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Better Coffee: Bringing Sustainable Coffee to New Zealand



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Recent decades have seen strong growth in the sustainable coffee market, as buyers and sellers along the coffee value chain have become more conscious of both environmental impact and the socio-economic challenges facing farmers in coffee-producing countries. The movement has been embraced by multiple stakeholders, from producers to customers.

While sustainable coffee is believed to have made a positive impact, various challenges remain today. In this case, we explore the unique challenges in sustainable coffee production and trade faced by different stakeholders in Indonesia and New Zealand, and examine how they go about solving these issues.



Companies

PT Javanero Indonesia

Javanero is a privately-owned specialty coffee producer, based in West Java, Indonesia. It was founded in 2012 by Indradi Soemardjan and his partners. Having had a successful career in private equity, Soemardjan decided to pursue a more fulfilling career and pivoted into sustainable agriculture. The business specialises in producing high-quality specialty coffee on the high-elevation plantations of Java Island and delivering a farm-to-cup experience to its customers. While Javanero's products are predominantly consumed in the domestic market, the company is growing its international presence with exports to Singapore, New Zealand, and Belgium. Today, Javanero employs about 30 people across the business.

Sustainable Coffee Platform of Indonesia (SCOPI)

SCOPI is a non-profit organization started by multiple stakeholders in Indonesia in March 2015. It was established with a vision to promote and enhance public private partnership in coffee production and trade. The objective of SCOPI is to create a clear collective development vision in the coffee sector and become a platform that enables innovation for the sustainable development of Indonesia's coffee value chain. SCOPI is also affiliated with the Global Coffee Platform.

Although other initiatives working on sustainable agricultural commodities already existed, SCOPI is the first to focus on the Indonesian coffee sector and embrace a holistic multi-stakeholder approach. It engages Indonesian stakeholders involved in coffee production and trade around collective learning and action. SCOPI also promotes collaboration with other national coffee associations to achieve the ultimate goals of improving farmer livelihoods, creating greater economic opportunities for farmers, food security, and environmental sustainability.

Among SCOPI's notable achievements is the development and implementation of a training program to promote better agricultural and post-harvesting manufacturing practices. The training activities have been delivered in 15 provinces across Indonesia, where over 180 trained 'Master Trainers' passed their knowledge to more than 25,000 smallholder farmers throughout the coffee-producing areas.



John Burton Ltd

Established in 1985, John Burton Ltd is a New Zealand-owned family business, specialized in supplying high-quality green coffee beans to New Zealand's top coffee roasters. With a rich history spanning four generations, John Burton Ltd's roots started in 1936, when Herbert Burton, grandfather of the current owner and Managing Director John Burton, set up a tea importing business. Continued by Herbert's sons, Jack and Geoff, and later Jack's son, John, the company grew to become a major importer of tea and coffee until it was sold in 1982 to a French company. The family business, however, continued when John founded his own company, John Burton Ltd, in 1985.

Today, John Burton Ltd's green coffee beans are sourced from more than 20 countries around the world, including Brazil, Colombia, and Indonesia. The company also imports and distributes bulk tea and tea bags from Sri Lanka and Papua New Guinea. With around 15 people currently involved in the business, John Burton Ltd is a leading supplier of coffee beans in New Zealand.

