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FOCUS: US Companies Selling More Coffee With A Conscience

NEW ORLEANS (Dow Jones)--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. ...

"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 (by value) 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.

Organic beans are produced without harmful chemicals, with an eye to farming as an ecosystem. Fair trade coffee, which is mainly organic, shade-grown and chemical free, ensures that growers are paid a fair wage, while encouraging biodiversity and setting a minimum consumer price. Rainforest Alliance certifies coffee plantations that conserve forests and wildlife habitat and give workers decent housing, education and health care.

Growers of UTZ Certified beans use few agrochemicals, protect labor rights and have access to health care and education for their families and workers.

Under these varied standards, certifiers from the company, government or independent firms determine that producers are in compliance.

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%~~ (20 times that) 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...

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 (or others) 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.

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