



UNIVERSITY OF
NORDLAND

BODØ GRADUATE SCHOOL OF BUSINESS

MASTER THESIS

Understanding Differentiated Coffee

- A Value Chain Perspective

BE309E International Business and Marketing

Espen Strand



Sammendrag

Formålet med denne oppgaven er å undersøke hvordan kvalitet, makroøkonomiske forhold og etiske sertifiseringer påvirker de ulike leddene i verdikjeden for *differensiert kaffe*. Med differensiert kaffe menes kaffe med høy grad av kvalitet, sporbarhet, og etiske aspekter, og lav grad av defekter.

Guatemala er valgt som produserende og eksporterende land, og Norge er valgt som importerende og konsumerende land. Denne oppgaven har undersøkt de mest sentrale leddene i verdikjeden, bestående av erfarne aktører. Kvalitative undersøkelsesmetoder er brukt og analysen har fokusert på hvordan de ulike leddene påvirkes av ovennevnte faktorer. Oppgaven er basert på relevante teorier, deriblant Porter, og store mengder sekundære kilder, i hovedsak akademiske artikler, årsrapporter, tidligere undersøkelser og andre offisielle rapporter publisert av private og offentlige organisasjoner.

Hovedfunnene viser at kvalitet er den eneste faktoren som går igjen i alle ledd i verdikjeden. Differensiert kaffe selges alltid utenom børs, og som regel over børspris. Kaffeblendene er desidert mest utsatt for prissvingninger og ustabilitet knyttet til makroøkonomiske forhold, mens brenneriene og sluttbrukeren merker dette i svært lav grad. Etiske sertifiseringer er tildels vanskelig å oppnå, og fungerer kun som en inngangsbillett til enkelte markeder. Etterspørselen etter etisk sertifisert kaffe i Norge er en av de laveste i Europa, og lavest innad i Skandinavia. Norske importører og brennerier satser i større grad på «relationship coffee», som fokuserer på åpenhet rundt kjøp, salg og sporbarhet. Det hevdes at prisene er gjennomsnittlig høyere enn alle typer etisk sertifisert kaffe tilgjengelig i markedet.

Preface

This master thesis is written as a final step in the 5 year study of Master of Science in Business at *Bodø Graduate School of Business, University of Nordland*, Norway. The thesis is within the specialization *International Business and Marketing* and count for 30 ECTS credits.

The purpose of this thesis is to understand the complexity of quality, ethical certifications and macro-economic factors in the value chain for differentiated coffee in an international setting, and how these affect the different parts of the value chain.

Thanks goes to course responsible Professor *Dominique Thon* and Professor *Tor Korneliussen* for an interesting year in the above mentioned specialization.

A special thanks to Professor *Frode Nilssen* for the patience and all great guidance during the work of this thesis.

Thanks to Agricultural and Chemical Engineer *José Antonio Hernandez* for helping with the interviews in Guatemala.

Thanks to Agricultural Engineer and Master Cupper *Carlos Roberto Muñoz Garcia* from Anacafé, Executive Coordinator of The Differentiated Coffee Committee and Engineer *Sergio Mazariegos* from Agexport, Director of Organization *Ileana Cordon* and Director and Engineer *Antonio Cordon* from Crecer, World Barista Champion *Tim Wendelboe* from the coffee bar and roastery with the same name, Coffee Roasting Master *Bjørnar Hafslund* from KAFFA AS, Manager and entrepreneur *Siv Christensen* from Babel Barista, all seven coffee farmers in Jalapa, Guatemala, for all your extended knowledge, experience reflection and interpretations related to interviews and the research of this thesis.

Special thanks go to my wife, *Claudia Maria Hernandez Molina*, for your perseverance, support and motivation throughout the process of this research.

Bodø, May 19th 2014

Espen Strand

Abstract

Coffee is the second most traded commodity in the world; while worldwide demand for coffee increases at an estimated 2%, price fluctuations keep affecting producers in countries like Guatemala, that in spite of being among the 10 first world producers, cannot compete in terms of production with countries like Brazil, Vietnam and Colombia, so the country bets for differentiating itself with high quality coffee.