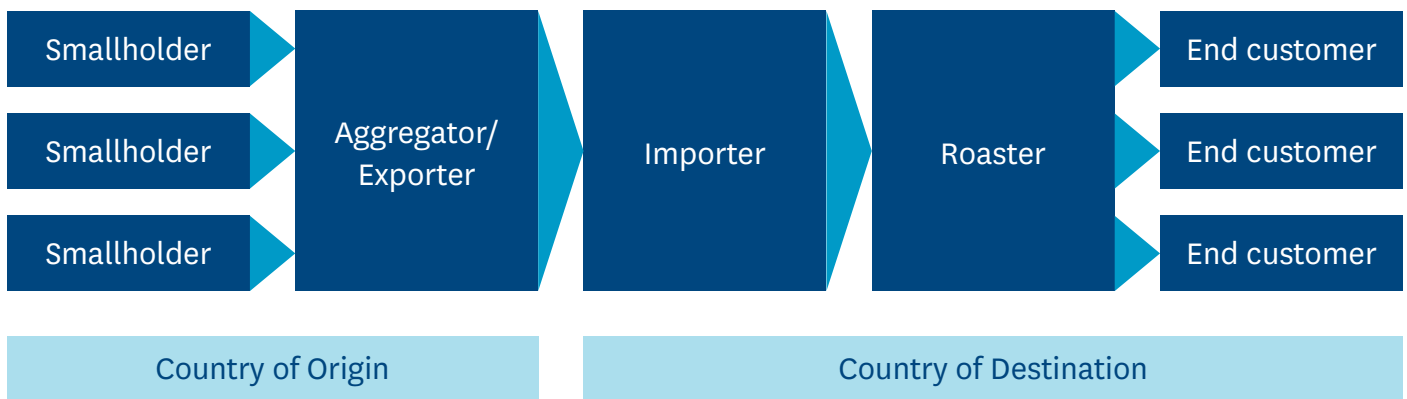
John Burton Ltd aims to build a culture of sustainability and waste reduction across the coffee supply chain. It works with the suppliers to provide full transparency and traceability of its green coffee beans to increase consumer awareness.



Challenges

The modern sustainable coffee supply chain (Figure 1) involves multiple stakeholders, with each facing unique challenges.

Figure 1



With Javanero and SCOPI representing the exporter side and John Burton Ltd providing an importer perspective, in this case study, we look at the challenges of sustainable coffee production and trade from multiple perspectives. This section summarizes some of the key challenges that are present in today's sustainable coffee supply chain.

Image: Caelen Cockrum on Unsplash.com



At Country of Origin

Understanding Sustainability

The past 30 years have seen an emergence of sustainable coffee, with many producers, non-governmental organizations (NGOs), and other industry stakeholders seeking to provide roasters and consumers with more environmentally and socially conscious products. Unlike conventionally produced coffee, sustainable coffee would have a reduced ecological footprint, protect biodiversity, encourage better worker health and safety practices, as well as provide larger economic gains for producers. However, when asked about sustainability in coffee sector, Indradi Soemardjan notices that “Sustainability, so far has probably leaned too much towards the environmental side, forgetting about social and economic aspects.”

As the demand for sustainable coffee brands grows, so does the pressure on the producers to adopt environmentally sound production practices. Yet changing the production techniques, delivering corresponding training and support to farmers are proving to be difficult for producers who are already struggling to catch up with the market. Soemardjan questions the net impact of modern sustainable coffee production. “We keep pushing them to reduce the use of pesticides, but do they have other options, the means to do so?” Indeed, implementing sustainable production practices may seem out of reach, when “The average income per capita for households that grow coffee in Indonesia is less than 200 New Zealand dollars per month.”

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“We keep pushing them to reduce the use of pesticides, but do they have other options, the means to do so?”



Image: Delightin Dee on Unsplash.com

“Coffee is only harvested once a year, so they need better income. Maybe they could do high-value crops, like vanilla, in between.”

“They don’t drink coffee, yet they grow coffee. They probably drink tea.”

Low Productivity

Soemardjan describes low productivity as the main challenge for Indonesian producers at the moment. Despite being among the top 5 coffee-producing countries around the world, Indonesia’s land productivity is well behind their peers. “Brazil’s productivity is about 1.8 tons per hectare. Indonesia is only 600 kilograms, which is one third per hectare of Brazil.” Low land productivity means the livelihood of the farmers could be vastly improved with better agricultural practices. While increasing productivity typically comes at the expense of sustainability, Soemardjan believes there are ways for farmers to improve their livelihood even at current levels of coffee production. “Coffee is only harvested once a year, so they need better income. Maybe they could do high-value crops, like vanilla, in between.” Extensive training and support would enable Indonesian coffee producers to gradually move away from the current practice of growing a single crop towards simultaneous cultivation of multiple crops.

Trust

A relatively low acceptance of sustainable agricultural practices could also be attributed to the farmers’ distrust toward sustainability initiatives and NGOs that push them. Farmers often do not see the end product and its value. As a result, convincing them of the added value that sustainability can bring to the table can be challenging. Soemardjan notes, “Many of them have never tasted cappuccino or latte. They don’t drink coffee, yet they grow coffee. They probably drink tea.”

