

## Business News for the Food Industry

### US Companies Selling More Coffee with a Conscience

New Orleans, July 18, 2007 - Gourmet java drinkers know the difference between a cappuccino and a latte, but many of them feel fuzzy about the term "sustainable coffee"--which only recently entered some vocabularies.

The sustainable coffee business, which tries to pay growers a premium while helping the environment, has gone mainstream however--attracting companies and consumers. Industry members credit Starbucks Coffee (SBUX) with its multitude of shops, along with roasters like Green Mountain Coffee (GMCR) and Peet's Coffee & Tea (PEET), for educating drinkers about the rough times growers suffered in recent years and about different types of joe.

Zabar's, the giant New York City delicatessen, last month started selling farmer- and forest-friendly coffee for the first time in response to letters and requests from groups and customers in its Westside Manhattan neighborhood, owner Saul Zabar said.

"Big can" or giant roasters did their part, expanding supermarket offerings beyond conventional java. And college students writing papers on coffee-growing in government and economics classes became workers with incomes, waiting in line for their daily, specialty-grown cups.

"Regular or decaf used to be the choice in America. But today's consumers are aware of origins like Colombian or Kenyan; of varieties--arabica or robusta; and of practices--mountain-grown, organic or fair trade," said [Daniele Giovannucci](#), a World Bank consultant. As drinkers shell out \$4 or more for gourmet brews, well over half of U.S. java sales are now specialty and sustainable products "that weren't on the radar screen 20 years ago," he said.

Coffee is at the forefront of the "sustainable movement," which also addresses cocoa, tea, fruits and grains, and is an umbrella for assortment of growing and certification methods.

In recent research, [Giovannucci](#) found that while all U.S. coffee imports expanded less than 2% from 2004 to 2006, growth in imports of fair trade beans was 10% in that period, organic beans 17% and Rainforest Alliance 106%. Total coffee imports by the U.S. in 2006 reached \$3.3 billion, and came mainly from Brazil and Colombia.

[Giovannucci](#) determined that coffee imports rose 2.5% globally in the last two years, but growth in imports of organic beans was 35%, fair trade 41% and Rainforest Alliance 120%, with companies paying premiums over ordinary coffee and mostly passing that on to consumers.

In the U.S., hundreds of roasters and cafe owners sell fair trade beans, including P&G (PG), Kraft (KFT), Starbucks, Green Mountain, Peet's, and vendors McDonald's (MCD), Dunkin' Donuts, Coca-Cola (KO) and Ben & Jerry's. Equal Exchange, begun in 1986, is the oldest U.S. for-profit, fair trade firm selling organic joe.

The industry is now at a gallop, said Rick Peyser, Green Mountain Coffee spokesman, who noted that 658 McDonald's in the U.S. Northeast started selling Newman's Own Organic Blend roasted by Green Mountain in late 2005.

Gretchen Ruethling, Rainforest Alliance spokeswoman, was surprised when she stopped at a Caribou Coffee (CBOU) shop in Milwaukee this spring and found it filled with stuffed toy frogs--the Rainforest group mascot--along with tropical posters and brochures being read by customers. She said students have started asking college cafeterias to serve sustainable coffee.

Starbucks gets lots of credit for raising consumer interest in producers. Under its in-house CAFE Practices, or environmental and social standards for growers, Starbucks bought 155 million pounds of beans in fiscal 2006, comprising 53% of its coffee purchases, said spokeswoman Stacey Krum. "Our goal is to buy 80% of our coffee from CAFE Practices suppliers by 2012." Six percent of Starbucks' java purchases were fair trade-certified in fiscal 2006 and 4% were certified organic, with crossover between the two.

Last year, companies globally paid 27 cents a pound more for organic than non-organic beans, and 8 to 12 cents more for Rainforest Alliance than regular beans, [Giovannucci](#) said. He noted that the price paid growers for fair trade coffee is calculated at a minimum of \$1.26 per pound. If the New York Board of Trade arabica market is at \$1.05 a pound, then 21 cents would be added to reach the minimum fair trade price. If that coffee is also organic, then another 15 cents would be tacked on under fair trade guidelines.

Sustainability Labels Protect Big Companies

Giovannucci said "sustainable is now accepted to mean those coffees that are certified to a particular level of social, environmental, or economic sustainability, though one still hears an occasional dispute over the term." Over 90% of sustainable beans globally meet minimum standards--organic, fair trade, Rainforest Alliance, UTZ Certified or standards held by Starbucks, Nestle and other firms. These standards "assure consumers, and also assure coffee companies that want to either become more sustainable and/or manage their reputational risk," he said.

Giovannucci said corporations linked with Rainforest Alliance or fair trade have certifications and favorable public relations to fall back on if a big scandal unfolds--like past headlines about child labor use in West African cocoa production.

P&G, which mass-markets Folgers and Millstone coffee, is offering fair trade-certified and Rainforest Alliance-certified coffees as part of the company's Millstone brand, said Lars Atorf, P&G spokesman.

While certified, sustainable producers are considered good for the environment, they're not the only stewards of the Earth. "Non-certified coffee is not necessarily grown or processed under unsustainable practices," Atorf said. For example, an uncertified grower could be well paid for his beans if they're in particular demand, and some farms operate under healthy, sustainable practices without being certified.

Atorf said the certification movement has helped raise awareness about coffee production and brought with it price transparency, but work is still needed to improve the system. "With very diverse standards, further efforts are necessary," he said.

Meanwhile, Zabar's in New York has seen early success with its newly introduced, Rainforest Alliance-certified Colombian coffee. "We've sold most of the first batch and are having another batch roasted in Brooklyn." Zabar's absorbs the premium paid for Rainforest, selling those beans at the same \$6.98 a pound as its eight other coffees.

Source: <http://www.flex-news-food.com/pages/9893/Coffee/USA/us-companies-selling-coffee-conscience-dj.html> Dow Jones Newswires 18/07/2007