Norway is the second country in the world of coffee consumption per capita; most of the country's consumption is of Arabica beans which have higher quality than Robusta beans. Coffee shops have grown satisfying the growing demand of coffee enthusiasts in the country.

The following research question and secondary objectives helped shape this thesis and the study related to primary and secondary data utilized in this research:

How do quality, ethical certification and macro-economic aspects influence the different actors in the value chain of differentiated coffee, in Guatemala as a producing country and Norway as a consumer country

Secondary objectives

- Understand the characteristics of differentiated coffee in comparison with “commercial/ mainstream coffee”.
- Identify the most important actors of the value chain for differentiated coffee.
- Define how the major actors in the value chain conceptualize the term differentiated coffee.
- Understand and define the macro-economic frame for differentiated coffee.
- Understand the general attitude towards differentiated coffee and ethical certifications of consumers and importers in Norway.

The interview guide was constructed based on the research question and research objectives. Nonetheless reading previous studies like academic articles helped building the interview questions that were subsequently tested. The interview subjects were as following:

1. Owner/manager of coffee shop in Bodø, Norway (Babel).
2. 3 individual interviews with private and government institutions in Guatemala City (Agexport, Crecer and Anacafé).
3. 7 coffee farmers in Jalapa, Guatemala.
4. 2 Individual interviews with importers/roaster in Oslo, Norway (KAFFA AS and Tim Wendelboe).
5. 40 short interviews with consumers.

The data was collected, analyzed and interpreted using qualitative research methods. Interviews were open and flexible and most of them were face to face, in some of them the use of an interpreter was necessary.

Competitive advantage is the lead gained over competitors in the market by offering lower prices, greater value or additional benefits. Competitive advantage could be natural resources that some countries have to produce specific products like “coffee” or technology that is gain through time. Guatemala ‘s competitive advantage is its natural resources like altitude, volcanic soil and micro-climates, to produce coffee, however the country lacks of technology for production, the harvest is handcraft and traditional.

There are three ways a company can gain competitive advantage: Cost leadership, differentiation and focus on a market segment. Differentiation can be defined as “being unique by something valuable for consumers”. Premium price is related to differentiation and it is the objective of companies that use this strategy. Differentiated coffee’s objective is to be sold out of the stock market for a premium price achieving a differentiated strategy.

Differentiation can be achieved through: Price, Product and quality, offers other than product, company and branding differentiation and finally market and customization. Product and quality is the most common strategy used to differentiate coffee, and according to all the subjects interviewed, it is the most important factor of differentiated coffee.

Niche is defined as a small, narrow and homogenous part of the market, smaller than segments and with higher degree of protection. Niche markets required differentiation strategies and demand for a premium price for products and services offered to it. Even

though demand for differentiated coffee is growing, as a result from this research, it is still considered a niche.

Niche markets are susceptible to economic downturns, “product cannibalization”, niche decrease and even though it uses protection barriers, niches are still susceptible to competitors. Countries like Brazil, Vietnam and Colombia influence the world prices of coffee; however they have increased quality and are competing with quality as well in the differentiated coffee niche market.

There is not a common definition of differentiated coffee, mostly scholars and research institutions recognize the term. Specialty and gourmet coffee are related terms; however specialty term has been misused while the gourmet term is vague.

There are three ways a coffee can differentiate itself: quality, ethical certifications and denomination of origin, the last one is closely related to high quality and specific characteristics. Ethical certifications are official sustainable coffees that guarantee ethical performance in the following areas: economic, social and environmental.

The main macro-economic factors that influence coffee are: supply, demand, new and existing competitors but the most important of all is price fluctuations.

Value chain is a method to study the value that is created in a product from raw material to the end product used by consumers. There are different value chain models for coffee, and most of them are associated with international trade theory, since this value chain model includes producers in one country and buyers, retailers and consumers in another. The factors studied in this thesis: Quality, ethical certifications and macro-economic factors like price, and all these affect differently to different actors in the value chain. Quality has great influence in all actors, but it is more important to the roasters since they determine what quality is and educate consumers. Ethical certifications are more important to the farmers since it is a way for them to secure better price that will allow them a better living; consumers have very low knowledge and motivation to pay more or purchase an ethical certified product; especially in Norway where is comparatively lower than other countries in Europe. The roasters prefer and promote “relationship coffee” instead, claiming they pay a fair price. Finally price fluctuations affect farmers the most of all actors in the value chain.

