

# MARKET PROFILE



## Market profile

Coffee from Ecuador





<b>Subject of the study:</b>	Coffee from Ecuador
<b>Date :</b>	December 2021

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## I. ABSTRACT

This market profile was produced as part of the collaboration between COLEAD and Value Chain Analysis for Development (VCA4D). VCA4D is a partnership between Agrinatura and the European Commission, to carry out agri-based value chain analyses in EU partner countries, for which the methodology can be found [here](#). The objective of VCA4D's work is to assess the extent to which value chains contribute to inclusive economic growth and are socially and environmentally sustainable. It evaluates the Ecuadorian coffee market, at the local, regional and international level.

## II. SUPPLY

### 1. Presentation of the product and introduction of market segments

Ecuador is one of the few countries in the world where coffee production can take place nationwide, including on the Galapagos Islands. Coffee is produced in 23 of the 24 provinces of the country, which has allowed the coffee sector to make a considerable socio-economic contribution. Half of Ecuador's coffee production currently occurs in its coastal provinces. The province of Manabí accounts for 25% of total production, concentrated in the Jipijapa area, and the Amazon and the Sierra (highland) areas account for 30% each<sup>1</sup> Robusta coffee is planted in the lowlands, while Arabica coffee is cultivated both along

the coast and in the highlands, which is rare, since few countries produce both. There are about 60,000 coffee farmers nationwide<sup>2</sup>.

The National Association of Coffee Exporters estimated the area of coffee cultivation in 2013 to be approximately 112,000 hectares (ha) in the coastal region, 62,000 ha in the mountains, 55,000 ha in the Amazon region and 1,000 ha on the Galapagos Islands. This area has diminished severely since then, with and only around 48,000 ha remaining in 2021.<sup>3</sup> Both Robusta and Arabica coffee are cultivated in Ecuador, but there might also be opportunities to cultivate coffee substitutes such as the Palo bean, since it is easier to grow than coffee.<sup>4</sup> In relatively poor growing conditions, Robusta plants are preferred to Arabica plants, since they are less vulnerable to pests.<sup>5</sup> In terms of land use, coffee cultivation is less intensive than cocoa and palm oil, which are also produced in large quantities in Ecuador.<sup>6</sup>

This market profile takes into account exported and imported products from Ecuador referred to as coffee, decaffeinated coffee, roasted coffee and all substitutes containing coffee by the Harmonized Commodity Description and Coding System (HS). The HS assigns specific codes for different classifications and commodities. Table 1 lists the HS codes analysed for this profile.

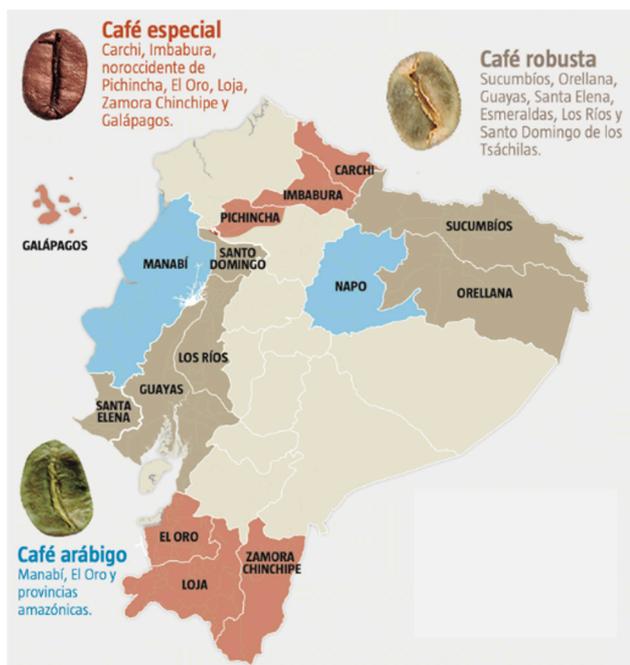


Figure 1: Main types of coffee bean production by province in Ecuador. Source: [www.eltelegrafo.com.ec](http://www.eltelegrafo.com.ec).

1 Quito, F. (2019) Ecuadorian competitiveness in Production of Soluble Coffee. *Coffee Annual Report*. Washington, DC: US Department of Agriculture.

2 E. Espinosa (2021) *Coffee Annual Report*. Washington, DC: US Department of Agriculture, p. 5.

3 Ibid.

4 See the Appendix for more information about the Palo bean and its opportunities.

5 See the Appendix for more information from farmers about pests and growing Arabica coffee.

6 J.M. Samaniego Garcia and A. Quezada Pardo (2021) Associativity, sustainability and certifications in coffee production in Southern Ecuador. *Revista de coyuntura y perspectiva*, Vol. 6, No. 2, pp. 33–59.



Table 1: HS codes used for this profile

<b>090111</b>	Coffee (excl. roasted and decaffeinated)
<b>090112</b>	Decaffeinated coffee (excl. roasted)
<b>090121</b>	Roasted coffee (excl. decaffeinated)
<b>090122</b>	Roasted, decaffeinated coffee
<b>090190</b>	Coffee husks and skins; coffee substitutes containing coffee in any proportion
<b>210111</b>	Extracts, essences and concentrates of coffee
<b>210112</b>	Preparations with a basis of extracts, essences or concentrates of coffee or with a basis of coffee

The coffee market can be divided into two main segments: commodity coffee and specialty coffee.

**Commodity coffee** is mainly standard-quality coffee, which can consist both of Arabica and Robusta beans. It is defined as a uniform product that is interchangeable with any other coffee of the same type regardless of its origin. It makes up the majority of the coffee consumed worldwide. Commodity coffee prices are defined by the world market and can be very volatile (depending on weather conditions, expected crop production, oil prices, etc.).

**Specialty coffee**, on the other hand, is high in quality and taste, and mainly produced from Arabica coffee beans, since they have more complex flavours. There is no exact definition of specialty coffee, but the leading global organisations, the Coffee Quality Institute and the Specialty Coffee Association, consider that coffee needs to score over 80 out of 100 to be qualified as specialty and not standard coffee. Some countries can ask for a score of more than 80. The coffee score is based on strict criteria<sup>7</sup> such as aroma, flavour, body and acidity. The

<sup>7</sup> Available at <https://sca.coffee/research/protocols-best-practices>

provenance and flavour attributes are key characteristics of specialty coffee. Prices of specialty coffee are generally higher and not only defined by global coffee market prices. Prices are based on agreements in (often long-term) relationships between buyers and producers. The European and global markets for specialty coffee are growing due to the rise of coffee shops and brands.

Soluble coffee – also known as instant coffee – is another coffee market segment. Soluble coffee has a lower caffeine level and little concern for provenance (except for the growing niche segment of specialty soluble coffee). It is processed by spray-drying or freeze-drying roasted coffee beans, weighs less than whole beans and can withstand harsher conditions. Its easiness to brew and lower price make it very accessible and convenient for the consumer. The production of soluble coffee is an important business in Ecuador. The soluble coffee market is the most concentrated, and dominated by large

multinationals such as Nestlé (representing half of the market), Kraft Foods, Starbucks and others.

While high production costs have made Ecuadorian exports of commodity coffee lose out to competitors from neighbouring countries such as Colombia or Brazil, it is still produced as an input for the soluble coffee industry. Specialty coffees, on the other hand, have remained very competitive and often receive nearly double the average commodity coffee price.

In addition to the market categorisation of coffee, another important factor that determines its price is whether the coffee is certified or not. Private sustainability standards aim to guarantee consumer aspirations concerning the economic, ethical and environmental implications of coffee production and trade. They can allow product differentiation on the market and result in positive socio-economic and/or environmental outcomes for the producers.

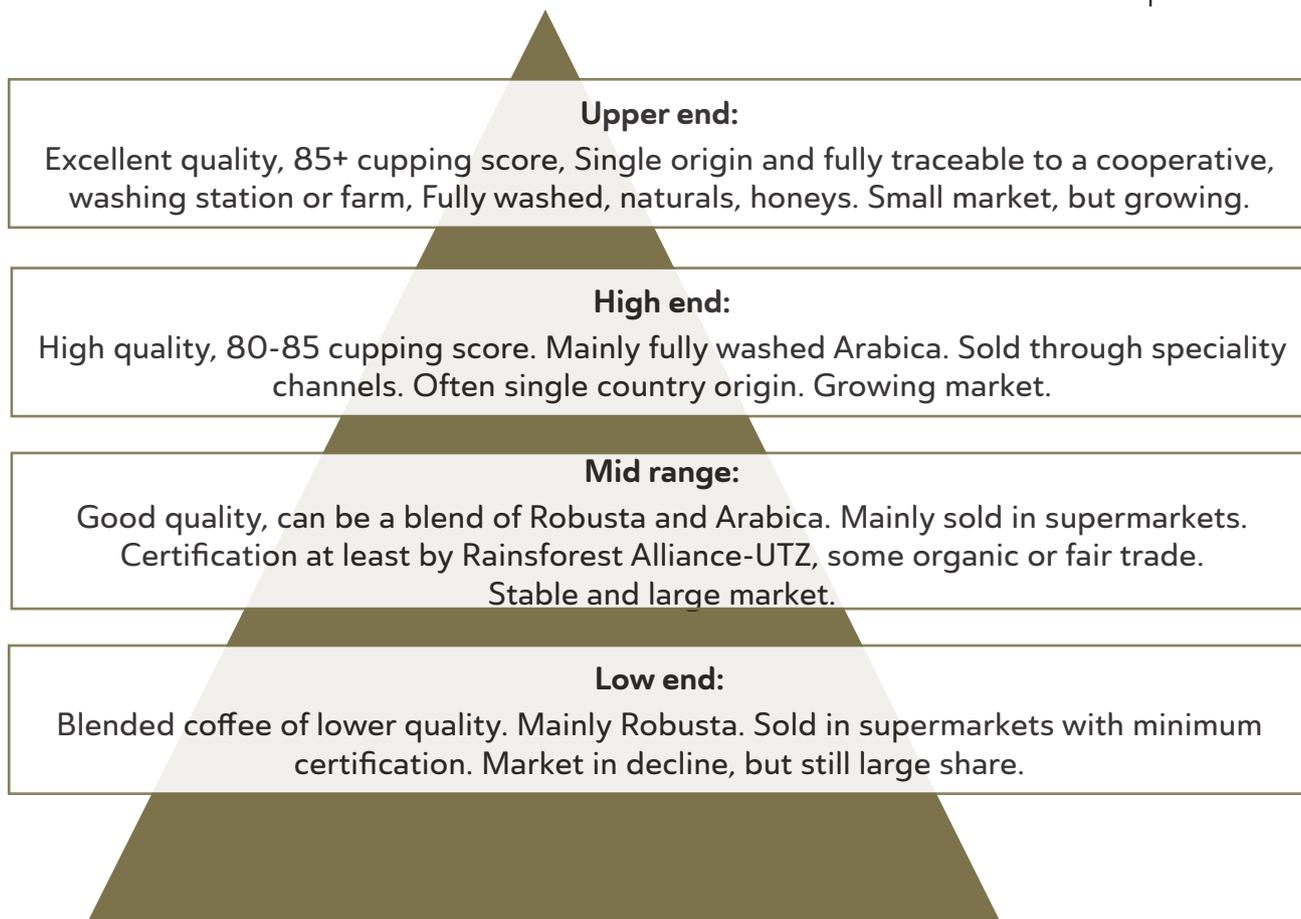


Figure 2: Grading scale of coffee quality, Centre for the Promotion of Imports from Developing Countries. Source: CBI (2020), *Entering the European market for speciality coffee*.