It is also difficult to persuade coffee producers to change their production techniques with the promise of long-term benefits when the cost of change is incurred today. Instead, they need to be motivated by something more immediate. “We try to inspire them that if they produce with slightly better picking methods, it would be better for the trees, for the quality. If they only have three months before the harvest, we just tell them to pick the red cherries, not to pick all at once, pick only the right ones,” Soemardjan says.



At Country of Destination

Expectation Mismatch

The importers and distributors of sustainable coffee face a completely different set of challenges. While coffee sustainability is becoming increasingly important for consumers, the traditional criteria of a good coffee, such as quality and flavour profile, remain key when procuring coffee beans. Importers may not always find it easy to find the product that meets the high standards of their customers. John Burton notes, “Sometimes they [sustainable coffee exporters] try and get things that the market doesn’t want or need. The whole market really rests around what the roasters want, what the consumers want. That’s how it all feeds back to us. We don’t say to them, ‘this is what you have’. They dictate to us.”

Sustainable coffee is typically priced higher than conventionally produced coffee. This may lead to false expectations among the consumers that the quality would also be higher. However, as Joanne Wieland points out, “Actually, that’s not what you’re paying for. You’re paying for that holistic side of it.” Conveying the true value behind the price of a sustainable coffee is a continuing challenge for coffee suppliers.

Traceability

A key characteristic of sustainable coffee is its traceability. Today consumers increasingly demand full transparency behind the goods they buy. Having been in the industry for several decades, Burton sees the market shift first-hand. “I think the change is about people wanting to know what the origin is, where it’s come from, who picks it.” However, not all coffee can be easily traced back to its origins. Burton finds some countries particularly challenging to deal with when it comes to transparency. “I really have sometimes problems with Indonesia. Because of the way it’s traded within the market... because there are so many traders in there, we never quite get down to the grits of where it is.” Traceability is another challenge that coffee importers and distributors need to overcome in their pursuit to supply sustainable coffee.

Traceability is also multidimensional. It is not just about giving consumers the right to know “where the coffee is coming from”, it also means the right of smallholder farmers to know “where their coffee is going to”, which is inherent to the right to be informed). The more the farmers know about the end consumers’ acceptance of their coffee, the more bargaining power they have. As described by Indradi Soemardjan, it means, for example, “I know that my coffee is now being consumed by people in New Zealand, so I think I can sell for a better price.”

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Strategy

Certification

Over the past years, the certification has become the most commonly used tool for coffee producers to effectively convey the sustainable practices behind a coffee brand to coffee sourcing companies and end consumers. Certification, such as Fairtrade or Rainforest Alliance, was meant to stimulate demand for sustainable coffee, driving greater investment into sustainable agricultural and production practices. This would, in turn, encourage more training and support that farmers require to adopt sustainable production techniques. Indeed, certified coffee is becoming increasingly important for coffee importers and distributors. Burton recalls, “When I started, we were only doing a small amount [of certified coffee], but it’s grown incredibly within our system. We might have been touching on it 1%. Now it’s probably 4-5% of our total turnover.” A lot of that growth has to do with the traceability that certification provides to the coffee sourcing companies and end consumers. Burton puts a lot of confidence in the system. “We know all the way through. We know the cooperatives; we know what’s happening within the cooperatives. And it’s marked, it’s labelled. It’s sold more expensive, obviously, but it’s got total transparency in the system.” Certification enables the coffee importers and distributors to communicate the value behind sustainable coffee more effectively. Burton notes, “It’s given us credibility in what we’re saying. I mean, we can’t just stand and say this is sustainable. There’s a source of information that we can give them. Everything is traceable back.”

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Certification provides a system that guarantees the roasters and consumers receive sustainable coffee. And the market is willing to pay a premium for that. Burton is confident that the price premium that comes from certification does not affect the demand. “At the 140 cents is the minimum price you pay for Fairtrade, then you have your organic premium, your coop fee...so 190 is actually the minimum you pay for [sustainable] coffee. Not, at the moment, the [conventional coffee] market is sitting at 103. So, here you have 190 versus 103 cents, 90% more, but we still sell it.”