Future research on the “relationship coffee” model is advised, as well as governmental incentives for certifications or sustainable coffees to ensure ethical coffee trades.

Contents

Sammendrag	i
Preface.....	ii
Abstract	iii
List of Figures.....	ix
List of Tables.....	x
List of Graphs.....	x
Abbreviations and Measurements	xii
Chapter 1 - Introduction.....	1
Background and actualization	1
Research question and objective	2
Secondary objectives.....	3
Chapter 2 - Theory.....	6
Competitive advantage, the differentiation strategy	6
Market niches vs. market segments – definitions and differences.....	14
Market niches – recommendations and pitfalls.....	17
Quality as product differentiation strategy in niche firms.....	20
The Value Chain.....	22
Chapter 3 – Methodology	23
Philosophical view	23
Research methods.....	24
Research design.....	25
Research strategy (Grounded Theory)	25
Interview guide, preparations and interviews	26
Primary data	28
Secondary data.....	29
Choice of informants	29
Data collection and transcribing	30
Analysis and evaluation.....	31
Reliability and validity	32
Ethics	34
Chapter 4 Empirical Data.....	36
General empirical data.....	36
Arabica and Robusta coffee	36

Differentiated coffee	37
Geographic Indications of origin	39
Secondary data	40
Macro-economic factors	40
Quality of coffee	48
Measurements and evaluation of quality	50
Altitude coffee quality	52
Ethical certified coffee.....	53
General Summary of Certifications	53
Sustainability and Quality.....	55
Price differentiated coffee	57
Primary data	58
Chapter 5 Analysis	61
Differentiated coffee, differentiated strategy.....	61
Denomination of Origin (GI) and coffee regions.....	65
Differentiated coffee, niche or segment?	66
Ethical Certifications.....	68
Consumers and certifications.....	74
Macro-economic factors	75
Value chain analysis and price.....	76
Quality	78
Guatemala as an exporter country.....	82
Chapter 6 – Conclusions.....	83
Recommendations for further research.....	91
Bibliography.....	92
Appendix 1: Information about respondents – The interviews	103
Appendix 2: The Value Chain.....	112
Appendix 3: Import as a way of trade	116
Appendix 4: Additional Empirical Data.....	123
Appendix 5: Ethical certifications	135
Sustainability	135
Organic	138
Fairtrade	141
Rainforest Alliance.....	148

UTZ.....	151
Appendix 6: Primary Data.....	154
The Coffee Farmers (G1)	154
Institutions for support and export (G1).....	156
The Importers/ Roasters (G2).....	167
The Retailer, the coffee shop (G3)	176
The Consumers (G3).....	178
Appendix 7: World Prices	180
Appendix 8: World Production.....	181
Appendix 9: World Export	183
Appendix 10: World Imports	186
Appendix 11 a – Scorecard Anacafé.....	188
Appendix 11 b – Scorecard SCAA	189
Appendix 12: The interview guide.....	190

List of Figures

Figure 1 RQ and objectives.....	4
Figure 2 Porters Differentiation Strategy	7
Figure 3 Priced-based approach vs. Non-price-based approach.....	12
Figure 4 Success in niches	20
Figure 5 Value chain differentiated coffee.....	72
Figure 6 Jalapa, Guatemala	103
Figure 7 Key elements of Value Chain Study.....	112
Figure 8 Example of Potential Implementation Projects following an Industry VCA.....	114
Figure 9 The coffee value chain.....	115
Figure 10 Coffee Producing Countries.....	124
Figure 11 Current Worldwide Annual Coffee Consumption per Capita.....	129
Figure 12 Acatenango Valley and Antigua Coffee	133
Figure 13 Traditional Atitlan and Rainforest Coban.....	133
Figure 14 Fraijanes Plateau and Highland Huehuetenango	134
Figure 15 New Orient and Volcanic San Marcos	134
Figure 16 Circle of Sustainability	136
Figure 17 Rainforest Alliance value chain	149