Private sustainability standards mainly apply to specialty coffees.

## 2. Main global coffee producers

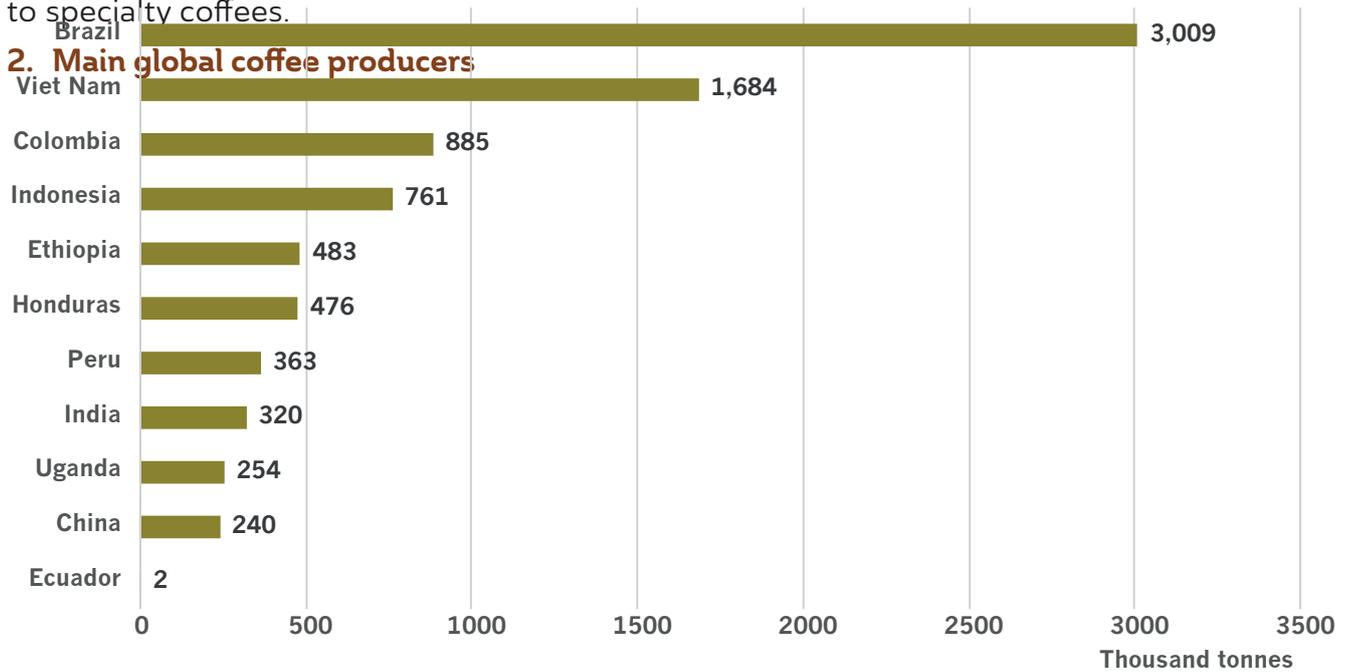


Figure 3: Top 10 global producers of green coffee beans compared with Ecuador (ranked 41<sup>st</sup> out of 80) in 2019. Source: COLEAD, based on FAOSTAT.

In 2019, global production of green coffee beans was about 10.2 million tonnes or 169.34 million x 60 kg bags. As the COVID-19 pandemic continues to put pressure on the economy, 2020 ended with a surplus of 1.54 million bags. Brazil is by far the largest coffee producer in the world, producing about a third of all green coffee beans alone. Together with Viet Nam and Indonesia, Brazil is a main supplier of green beans for many countries producing roasted or soluble coffee.

Ecuador mainly imports its green coffee beans from Viet Nam and Brazil (see Figure 4) to produce soluble coffee, since this is cheaper than the domestic production of coffee. Other countries such as the Philippines and Thailand have followed the same strategy and have built an industrial base to produce soluble coffee. In all three countries, soluble coffee now makes up more than 75% of the value of exports. Due to the growing demand for and production of soluble coffee, they have all become net importers of green coffee beans, instead of exporters.

Ecuador's engagement in importing Robusta from Viet Nam has become very significant

and continues to upgrade functionally. This is necessary to survive in the global market for soluble coffee, which is very competitive and has low margins, albeit for large quantities. This strong connection between Viet Nam and Ecuador makes the supply chain very vulnerable to disruptions such as those triggered by, for



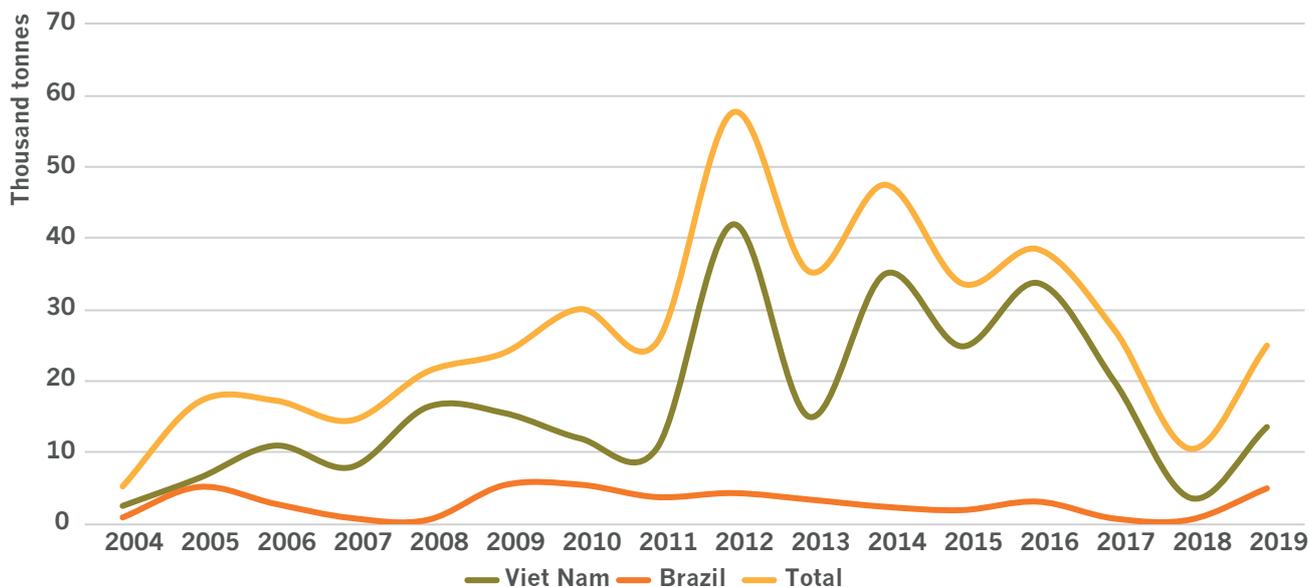


Figure 4: Imports of green coffee beans by Ecuador between 2004 and 2019. Source: COLEAD, based on CEPII BACI and Eurostat.

example, the COVID-19 pandemic, climate emergencies or political instability.

### 3. Main global coffee exporters

The major producers of green coffee beans are also among the main exporters of coffee in all its forms, but numerous European countries are also present. Most of the roasting, blending and re-exporting of coffee or soluble coffee is still done far from the countries that

produce green beans. Compared to the top 10 exporters, Ecuador (ranked 52<sup>nd</sup>) is a small player on the coffee market (Figure 5). In the Latin America and the Caribbean region, Ecuador (ranked 10<sup>th</sup> out of 38 countries by export volume) is dwarfed by Brazil and Colombia, the two main exporters, which represented 53% and 18%, respectively, of the region’s total export volume of 4.217 million

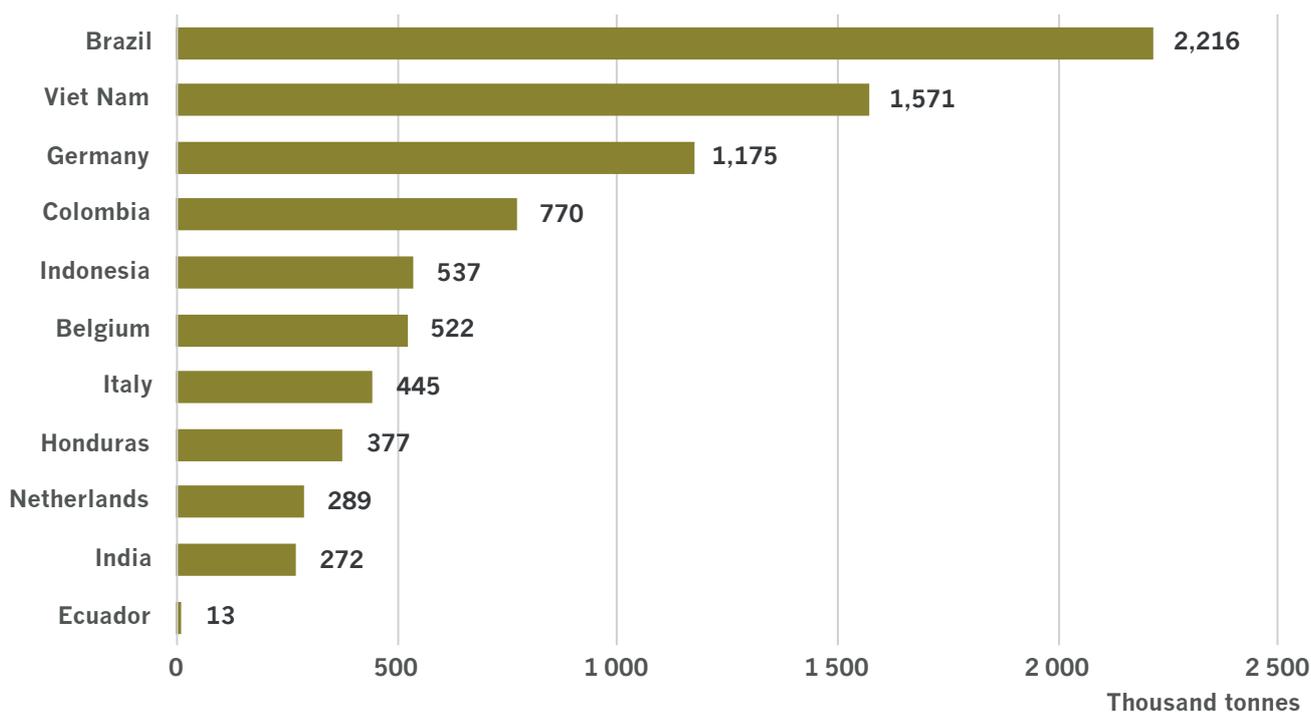


Figure 5: Top 10 global exporters (and Ecuador) of all coffee types: green coffee beans, decaffeinated coffee, roasted coffee and coffee substitutes containing coffee in 2019, by volume. Source: COLEAD, based on CEPII BACI and Eurostat.