However, certification is a costly process that not many coffee producers can afford. “It costs a lot of money. Let’s say we have our own coffee estate in West Java. If we want to get a certification, we have to pay close to 20,000 euro for the initial certification, and every three years there is an audit that costs 5,000 euro”, Soemardjan notes. As a result, coffee producers, NGOs, and other stakeholders are continuously looking for other ways to develop trust rather than having certification labels. Soemardjan strongly believes that “Sustainability standards are far more important than certification.”

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“We trust them [middlemen], and we know where they’re getting it from. They’ll tell us what family they’re buying it from. There’s total transparency in it.”

Direct Relationships

Soemardjan describes direct relationships between coffee producers and buyers as an alternative to certification. Instead of pushing the farmers to get certified and instructing them how to harvest, SCOPI have been connecting the farmers with the roasters and consumers. “We bring 200 of the best farmers from the province to meet the buyers, have a dialogue with the roasters from Jakarta and other big cities.” Soemardjan hopes by showing farmers that “what they planted has value,” they would be inspired to adopt sustainable practices to improve their product further.

The coffee importers also see a potential for direct relationships to play a bigger role in the sustainable coffee trade, especially in regions where certification is not available. In fact, a wide range of John Burton Ltd’s existing offerings already come from direct relationships. “A lot of our other coffees are also traceable because it was long-term relationships. In terms of customers wanting that traceability, wanting that story and that connection, for a lot of our range, we’re able to give the specifics,” says Wieland. And the story that the coffee importers and distributors are able to tell with these relationships resonates with the market. Burton notes, “We are prepared to pay more for it. And some of our customers are prepared to pay more for it. Obviously, not the certified price, but they know they are still getting traceable coffee through where we buy it from.”

A crucial role in such a system is given to the middlemen, people who aggregate the coffee from smaller farmers and connect them to domestic and international buyers. Middlemen play a particularly important role in Indonesia, where the market is made up of a lot of little farmers and traders. Here, the middlemen provide protection to both farmers and buyers. Burton shares his opinion on middlemen, “Sometimes we are prepared to pay an extra few cents a pound for a middleman because it gives us a bit more protection. If a farmer reneges on the middleman, they will go to another farmer to fulfil the contract.” Middlemen also provide traceability to coffee. “We trust them [middlemen], and we know where they’re getting it from. They’ll tell us what family they’re buying it from. There’s total transparency in it.” In addition, middlemen provide reachability to sustainable farmers, access to the market that would otherwise not be there for coffee growers. Soemardjan agrees, “The farmers do not have transportation. They need aggregators. The role of middleman has become something that we need to focus on.

Instead of killing their business, we should empower them with technology. We need to appreciate people who are in the value chain.”

Training

To successfully compete with conventionally produced coffee, sustainable coffee requires continuous improvement in the production techniques and processes. A direct approach to coffee production and trade suggests that the required training and better equipment can be delivered to farmers without having them get formally certified. A good example of how direct training can be delivered is SCOPI’s training program called National Sustainability Curriculum for Arabica and Robusta, whereby over 180 qualified ‘Master Trainers’ travel around Indonesia to improve the agricultural practices at local farms. This way, farmers do not only produce a better-quality coffee, but also a more consistent one. As such, coffee importers can be confident that every bag they were sold is exactly what they bought. Soemardjan notes, “Drinkers, roasters, or traders also want supply security. Security is not just ‘Is there a product?’, but also is the product going to be more or less of the same quality?’.”

While no approach is perfect, it is clear that sustainable coffee production and trade require a system that is powered by trust and mutual respect between the stakeholders. As demonstrated by SCOPI and John Burton Ltd, each stakeholder faces particular challenges. Yet, they rely on each other to develop a collective solution to sustainability in the coffee industry. Ultimately, the more discerning coffee consumers are, the more ethical and sustainable practices along the value chain will be rewarded.

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Resources

Interview with Indradi Soemardjan,
Sustainable Coffee Platform of
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Indonesia, 8 October 2020.

Interview with John Burton and
Joanne Wieland, John Burton
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SCOPI

www.scopi.or.id

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