List of Tables

Table 1 Population of study.....	30
Table 2 Differentiated coffee, by authors	38
Table 3 World production by type	42
Table 4 Ten leading coffee producers 2011/2012.....	43
Table 5 World Coffee Exports 1999-2012	43
Table 6 Specialty Coffee Evaluation Scale	51
Table 7 Total Score Quality Classification	52
Table 8 Guatemalan Altitude Classification	53
Table 9 Comparison of certifications.....	54
Table 10 Summary of primary data.....	60
Table 11 Farmer information	104
Table 12 Consumer information.....	111
Table 13 Example of Absolute Advantage.....	117
Table 14 Example on labor requirements, Ricardian Model.....	119
Table 15 Denotations	120
Table 16 Organic coffee sales in selected European countries.....	139
Table 17 Worldwide imports of certified organic coffee (60 kg bags)	140
Table 18 Total worldwide sales of FLO-certified coffee (60kg bags)	144
Table 19 FLO Fairtrade minimum prices (per pound in USD).....	145
Table 20 Sales of Fairtrade coffee in European countries.....	147
Table 21 Worldwide imports of Rainforest Alliance certified coffee (60kg bags).....	150
Table 22 Worldwide imports of UTZ Certified coffee (60kg bags)	152
Table 23 Coffee countries Norwegian Importers/Roasters	170

List of Graphs

Graph 1 Arabica and Robusta Prices 1970 – 2002	41
Graph 2 Global production, splitted.....	42
Graph 3 Price Fluctuation.....	77
Graph 4 Price Volatility in the value chain	77
Graph 5 Production Possibility Frontier	120
Graph 6 Jamaican coffee production: Blue Mountain region and outside, 1981–2008.....	126
Graph 7 Export price fluctuations, Antigua Guatemala, Guatemala and Colombia.	127
Graph 8 Comparison of Hawaii with benchmark Colombian market prices.....	128
Graph 9 Norwegian coffee Import the last 10 years.....	129
Graph 10 Burned and non-burned coffee in Norway the last 10 years	130
Graph 11 Development GDP and Coffee import from 1881 until today.....	130
Graph 12 Coffee exports from Guatemala in USD and quintales of green beans	131
Graph 13 Guatemalan Exports by type of coffee.....	131
Graph 14 Import of Guatemalan coffee 2012/2013	132

Graph 15 Guatemala coffee production in green beans..... 132
Graph 16 Differentiated coffee annual growth 2006-2009 137
Graph 17 Worldwide supply of Organic coffee in 2008 140
Graph 18 New York and fair-trade prices for Arabica coffee, 1989-2009 (in US cents per pound).... 145
Graph 19 Worldwide supply of Rainforest Alliance coffee in 2009 151
Graph 20 World supply of UTZ certified coffee in 2009..... 152
Graph 21 Pounds of certified coffee 2007/2008 (numbers in millions)..... 153
Graph 22 Certifications in Guatemala 164

Abbreviations and Measurements

Agexport	Asociacion Guatemalteca de exportadores
Anacafé	Asociacion Nacional del Café (Guatemala)
APCA	Antigua Coffee Producers Association
BBC	British Broadcasting Corporation
CIB	Coffee Industry Board
CIMS	Centro de inteligencia sobre mercados sostenibles
CNN	Cable News Network
ECF	European Coffee Federation
EFTA	European Fair Trade Association
EPA	Environmental Protection Agency (US)
FIAS	Foreign Investment Advisory Service (World Bank Group)
FLO	Fairtrade Labelling Organization
GACCS	Green Arabica Coffee Classification Systems
GDP	Gross Domestic Product
GI	Geographic Indicator / Denomination of origin
IADB	Inter-American Development Bank
ICO	International Coffee Organization
NCA	National Coffee Association USA
NGO	Nongovernmental Organization
OTA	Organic Trade Association
PPF	Production Possibility Frontier
RQ	Research question
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe
SHB	Strictly Hard Beans