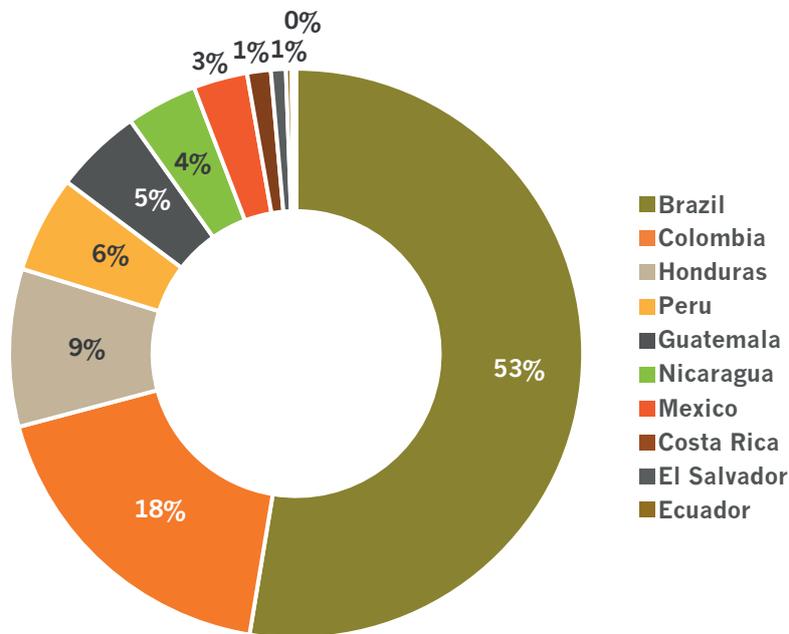


Figure 6: Main exporters in the Latin America and the Caribbean region of all coffee types: green coffee beans, decaffeinated coffee, roasted coffee and coffee substitutes containing coffee in 2019, by percentage of volume. Source: COLEAD, based on CEPII BACI and Eurostat.

tonnes in 2019.

#### 4. Coffee production trends in Ecuador

The coffee industry is one of the main sectors of the Ecuadorian economy, involving both the private and the public sectors. Even if small value chain actors cannot have the same weight and impact of large multinational traders, many roasters and retailers are engaging

directly with rural communities, shortening their supply chain, and building multi-year relationships with an increased commitment to social and environmental responsibilities. Ecuador's farmers can benefit from engaging in such relationships, allowing them to focus on improving quality and sustainability. It grants them access to high-value markets, such as for specialty or certified coffee. In recent years, specialty coffee growers, with a proven reputation, have been receiving much

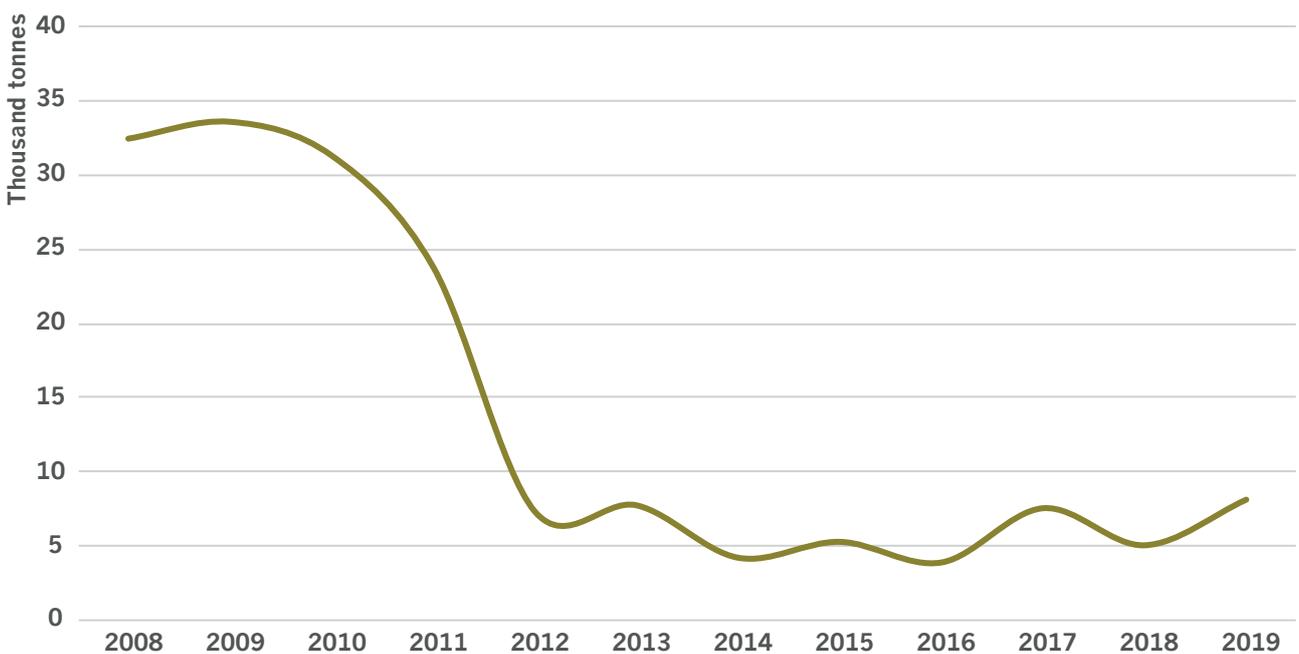


Figure 7: Production volume of green coffee beans in Ecuador between 2008 and 2019. Source: COLEAD, based on FAOSTAT.



better prices than traditional subsistence coffee growers.

Figure 7 shows that production of green coffee beans in Ecuador plummeted between 2008 and 2013. Both Robusta and Arabica coffee production fell by more than half. Various causal factors can be identified, including the coffee leaf rust crisis in Central America that occurred at that time.<sup>8</sup> The coffee leaf rust epidemic (caused by *Hemileia vastatrix*) had a devastating effect on coffee production in Ecuador, but the drivers that facilitated the outbreak are more profound. A combination of meteorological effects with a period of low coffee profitability and high input prices led to suboptimal coffee management, resulting in increased plant vulnerability to pests and diseases.

Since 2013, coffee production has stabilised at a much lower level. Currently, high input, labour and transport costs, electricity and water shortages and political instability continue to hamper the competitiveness of Ecuadorian domestic coffee production. Moreover, Ecuador adopted full dollarisation in 2000, in the midst of a severe economic and

financial crisis. After 2008, full dollarisation exacerbated the country's vulnerability to external shocks, as nominal exchange rate adjustments and money creation were no longer possible, thus deepening the crisis.<sup>9</sup> During the period of crisis, Ecuador shifted its production further to soluble coffee, relying on imports of low-priced green beans from Viet Nam and Brazil.

## 5. Main coffee producers in Ecuador

In 2020, due to the COVID-19 situation, Ecuadorian imports of coffee beans almost stopped, as freight costs increased by between 78% and 85% from the main suppliers: Brazil and Viet Nam.<sup>10</sup> The country's soluble coffee producers typically source about three quarters of their coffee beans from these major foreign Robusta producers. The recently proposed Ecuadorian Coffee Reactivation Project aims to partly substitute these imports with local production in the future.<sup>11</sup> Ecuadorian coffee, due to its geographical location, has very special organoleptic qualities that are liked by consumers abroad. Vicente Cárdenas, national coordinator of the coffee sector, said

8 J. Avelino et al. (2015) The coffee rust crises in Colombia and Central America (2008–2013): impacts, plausible causes and proposed solutions. *Food Security*, Vol. 7, pp. 303–321. DOI 10.1007/s12571-015-0446-9. <https://link.springer.com/content/pdf/10.1007%2Fs12571-015-0446-9.pdf>.

9 S. Ozyurt and S. Cueva (2020) Twenty years of official dollarization in Ecuador: a blessing or a curse? Paris: Agence Française de Développement.

10 Ecuador's National Association of Coffee Exporters (ANECAFE).

11 Ibid.



about the Reactivation Project: “We cannot compete with those quantities [produced by neighbouring countries], but in quality we have shown that we produce excellent coffee. In the 2020 auction our coffee came out with a price of US\$70.25 per pound, and we are ranked as one of the best coffees in the world.”<sup>12</sup> The Reactivation Project, initiated by the Ecuadorian government, aims to relaunch the coffee sector to counter the fall in production over the last 10 years.

Loja, Quito, Pichincha, Intag, Imbabura and, most recently, Cuenca, Azuay and Zamora are the main areas where specialty coffees are being grown. The Amazonian province of Orellana is one of the most important regions for Robusta production.

