aldi and Lidl.

Therefore, it is important to further develop the level-playing field for certified coffee in the Netherlands and Europe. The transformation of the coffee industry into a sustainable sector presents an extraordinary challenge to all the stakeholders. Stakeholder cooperation between producers, NGOs, governments, export organizations and international buyers is necessary in order to develop the certification schemes to their full potential.

Footnotes

- 1 'Standards are agreed criteria... by which a product or a service's performance, its technical and physical characteristics, and/or the process and conditions, under which it has been produced or delivered, can be assessed' (Nadvi/Wältring, 2002).
- 2 Sara Lee / Douwe Egberts is blending Utz Kapeh coffee in its coffee lines and has announced that it will label some of its products for the Scandinavian and English market as Utz Kapeh certified. The figures for 2006 no longer apply only to the Dutch market segment of Sara Lee / Douwe Egberts.
- 3 Since June 2006, Lidl has been selling products in all its branches with the TransFair stamp under its own brand name 'Fairglobe'. These include organic ground coffee and organic instant coffee. Lidl and TransFair are working together closely to advertise the 'Fairglobe' product line. They are going to test the product in Germany before introducing it in other countries.
- 4 Estimated figure, confirmed by two experts.
- 5 Estimated figure based on personal communication with Drie Mollen Holding and developments in the retail sector.

Sources of figures

- Fig 1** F.O. Licht's International Coffee Report Vol. 19. No. 21, 2005, VNKT 2006.
- Fig 2** Adapted from Consumer International, 2005, p. 28
- Fig 3** Annual reports of Utz Kapeh, Fairtrade, Rainforest Alliance 1000t estimated, Organic press.information, 2006 projected
- Fig 5** Major roasters from Utz Kapeh, Fairtrade/ Organic confirmed from 2 experts, Rainforest Alliance estimated.
- Fig 6** Annual reports/sustainability reports of Multinationals
- Fig 8** Personal information from Utz Kapeh and Rainforest Alliance, Fairtrade 2005 report
- Fig 9** Sara Lee /Kraft: detailed information in mainstream, niche markets estimated at 1,500 tonnes

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