SSB	Statistical Central Bureau
USAID	United States Agency for International Development
USA	United States of America
VAT	Value added taxes
VCA	Value Chain Analysis
WFTO	World Fairtrade Organization
WTO	World Trade Organization

Measurements

Measurements	Kilos	Pound (lbs.)	Bags of coffee	Quintales
Kilos	1	2.2046	0.015	0.022
Pound (lbs.)	0.45	1	0.0066	100
Bags of Coffee	69	152.12	1	1.5
Quintales	45,9	100	0.6652	1

Currency

United States Dollars	Norwegian Kroner	Guatemalan Quetzals
USD \$ (1 USD = 100 US Cent)	NOK	GTQ
1 USD	5,9323 NOK	7,7205 GTQ

Updated: 19.05.14 @ 19:54

The best work is not what is most difficult for you; it is what you do best

Jean-Paul Sartre

Chapter 1 - Introduction

Background and actualization

Coffee as a product is the second most traded commodity in the world after crude oil, but still in front of steel, gold and wheat (Tradecommodities.co.uk). Estimated total exports for 2009/2010 is at US\$ 15.4 billion. Put in another measurement this is the equivalent of 93.4 million bags of coffee or 5.8 million tons, and overall world demand is expected to grow, according to the International Coffee Organization's (ICO (1), 2014) website. In some regions like Asia it is expected to grow on a rate higher than 2% per year, however coffee prices worldwide are historically fluctuating, and in the last decade alone coffee prices have had two major drops in 2001-2002 and in 2010. Even though coffee prices are expected to rise as expressed by Roberio Silva, executive director of ICO (Perez, 2012), prices change from year to year drastically and even from month to month, which affects producers and keeps them from being able to plan and budget, especially small producers that do not rely on mechanization or large productions to compensate for price level. As in other industries, coffee producing countries look to differentiate themselves and look for specific niches in order to avoid entering on price competition.

Guatemala is a Central American country with a long tradition of producing coffee, since 1850, it is also one of the 10 leading countries on coffee exports (Anacafé, (1) 2014). However, Guatemala cannot compete with the four leading countries: Brazil, Vietnam, Indonesia and Colombia that supply around 80% of the demand (Silva, 2012). The country is also dominated by small producers: from 65.000 actors in the national coffee production, 50.000 are considered small producers (Loranger-King, 2008). Due to environmental factors such as altitude and volcanic earth, among other factors, Guatemala has optimum conditions to produce "differentiated coffee".

Coffee is considered a traditional drink in Norway, even though there is no production of "the black gold" in this part of the world. Norwegians drink huge amounts of coffee, only beaten by Finland in terms of consumption per capita. The quality has been relatively high since Norway started to trade Brazilian coffee for Norwegian salmon (Ganefryd, 2005). Friele started their coffee industry in 1799, and have worked hard to maintain a high quality on the coffee they import and produce for the market (Friele, 2014). According to statistical data

Brazil is the biggest producer of coffee in the world. Their main production is Arabica coffee bean which is the type of coffee that dominates 98% of all coffee in Norway (Forbrukerinspektørene, 2013).

The coffee industry in Norway is dominated of the biggest producers on the market: Friele, Coop, Kjeldsberg and Evergood. All these producers have one thing in common; their focus is on the Norwegian home and/or corporate market (Friele, 2014), and the coffee they sell is mostly blends of coffee from different regions in the world.

“Coffee shops” have become more and more common, and they have begun to offer several types of coffees such as Cappuccino, Café Latte and Café Mocha. Recently new varieties of black coffee, best defined as *differentiated coffee* (see definition underneath), has entered the market. Fairtrade and other ethical products have received more and more attention the last years, and more companies now offer such coffees. Other trends point toward "specialized" coffees that it can be traced back to the family or farm that cultivated the coffee, hereafter referred to as *geographic indicator* or *denomination of origin*. Such products are pure in the sense that they are not mixed with other types of coffee, so-called blends. Quality has become more and more important for consumers, and several coffee shops are searching for "the perfect harvest of the year". With such products, coffee shops offer something unique and different from the mass-produced coffee, and thus become "differentiated" in terms of characteristics. This market segment has for a long time been untouched and overlooked by the aforementioned dominant players in the market, and a new segment or niche has been able to blossom.