Ecuadorians consume primarily soluble (instant or powder) coffee. However, preferences are changing, and the market is developing a taste for roasted ground coffee. El Café Co. dominates the soluble coffee market. The increase in consumption of roasted ground coffee is driven by a growing coffee culture, accompanied by the opening of specialty coffee roasters and coffee outlets such as Café Vélez, Galletti, Cafecom, El Español, Sweet & Coffee, Isveglío, Cyril, Corfú and Colombia’s Juan Valdez.<sup>13</sup>

The largest company, El Café Co., which accounts for 70% of all Ecuadorian coffee exports and used to supply 10% of the world’s demand for lyophilised (freeze-dried) coffee, is currently operating just one of its two state-of-the-art plants due to high processing costs. It is now principally processing local production, buying the entire Robusta production and storing it for later processing. The second largest exporter of soluble coffee is Solubles Instantaneos CA. Inputs imported from Viet Nam are contributing to the decline in quality and market access of Ecuadorian coffee.

There are seven associations of coffee producers in Ecuador, of which four main large ones are associated under one umbrella organisation called the Regional Federation of Associations of Small Ecological Coffee Growers of the South (FAPECAFES). Associated coffee growers are certified by different combinations of organic, Fairtrade and Simbolo de Pequeños Productores (SPP, Symbol of Small Producers),<sup>14</sup> which allows them to promote sustainable coffee production. Specifically, coffee production in rural Ecuador plays an important role in many dimensions of sustainable development. Therefore, coffee associations and organisations seek to contribute to sustainable development and engage in certification to access markets and promote their responsible production. Certifiers such as BCS OKO (certifying agency for organic production), the Fair Trade Labelling

12 Ecuador Times (2021) The coffee sector plants its hopes in a new reactivation plan and in resources promised by Guillermo Lasso to agriculture. *Ecuador Times*, 29 April. <https://www.ecuadortimes.net/the-coffee-sector-plants-its-hopes-in-a-new-reactivation-plan-and-in-resources-promised-by-guillermo-lasso-to-agriculture/>.

13 F. Quito (2019) Ecuadorian competitiveness in Production of Soluble Coffee. *Coffee Annual Report*. Washington,

DC: US Department of Agriculture.

14 Available at <https://spp.coop/?lang=en>.

Organisation International (FLO, coordinator of the Fairtrade brand internationally) and SPP qualify local coffee production.

### III. DEMAND

#### 1. Import trends and markets

The production and export of coffee in Ecuador began a drastic decline in 2011. Since then, worldwide exports of Ecuadorian coffee beans have decreased by 84% by volume, and exports of soluble coffee by 61%. Contrary to most countries, Ecuador does not currently levy any fees or export taxes on coffee exports.<sup>15</sup> This is a government strategy to allow the Ecuadorian coffee business to be competitive on the global market. The volume of imports has also fallen gradually, partly because they are directly linked to the production and export trends of soluble coffee and partly due to investments in domestic production. As can be seen in Figure 8, since 2002, Ecuador has been importing more and more coffee, mainly from Brazil and Viet Nam. Since 2012, import volumes have even exceeded exports from Ecuador, mainly due to the shift in production to soluble coffee, which is lighter in weight when exported than its imported inputs (green beans). It was necessary for Ecuador to start importing green beans to increase soluble coffee production to meet the demand from Europe.

About half of the total of 13,212 metric tonnes exported from Ecuador to the rest of the world in 2019 went to the 28 Member States of the European Union (EU28), and a third to the rest of the European continent (mainly Russia).<sup>16</sup> Demand for certified organic coffee is growing rapidly in the EU, making this an interesting niche within specialty coffee. Ecuador is already exporting most of its production to the EU; however, to further develop the specialty coffee market segment, companies need to invest in transparency and traceability, as the current demand goes beyond even

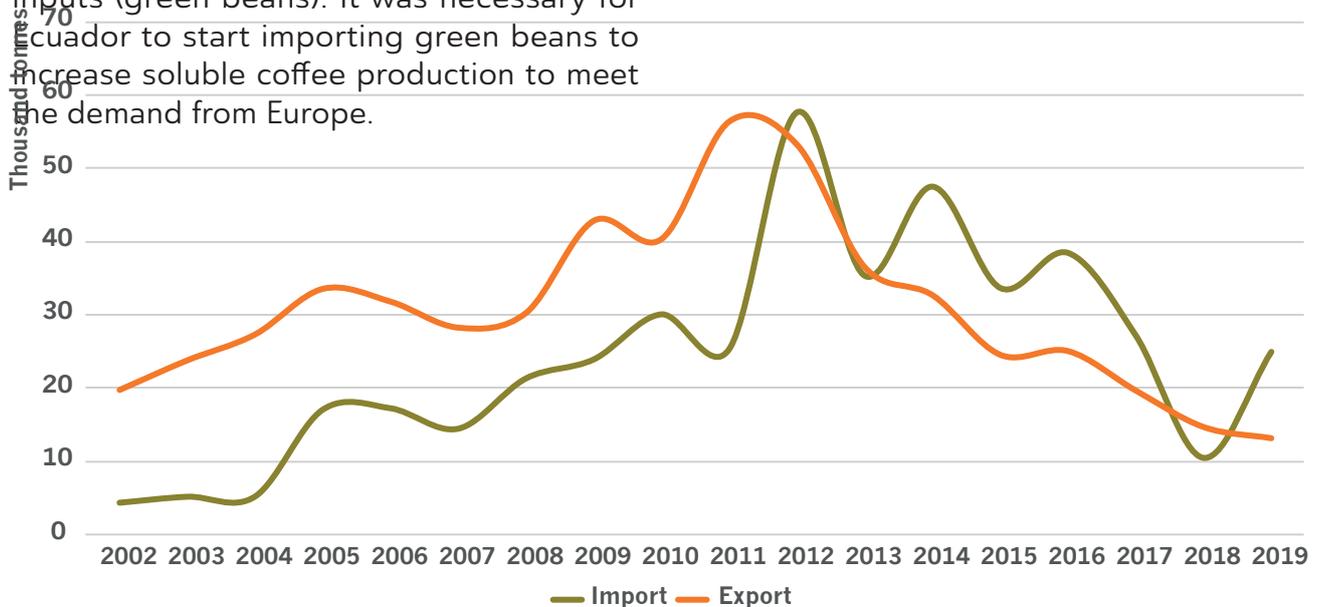


Figure 8: Trade flows between Ecuador and the rest of the world for all coffee types: green coffee beans, decaffeinated coffee, roasted coffee and coffee substitutes containing coffee, between 2002 and 2019, by volume.

Source: COLEAD, based on CEPII BACI and Eurostat.

<sup>15</sup> Ministry of Agriculture and Livestock cited in : USDA (2019). Ecuador : Coffee Annual : Ecuadorian Competitiveness in Production of Soluble Coffee has Vanished.

<sup>16</sup> COLEAD, based on Eurostat and CEPII BACI.

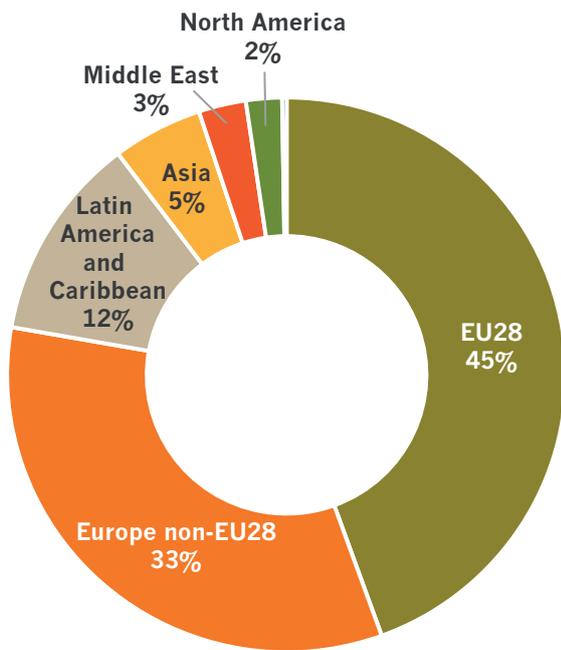


Figure 9: Coffee exports (all coffee types) from Ecuador to the world's regions in 2019, in percentage of volume (total export: 13,212 tonnes).  
 Source: COLEAD, based on CEPII BACI and Eurostat.

When considering in detail the main markets for Ecuadorian coffee (the EU28 and non-EU28 European countries), two different trends can

be observed which are representative of all exports from Ecuador. Exports of green coffee beans (excluding decaffeinated, HS 090111) fell dramatically between 2003 and 2015 (Figure 10) but have stabilised recently. The main importers in Europe are Germany and, increasingly over the last 10 years, France.

Soluble coffee exports from Ecuador to Europe (Figure 11) follow closely the trend of Ecuador's imports of green beans (Figure 8). The trend is very different from that of exports of green beans. Soluble coffee exports showed strong growth until 2012, driven mainly by exports to Germany, Poland and Russia. The fall from 2013 onwards is mainly due to reduced exports to Poland. It is difficult to tell why Ecuador has lost market share in Poland, since both the soluble and specialty coffee markets are demonstrating stable growth. Most probably, Ecuador lost out to large traditional exporters such as Germany and new competitors such as India, Spain, France and Brazil. More generally for the European market, we can see that Viet Nam has taken Ecuador's place in the top 10 countries of origin for soluble coffee. Instead of selling its green beans to Ecuador, Viet Nam has started to complete the process domestically and compete on the European markets (Figure 12). This has probably had a



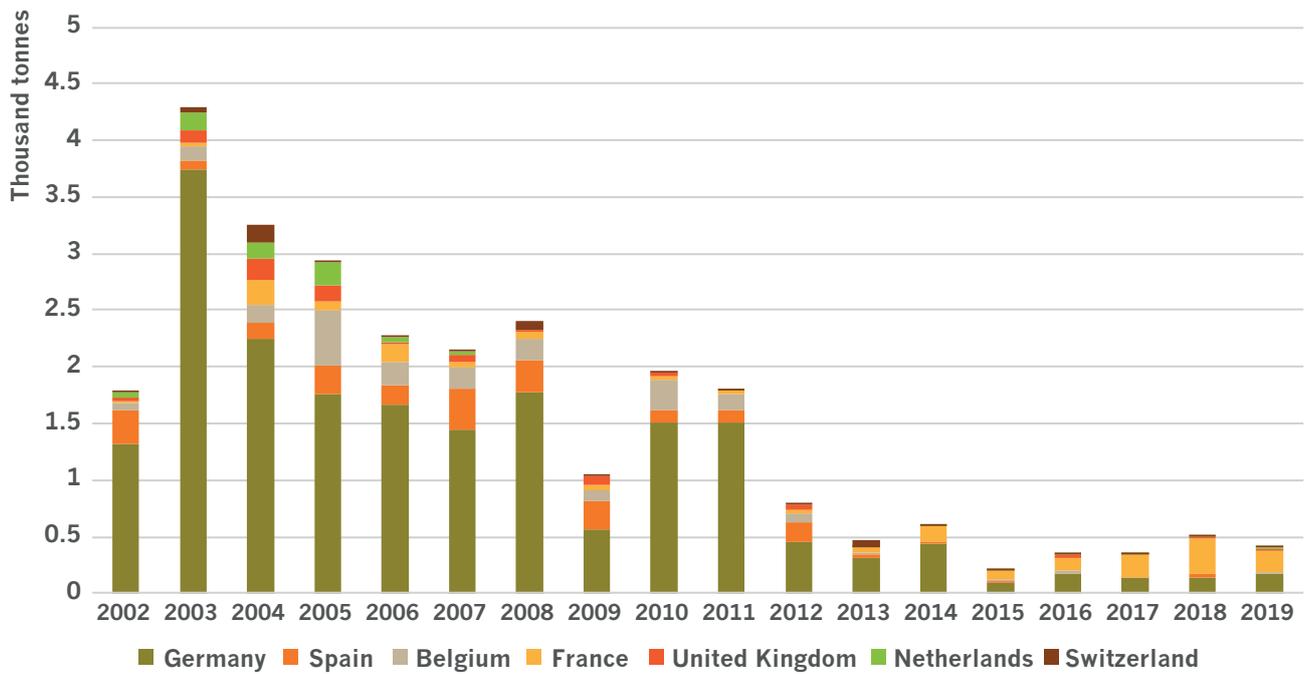


Figure 10: Main exports of green coffee beans (HS 090111) from Ecuador to EU28 and non-EU28 countries between 2002 and 2019, by volume. Source: COLEAD, based on CEPII BACI and Eurostat.

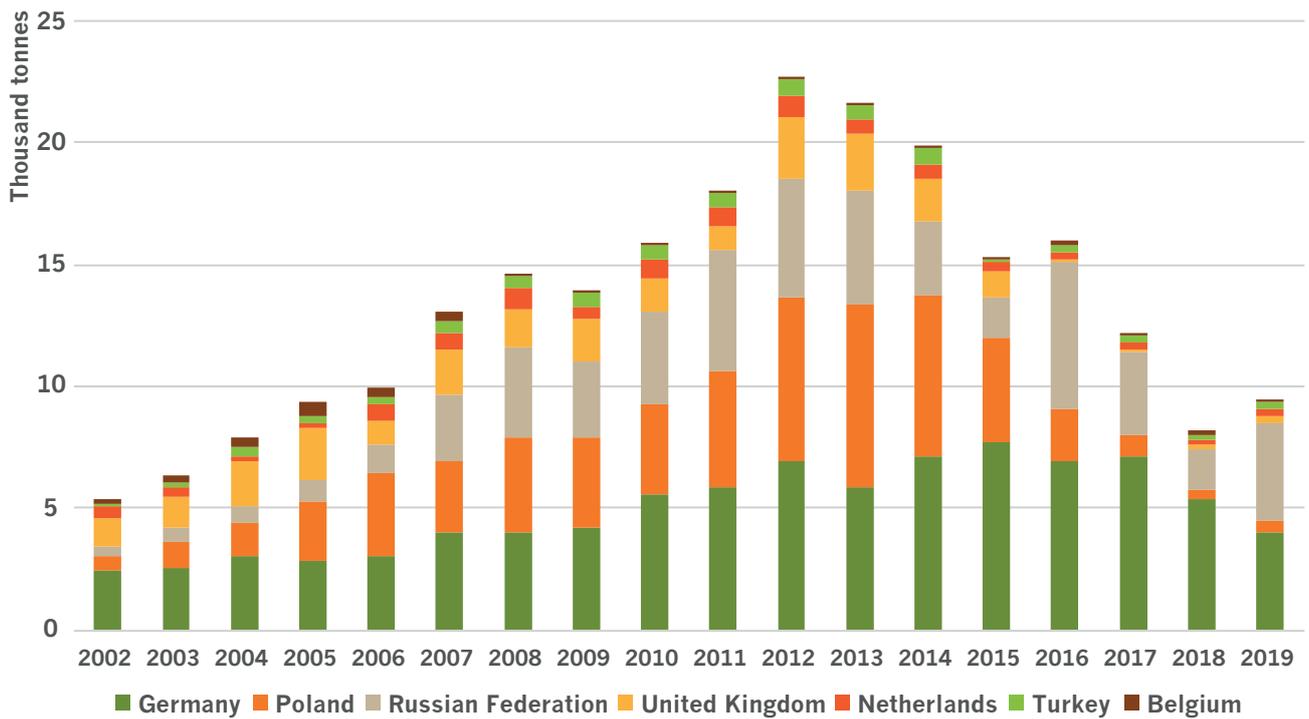


Figure 11: Main exports of soluble coffee (HS 210111) from Ecuador to EU28 and non-EU28 countries between 2002 and 2019, by volume. Source: COLEAD, based on CEPII BACI and Eurostat.

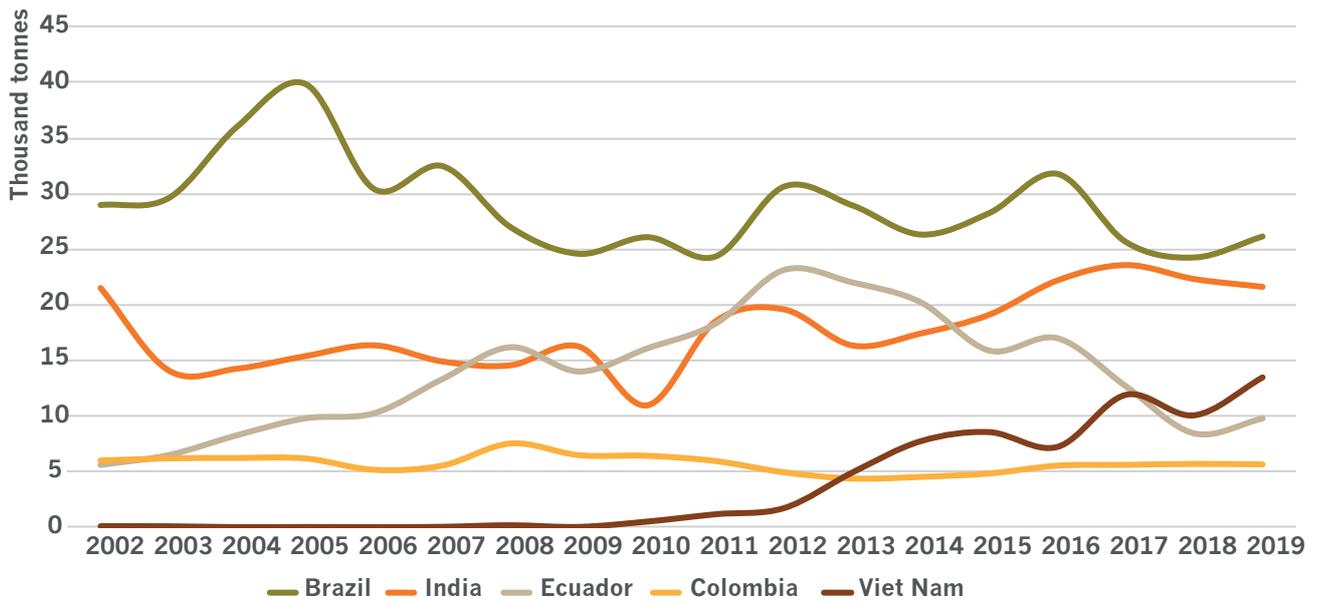


Figure 12: Soluble coffee exports for the top five soluble coffee exporters to Europe between 2002 and 2019, by volume. Source: COLEAD, based on CEPII BACI and Eurostat.

negative impact on Ecuador’s competitiveness. Of all coffee-growing countries, Ecuador is still among the top five soluble coffee exporters to Europe.

In general, and in contrast to Ecuador’s export trend, the European markets for both green beans and soluble coffee keep growing (Figure 13). The main European importers in 2019 were Germany, Italy and Belgium. Germany was the destination for 1.1 million tonnes of coffee. For

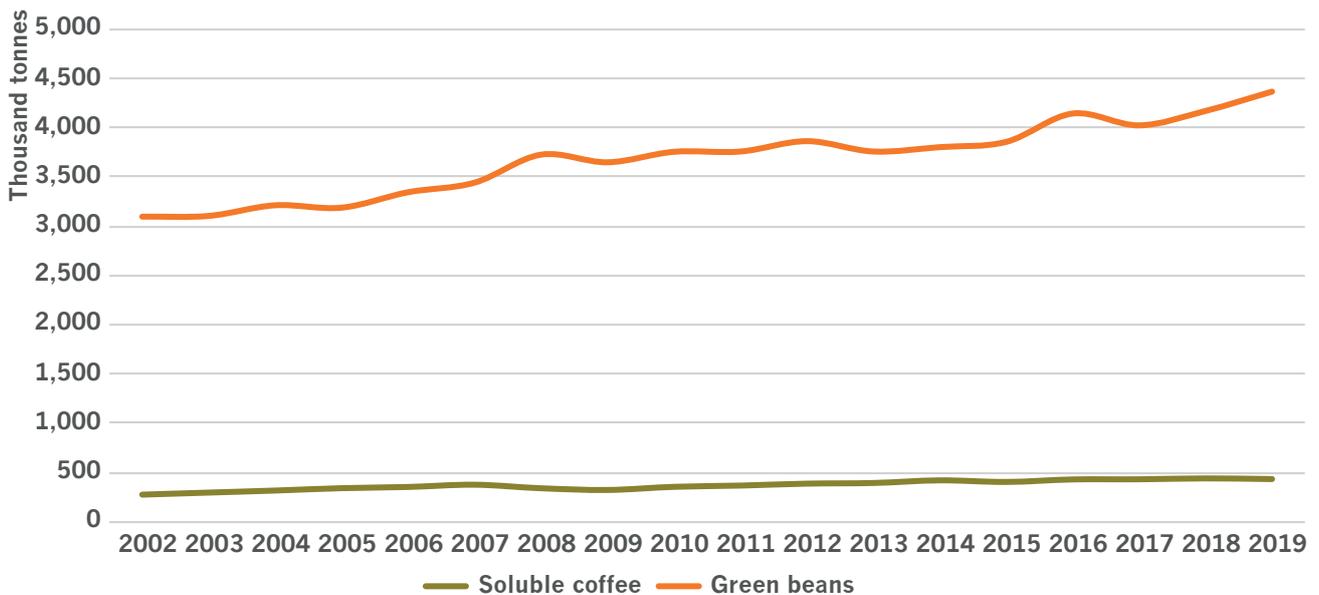


Figure 13: Total imports of green coffee beans (excluding decaffeinated) and soluble coffee by Europe between 2002 and 2019, by volume. Source: COLEAD, based on CEPII BACI and Eurostat.

soluble coffee, the Russian Federation, Poland and Germany were the largest importers in 2019, with 32,800, 10,500 and 9,700 tonnes, respectively.