Research question and objective

The main objective of the present research is to understand the important factors that influence supply, as the producers, and demand, as retailers and consumers, in terms of differentiated coffee. I will study how different actors of the value chain perceive these factors as well as to evaluate and compare their understanding, especially the two ends of the value chain, farmers and consumers, of the characteristics of what makes some coffee “differentiated” in comparison with “commercial/ mainstream coffee”, and the motivation for importers and end consumers behind choosing one or the other.

Due to the high percentage production of differentiated coffee, Guatemala is chosen as producing and exporting country in my research. Norway is chosen as importing and consuming country due to high consumption per capita and relatively high purchasing power. Even if production and demand is not completely related (Norway has many coffee suppliers and Guatemala has other mayor buyers), the findings of this research will allow understanding the differences between producers in a country and consumers in another. The research question is as follow:

How do quality, ethical certification and macro-economic aspects influence the different actors in the value chain of differentiated coffee, in Guatemala as a producing country and Norway as a consumer country

Secondary objectives

Some other objectives that will help answer the research question are:

- Understand the characteristics of *differentiated coffee* in comparison with “commercial/ mainstream coffee”
- Identify the most important actors of the value chain for *differentiated coffee*
- Define how the major actors in the value chain conceptualize the term differentiated coffee
- Understand and define the macro-economic frame for *differentiated coffee*
- Understand the general attitude towards *differentiated coffee* and *ethical certifications* of consumers and importers in Norway

Due to the complexity of the value chain for differentiated coffee, both in terms of data collection and analysis, this thesis will divide the value chain into three groups, hereafter referred to as group 1, 2 and 3. Group 1 (G1) consists of the producers and exporters of coffee, and the organization that contribute in-between these. In this thesis group 1 is the coffee farmers and the coffee exporting institutions interviewed in Guatemala. Group 2 (G2) are including the importers and the roasters, in this case KAFFA AS and Tim Wendelboe, both operating in the Norwegian market. The third group (G3) is in the end of the value chain consisting of the coffee shops and the end-consumers. Read more about the choice of informants in methodology and in appendix 1. Figure 1 underneath shows the area of focus in this thesis, where the three factors *quality (F1)*, *ethical certifications (F2)* and *macro-economic (F3)*, will be considered for each group.