Table 10: Wholesale coffee prices in Ecuador (US\$/60kg bag of green coffee beans).

Month	Arabica (green)			Robusta (husked beans)		
	2017	2018	% Change	2017	2018	% Change
January	264.35	240.74	-8.9	94.61	76.10	-19.6
February	264.35	240.74	-8.9	91.60	74.38	-18.8
March	264.35	240.74	-8.9	91.80	76.18	-17.0
April	287.58	240.74	-16.3	90.36	78.65	-13.0
May	290.38	240.74	-17.1	89.12	84.05	-5.7
June	296.76	240.74	-18.9	92.75	86.38	-6.9
July	290.58	240.74	-17.2	96.35	87.82	-9.0
August	291.04	224.87	-22.7	98.16	88.13	-10.2
September	286.23	206.35	-27.9	96.79	87.11	-10.0
October	298.28	187.11	-37.3	93.71	84.11	-10.3
November	314.82	176.55	-43.9	87.81	81.63	-7.0
December	314.82	174.61	-44.5	76.91	80.37	4.5
Average	288.63	221.22	-23.4	91.66	82.07	-10.5

Source: FAS Quito Office Research.

In Ecuador, coffee prices have decreased for several years. Prices for specialty coffee, on the other hand, are less volatile and have remained high, mostly due to agreements between producers and coffee importers/roasters. These direct agreements also involve risks, as smallholder farmers become directly dependent on a limited number of buyers and might have little bargaining power on prices.

Globally, 2018 was another crisis year for Arabica coffee, with one of the largest price decreases in 12 years, followed by a record low in 2019. The COVID-19 pandemic clearly aggravated the situation, although current prices for commodity coffee are returning to relatively high, pre-pandemic levels (e.g. US\$1.74/kg at the beginning of August 2021). Contrary to world market prices for major food



17 See the section “Access to the EU market” for more information about certification and labels.

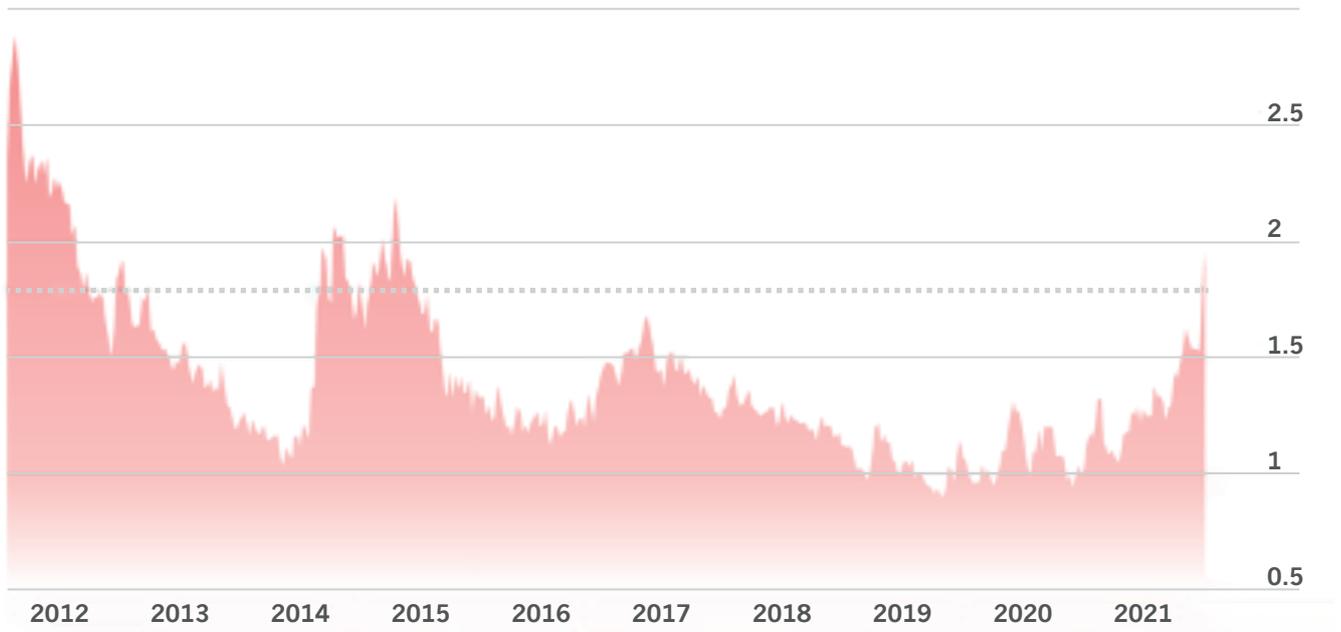


Figure 14: An indication of the volatility of the global coffee market: commodity coffee prices between 2012 and 2021, in US\$/kg. Source: <https://www.nasdaq.com/market-activity/commodities/kt:nmx>.

Prices for specialty coffee are much higher. An overview of a selection of specialty coffee prices for Ecuadorian coffee in Europe and North America is provided below.

As an example, the website [www.sensecuador.com](http://www.sensecuador.com) has several offers for Ecuadorian premium coffee. One, referred to as “specialty”, proposes roasted beans from the brand Vélez for US\$110/kg. Another offer on this website proposes beans or ground Intag coffee from the same brand for US\$85/48 oz, which equates to about US\$65/kg.



Specialty coffee (left) and premium coffee (right) from the Vélez brand ([www.sensecuador.com](http://www.sensecuador.com))

Another example is the brand Cantata, which is selling Ecuadorian organic specialty coffee beans from the Galapagos Islands at very interesting prices. The product is sold on [www.bol.com](http://www.bol.com) at €35.95/300 g, which means about €120/kg.



Specialty coffee from the Cantata brand ([www.bol.com](http://www.bol.com))



Coffee presentation of the Wild Coffee brand ([www.bol.com](http://www.bol.com))



A third example is the brand Wild Coffee, selling Ecuadorian coffee at cheaper but still very interesting prices. The website <http://www.bol.com> is selling three packs of 500 g of coffee for €42.50, which equates to €28.33/kg.

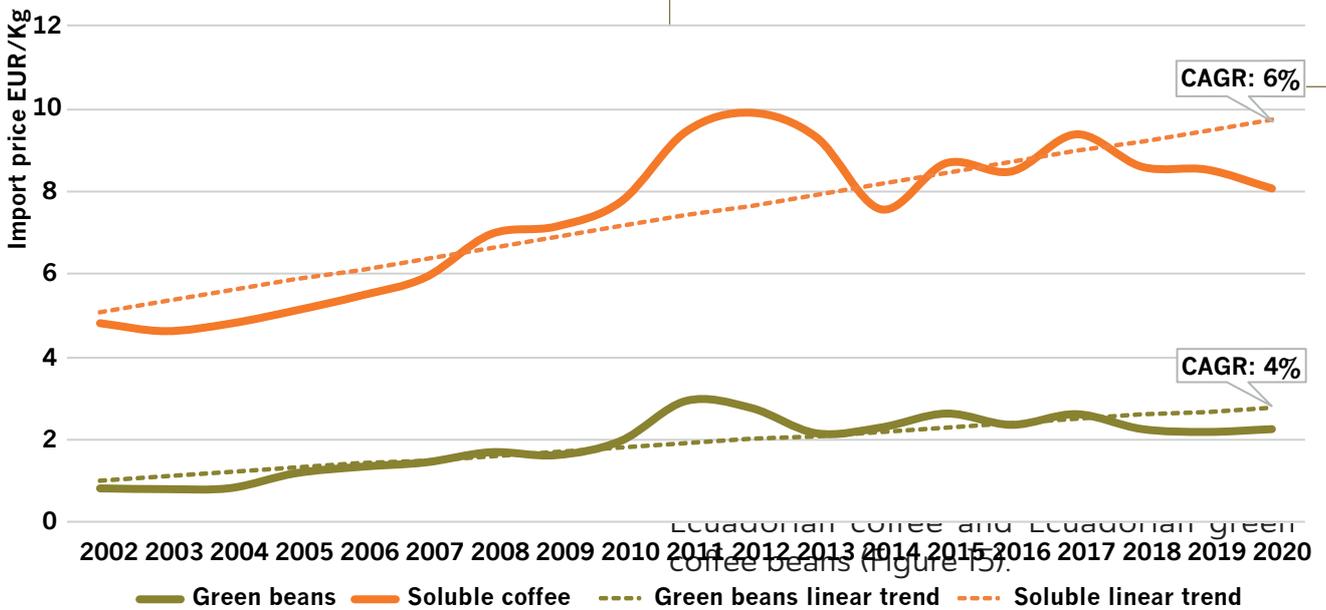


Figure 15: Specific price trends for average annual import prices (CIF, EUR/kg) in the EU28<sup>18</sup> for Ecuadorian green coffee beans and soluble coffee. Prices are deflated based on the HICP base year 2015. Dotted lines represent the linear trends. Source: COLEAD, based on Eurostat.

18 Since 2020, the UK is no more considered in the European Union and it became EU27. However, to calculate average prices, it does not show any significant change.

## 2. Market access

Coffee beans are mainly exported in 60 kg bags made of jute or hessian natural fibre, but may be 69 kg in Central America and Colombia. Coffee should be protected from high humidity levels by being allowed to breathe. For specialty coffees, producers are mostly using innovative materials, such as from Grainpro or Videplast, to fully control the coffee conditions, before packing it in bags. These materials keep out oxygen and moisture and are hermetically sealed to improve storage and retain the flavour of the beans.

Coffee beans are generally transported by container, which is the case for approximately 95% of European coffee imports. The coffee beans require particular temperature and humidity conditions, and possibly ventilation. It is common to select ventilated containers. The storage factor for a 60 kg jute bag is 1.90m<sup>3</sup>/t.



Figure 16: Left: Ecuadorian jute 60 kg bag of organic certified coffee. Source: Galapagocoffee.com. Right: Jute 60 kg bags of organic certified coffee and bags with Grainpro liner. Source: Grainpro.com.