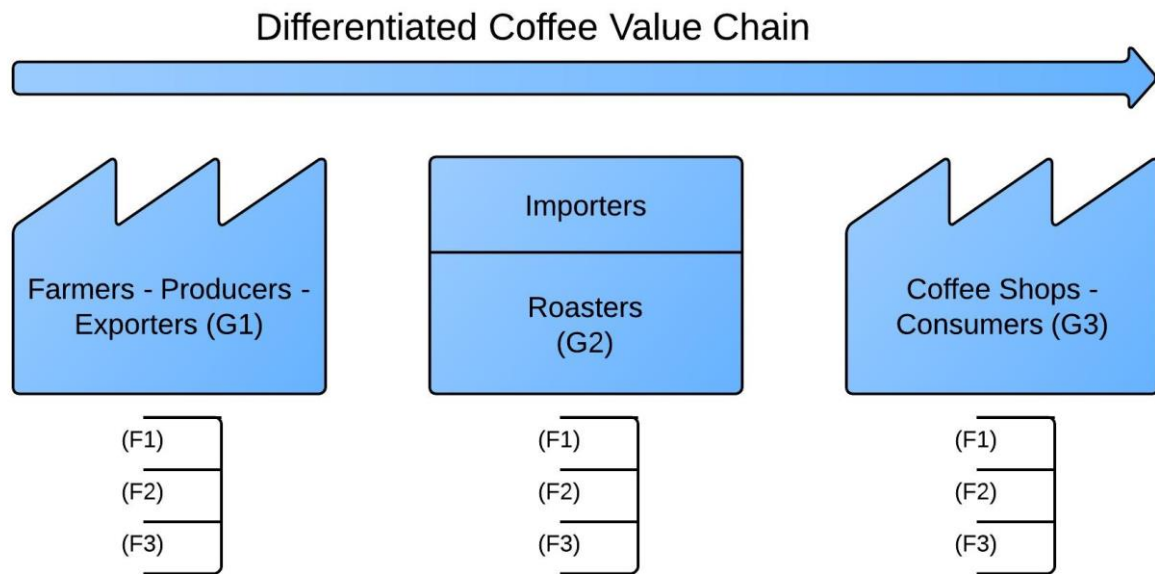


Figure 1 RQ and objectives

This thesis will aim to be able to provide a better definition of *differentiated coffee*, but for purposes of clarifying and limiting the research question and secondary objectives, the following concepts will be defined as follow:

Definition of differentiated coffee: *“Differentiated coffees are those that can be clearly distinguished because of distinct origin, defined processes, or exceptional characteristics such as superior taste or zero defects. In contrast, mainstream coffees are nearly always pre-ground blends that are often unidentified in terms of origin. These are usually, though not always, distributed through mainstream channels such as supermarkets, foodservice, and institutional and they compete strongly on the basis of price”* (Lewin et al, 2004, page 99).

Definition of differentiated coffee niches: With *differentiated coffee niches* I mean coffee bars, restaurants, cafés and bars that import, sell or serve *differentiated coffee* in accordance with the definition stated above. In addition, coffee with certain globally accepted *ethical certification* (see definition) is perceived to be a niche. *Differentiated coffee* is often specially selected, roasted and grinded by special preferences, and then made with the focus on the best taste and result, and it seeks, to some extent, to be different from *mainstream coffee* and mass production in relative terms.

Definition of ethical certifications:

Ethical certification is the official way of assuring sustainability in the coffee and other agriculture industries. Sustainability referred. *Brundtland Report* defines sustainability as “sustainability means meeting the needs of the present without compromising the ability of future generations to meet their environmental, social, and economic needs” (quoted in: *Giovannucci and Koekoek, 2003, page 29*).

Practical limitations

Due to the complexity, magnitude and extent of available existing ethical certifications, this thesis will limit and focus on the following ethical certifications: Organic, Fairtrade, Rainforest Alliance and UTZ. Other limitations that are affecting this research in different degrees are: time, resources, distance and format limitations in sense of the structure of this thesis. Please consult the appendixes.

Chapter 2 - Theory

The theories presented in this chapter explain concepts relevant for the analysis of the research question. As a starting point we need to know more about differentiation and how this relates to market strategy and competitive advantage. Secondly, we need to know more about market niches, and how this is a part of a bigger market. This is again related to the markets and the value chain for specialized or differentiated coffee, and is an essential part of this study. In the end, I will briefly examine and explain the concepts and importance of trade, in appendix 3.

Competitive advantage, the differentiation strategy

It is useful to start by explaining what competitive advantage is: according to Ehmke (n.d.), competitive advantage is the lead gained over competitors in the market by offering lower prices, greater value or additional benefits. Haarla (2003) states *“A firm is to have competitive advantage when it is implementing a value creating strategy which is not simultaneously implemented by any current or potential competitor”*. This definition is value oriented and it also brings out the term potential competitors, which infers that firms with competitive advantage must also be aware not only of competitors in the market but the ones inexistent in it yet. Both authors use the term *“competitor”* in order to define competitive advantage making this an essential element of the definition.

When it comes to international environment and nations competing with products that the country specializes in, just like the case of coffee in which some countries have the right conditions to produce and others do not, you can assume that they have a competitive advantage over others (ref. Smith and Ricardo later in appendix 3). However Porter (1990, quoted in Paliwoda 1993 p. 4) states that the sources of advantage to be *“relentlessly broadened and upgraded”*, Porter mentions technology as a factor of competitive advantage, and Paliwoda (1993) makes an example of mature industries likes Denmark which led to related industry of enzymes, Switzerland with its strength in pharmaceuticals which rose flavorings, and the UK with its strength in engines led to a related industry in lubricants. So this means that even some countries have conditions as a competitive advantage, technology can be the ultimate competitive advantage, which is a reality in some

cases, however in the food industry (especially vegetables, fruits and related products) countries with the right conditions and the right technology can take a lead.