The labelling of food and beverages is strictly regulated. However, coffee is an exception, since US and EU food labelling legislation does not apply to bulk products, such as green coffee beans, and there is also an exception for soluble coffee. Nevertheless, specific practices still also apply to bulk products to ensure product identification. Information such as the product name, ICO code, country of origin, grade and net weight in kg is compulsory.

For certified coffee, label information should include name, logo and code of the inspection body and certification number. The label helps the consumer to see on the final package the guarantee of sustainable cultivation, restricted use of pesticides and fertilisers, no genetic modification, and a fair wage for farmers. Organic and Fairtrade, once considered standards for niche markets, are becoming increasingly prevalent in the global coffee market. Commonly, coffee labels also go beyond certification and include other information on the provenance, the altitude, the region of origin, direct trade, etc.

For soluble coffee, the UK Coffee Extracts Regulations (2000) set rules for labelling in terms of coffee content – for example, “preserved with X”, “with added X” or “roasted with X” – while for the EU an indication of the minimum coffee- or chicory-based dry matter content as a percentage by weight of the finished product is also obligatory.<sup>19</sup>

<sup>19</sup> For more information on the UK market, see Food Standards Agency (2000) The coffee extracts and chicory extracts 2000, Regulation 5. <https://www.gov.uk/guidance/food-standards-labelling-durability-and-composition#soluble-coffee>. For the EU27 market, see: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3A121131>, EUR-Lex, Directive 2000/13/EC.



### Access to the EU market

European consumers are increasingly looking for products that are ethically sourced, from both a social and an ecological point of view, especially coffee. This makes certification standards important facilitators for accessing the EU market.

For green coffee beans, the main certifications are the **Rainforest Alliance**, which can be obtained through a single auditing process, and the **4C Association** (Common Code for the Coffee Community), which is focusing on a code of conduct through various aspects of coffee production.

For niche markets, such as the Fairtrade market for specialty coffee, which is steadily growing, companies must comply with the FLO. The Fairtrade label indicates, among other things, that producers are paid a Fairtrade minimum price.

**Fair for Life** is another example of a private sustainability standard for companies which demonstrate decent working conditions and commit to fair sourcing and responsibilities towards their primary producers.<sup>20</sup>

The **EU Organic Farm** logo is designed to provide a clear structure for the production of organic goods across the whole of the EU.

Imported products may optionally use the logo when the product conforms to the EU rules on the import of organic goods. This is to satisfy consumer demand for trustworthy organic products, while providing a fair marketplace for producers, distributors and marketers.

Concerning food safety, there are no specific regulations for coffee when it comes to sanitary issues. Indeed, the legislation surrounding coffee imports is the General Food Law ([\(EC\) No 178/2002](#)), which ensures the quality of food products throughout the supply chain. Regulations concerning the processing of coffee are rarely barriers to trade, as coffee is mostly processed in the country of destination. It is, however, important to respect the maximum residue limit (MRL) for pesticides. Any product above the limit will be immediately banned. Certain limits for solvents used in the decaffeination process should also be observed. More information may be found in the directive [2009/32/EC](#).

It is still possible that buyers want the exporting company to respect other standards such as ISO 9001, ISO 22000 or hazard analysis and critical control points (HACCP). GLOBAL.G.A.P. certification is also a way to reassure buyers about food safety. GLOBAL.G.A.P. has a special standard for green coffee.

Access to the EU market is through two different export channels: one for soluble coffee and one for specialty coffee (Figures 17 and 18). The main difference between the two supply

<sup>20</sup> More information is available at [https://www.fairforlife.org/pmws/indexDOM.php?client\\_id=fairforlife&page\\_id=home](https://www.fairforlife.org/pmws/indexDOM.php?client_id=fairforlife&page_id=home).

chains is the possibility for specialty coffee producers to shorten the chain by selling their product directly to coffee roasters, whereas few direct links are possible in the supply chain for soluble coffee. Moreover, the supply chain for soluble coffee mainly relies on imports from other countries, which represent a large proportion of production.

Also, importers play a crucial role in the specialty coffee chain, as they can act like supply chain managers, performing quality

control and managing price fluctuations. They also tend to favour long-term partnerships with trusted producers. The main advantage of this supply chain is that also smaller Ecuadorian producers can sell low volumes of high-quality coffee directly to importers. Indeed, direct trade relations and high levels of traceability and transparency characterise the specialty coffee segment. The specialty coffee value chain increases the possibility of achieving a more efficient and equitable

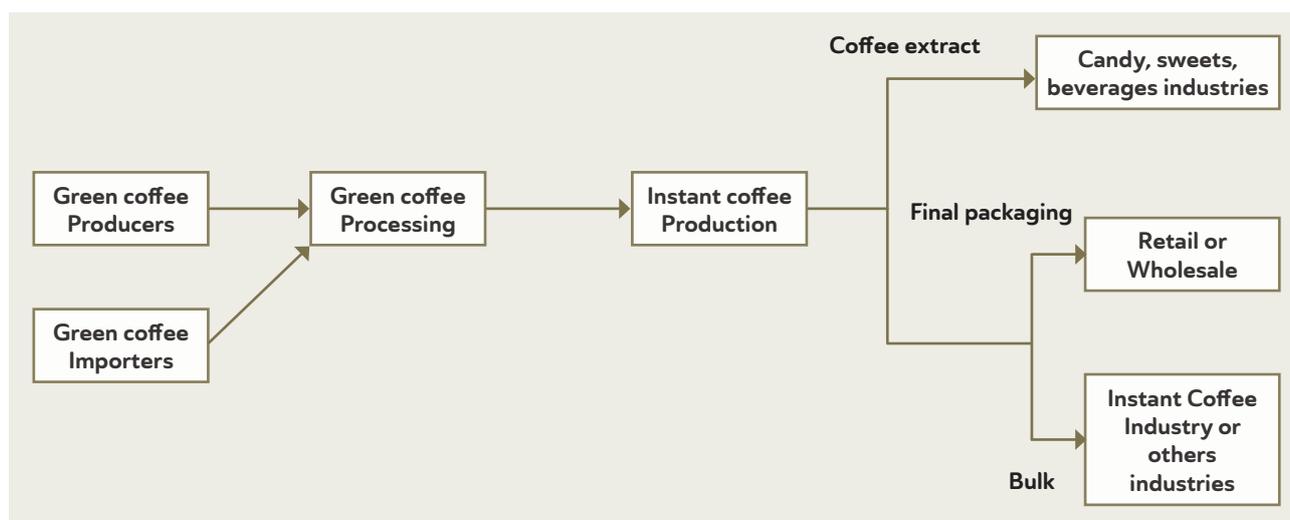


Figure 17: Export channels for soluble coffee. Source: Neves, L., Hamacher, S., and Scavarda, L. (2012). *Outsourcing from the perspectives of TCE and RBV: A multiple case study.*

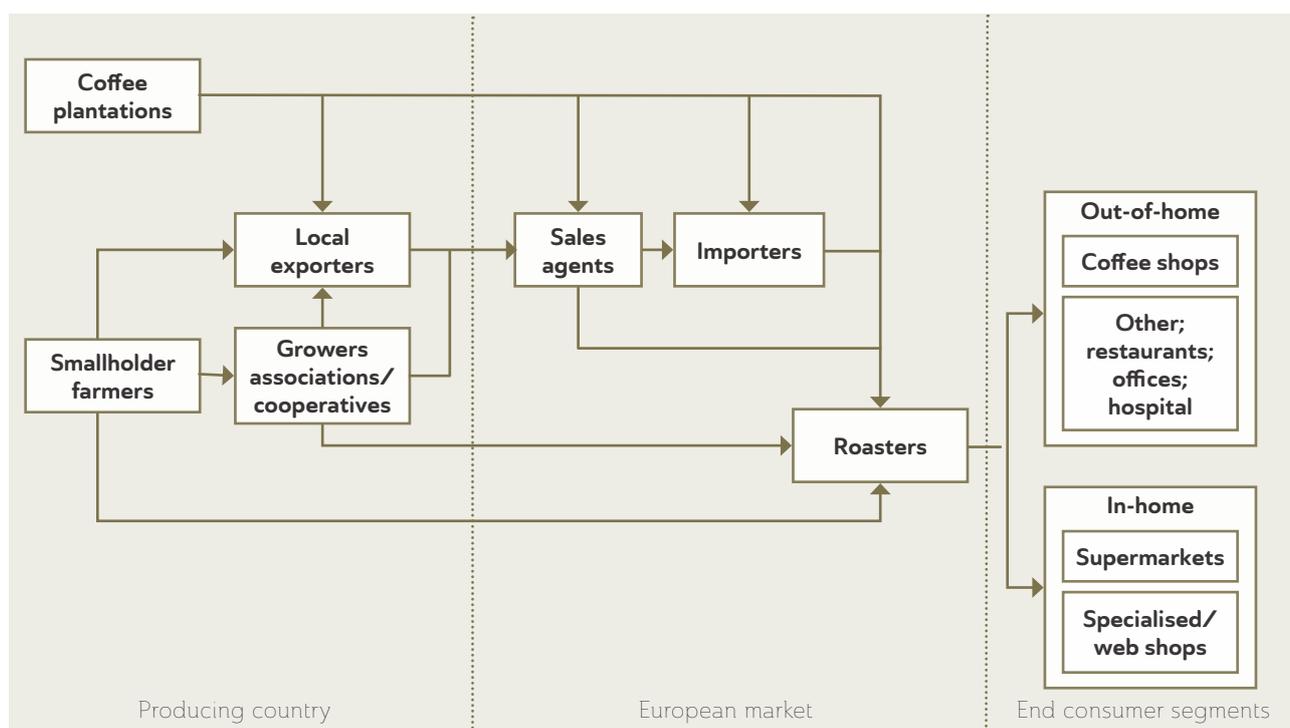


Figure 18: Main export channels to Europe for specialty coffee. Source: CBI (2021), *Entering the Eastern European coffee market.*



distribution of prices across different actors along the chain.<sup>21</sup> Importers of specialty coffee such as Cafe Imports Europe, Rehm & Co. and Touton Specialties Coffee (Germany), Trabocca, The Coffee Quest, This Side Up and Daarnhouwer (Netherlands), Belco (France), Sucafina Specialty (Belgium), Falcon Coffees (UK), Imperator (Italy) and Nordic Approach (Norway) are all able to buy small volumes of high-quality coffee.

Upcoming competitors for Ecuador in the specialty coffee market are Brazil and Colombia. These countries are also increasingly accessing the European specialty coffee market through specialised importers.

### 3. Opportunities for soluble and specialty coffee

On the production side, the **organisation of producers in associations and cooperatives** remains an important opportunity. An example of such an association in Ecuador is the Federación Regional de Asociaciones de Pequeños Cafetaleros Ecológicos del Sur (FAPECAFES). Members generally have a better understanding of conservation practices and crop management due to the training that is made accessible through the

association in collaboration with different public technical assistance agencies. It has been demonstrated that coffee growers who belong to such associations also demonstrate better practices in terms of respect for the environment.<sup>22</sup> Furthermore, being part of a cooperative or association can have many other benefits – for example, it can increase growers' bargaining power on selling prices and costs of inputs, and can also help enlarge the social network of farmers, facilitate the exchange of good practices, etc.

Another opportunity on the production side might be the further expansion of Ecuadorian coffee production to **substitute green bean imports** from abroad. Depending on the future trends in import prices of green beans from countries such as Viet Nam, which are increasingly processing their production domestically, this might become viable again.

In addition to the use of commodity coffee for the production of soluble coffee, the **new trend of soluble specialty coffees** might represent a new opportunity for the Ecuadorian soluble coffee industry. Technological innovations in the existing industry could allow higher-quality and higher-price specialty soluble coffee to be produced using locally grown specialty beans. While soluble coffee demand originally

<sup>21</sup> More information can be found on the CBI website at <https://www.cbi.eu/market-information/coffee/specialty-coffee/market-entry>.

<sup>22</sup> J.M. Samaniego Garcia and A. Quezada Pardo (2021) Associativity, sustainability and certifications in coffee production in Southern Ecuador. *Revista de coyuntura y perspectiva*, Vol. 6, No. 2, pp. 33–59.



mainly comes from developing markets, due to its affordability and convenience, there is new, growing demand in developed markets such as the USA, Asia and the EU for soluble specialty coffees. The COVID-19 pandemic might have accelerated this trend. Consumers appreciate the ease of brewing instant coffee when working from home, while still appreciating high-quality coffee. Several major consumer coffee brands are now offering soluble specialty coffee in pods to enter this lucrative market. For example, after announcing a partnership in 2018, Starbucks and Nestlé launched a “premium” soluble coffee line in February 2020. The international market is wide and could present significant opportunities for this type of coffee.

#### 4. Future outlook regarding the COVID-19 crisis

The ongoing socio-economic disruptions caused by the COVID-19 pandemic pose a huge challenge for the global coffee industry. Global coffee consumption has declined, prices have fallen, producers are facing farm labour shortages, production costs have

increased, coffee harvests are expected to be lower, and investments have decreased in the sector, at least in the short term. The impacts of the pandemic are unprecedented, but it also highlights the global coffee sector’s fundamental susceptibility to recurring crises. It, therefore, requires transformational change to deliver sustainable and equitable forms of resilience across the sector.<sup>23</sup> New regulations and shorter value chains can increase returns for farmers in the specialty coffee market, and avoid vulnerability to the global price fluctuations of the commodity coffee market.

Current coffee value chains are challenged to **better recognise the value produced by small-scale producers**, while at the same time developing essential but under-recognised parts of the production process, such as human health, food security and sustainability.

23 Kevon Rhiney, Zack Guido, Chris Knudson, Jacques Avelino, Christopher M. Bacon, Grégoire Leclerc, M. Catherine Aime and Daniel P. Bebber (2021) Epidemics and the future of coffee production, *Proceedings of the National Academy of Sciences*, Vol. 118, No. 27 (July). e2023212118. DOI: 10.1073/pnas.2023212118.

## V. SWOT ANALYSIS AND CONCLUSIONS

### 1. Soluble coffee

Opportunities	Threats
<ul style="list-style-type: none"><li>Large local companies are interested in sourcing their raw materials (at least partly) from Ecuador</li><li>Imports of green beans are large, which means there is room for import substitution if the local production is increasing</li><li>Despite the mixed opinions concerning implementation of the Ecuadorian government's Coffee Reactivation Project, the project indicates the government's will to invest in the sector</li><li>Demand for soluble coffee is increasing, and the production chain is established in Ecuador</li><li>Ecuador is an important player in the EU and non-EU soluble coffee markets</li><li>Specialty soluble coffee might be an interesting niche market to enter for Ecuadorian producers</li><li>Associations and cooperatives can foster more robust partnerships between academic and research institutes, government agencies, etc., which can lead to more cost-efficient and sustainable production</li></ul>	<ul style="list-style-type: none"><li>Low market prices which do not cover the high processing costs</li><li>Dependency on Viet Nam and Brazil, from where the raw material is imported</li><li>Importing coffee will become more expensive due to rising freight costs</li><li>Local commodity coffee production has stagnated</li><li>The domestic market is evolving towards consumption of higher-quality coffee</li><li>New competitors in the market, such as Viet Nam and India</li></ul>

### 2. Specialty coffee

Opportunities	Threats
<ul style="list-style-type: none"><li>Higher prices that cover the production costs</li><li>Prices are more stable</li><li>Funding possibilities through various projects such as the Ecuadorian Coffee Reactivation Project, Save the Cloud Forest, Café Mujeres, etc.</li><li>Growing domestic and regional markets</li><li>Growing markets in Europe and the USA, and long-term partnerships can be established with importers</li><li>Going organic and achieving certification is a way to obtain better prices and enter the niche market</li><li>Making high-quality coffee is part of the country's history</li></ul>	<ul style="list-style-type: none"><li>Small production quantities for each type of specialty coffee, and often few possibilities to expand the scale of production</li><li>High dependence on relationships with a limited number of buyers</li><li>High costs for private sustainability standards</li><li>More intensive and expensive production to meet the requirements of being a specialty coffee</li></ul>

### 3. Conclusion

Ecuador is still one of the top coffee producers in the world in terms of high-quality specialty coffees and the quantity of soluble coffee it produces. The coffee sector plays an important role in Ecuador's economic development, even though it is not the largest contributor to the country's GDP. The combination of the coffee leaf rust outbreak in 2013, meteorological effects and the 2018 coffee price crisis had a severe impact on the production of green coffee beans in Ecuador. A shift took place from exports of commodity coffee to exports of soluble coffee, increasingly produced using imported green coffee beans from Viet Nam and, to a lesser extent, Brazil.

Ecuador is a well-known player on the European market for soluble coffee but has been losing significant market share in countries such as the UK and Poland since 2013 to new competitors such as India and Viet Nam.

The highly volatile nature of commodity coffee prices greatly affects smallholders. To survive, smallholders should be supported to increase the quality of their production, which could allow them to penetrate the specialty coffee market. Associations and cooperatives could facilitate this.

Certification is another important way to enter the specialty market. The demand for more details on the origin, manufacturing process and certification of products among US and European consumers is growing.

However, costs of certification should not be underestimated and might be prohibitive for small farmers

The production of soluble specialty coffee may be worth considering, as the common soluble coffee market, which is Ecuador's main market, is very competitive. Specialty soluble coffee might achieve higher prices and form a new niche market in which Ecuador could become very competitive, being both a producer of specialty coffees and a processor of soluble coffee.

The COVID-19 pandemic has had unprecedented impacts and also highlights the global coffee sector's fundamental susceptibility to recurring crises. The need for transformational change to deliver sustainable and equitable forms of resilience across the sector has grown. Therefore, the initiatives of local Ecuadorian producers such as El Café Co. are essential to counter climate change, support women in the sector and establish long-term processes that are resilient to shocks in the future.

In such a context, the partnership between upstream and downstream participants in the Ecuadorian coffee value chain makes even more sense to keep the smallest producers in promising market segments. New technologies could play a role in ensuring transparency and consolidating relationships along the value chain from producer to consumer.



## VI. APPENDIX: MAIN PROBLEMS OF THE COFFEE SECTOR AND THE PALO BEAN



Figure 19: Ministry of Agriculture and Livestock surveys, 2020

Smallholder coffee farmers and leaders in Ecuador state that **the increase in the use of agrochemicals experienced in recent decades is related to the strong incidence of sales agents in the region**, who introduce themselves as “advisers” while delivering biased analyses with a lack of control over dosages. They also state that it is due to new cultivation practices, which are increasingly aligned with monocultures practised widely in other areas of the country. These forms of cultivation are shown to have less resilience against pests and diseases. **The intensity of land use**, marked in large part by the expansion of the agricultural frontier and the reduction in forest cover on farms, **is much lower in coffee production only than in other types** of production (cocoa, palm oil), making it more desirable in environmental terms.<sup>24</sup>

In young coffee farms under different shade and farming practices, infestation rates of the coffee berry borer and the brown twig beetle were significantly (up to 7%) higher when more intensive and conventional practices were applied, compared with organic practices at the same input level or lower intensity.<sup>25</sup>

24 O. Viteri Salazar, J. Ramos Martin and P. Lomas (2018) Livelihood sustainability assessment of coffee and cocoa producers in the Amazon region of Ecuador using household types. *Journal of Rural Studies*, Vol. 62, August, pp. 1–9.

25 Kevin Piato, Cristian Subía, Jimmy Pico, Darío Calderón, Lindsey Norgrove and François Lefort (2021) Organic Farming Practices and Shade Trees Reduce Pest Infestations in Robusta Coffee Systems in Amazonia. *Life*, Vol. 11, No. 413. <https://doi.org/10.3390/life11050413>.

### Palo bean

The Palo bean, also known by its scientific name *Cajanus cajan*, belongs to the family of *Fabaceae* and is one of the varieties of beans that exist in Latin America, Africa and Asia. It is exported to the United States and Europe but is native to India and the Near East. The bean is a shrubby legume with alternating trifoliolate leaves, like that of the pea, of cream colour, light grey, mottled, dotted or marbled with grey. This shrub can reach up to 3 metres in height, and its stem can have an approximate diameter of 1–4 cm.

In the province of Manabí, stick beans are the crop that has developed the most in recent years, since they are very profitable to plant, easy to grow and are currently exported, so they represent a new business opportunity.<sup>26</sup> Technical studies and financial analysis of production reveal that the production of traditional coffee from stick beans is viable on a micro, small or medium scale, as a new investment.

26 Silvia Lilibeth Pin Sancán, Zelena Jazmín Sancán León and Telly Yarita Macías Zambrano (2021) Feasibility of the production of traditional palo bean coffee: an ancestral vision in barranco colorado. *International Journal of Economic Perspectives*, Vol. 15, No. 1.



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