According to the institute for Manufacturing, dept. of Engineering of the University of Cambridge, Michael E. Porter describes 3 ways that a company can gain competitive advantage:

1. Cost leadership: being the cost leader of an industry means that the company looks to lower its cost of production through economies of scale, proprietary technology, and preferential access to raw materials among others.
2. Differentiation: in a differentiated strategy the company looks to be unique in an industry, and have qualities that are perceived as unique for its consumers with a premium price.
3. Focus: according to Porter a company can focus on a specific market segment and serve them in two ways. Cost/price or service in specific ways to customer with unusual needs.

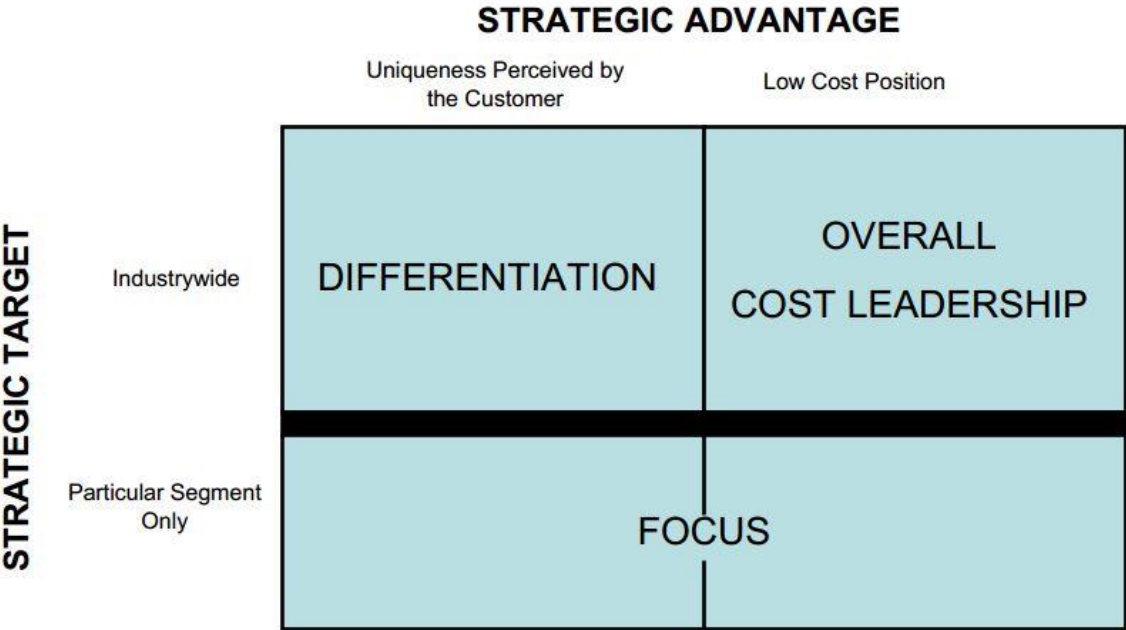


Figure 2 Porters Differentiation Strategy

Source: The Nose (2005)

Brassington and Pettitt (2005), Jobber and Fahy (2006), and Dibb et al (2006) concurred that the undifferentiated strategies require less cost and resources than the other strategies, Jobber and Fahy (2006) state that this strategy can occur when companies lack of a marketing strategy, while Dibb et al (2006) and Brassington and Pettitt (2005) state that in order to make this strategy work, the market must be homogeneous. Dibb et al (2006) also states that this strategy might work for some products (sugar, salt, etc.) even though none of the authors consider this strategy to be the best approach because it is not possible to satisfy all customers with one strategy. All authors mentioned above also state that even though concentrated or focused market strategy has many advantages, it is considered of high risk since it concentrates into satisfying only one segment.

Authors also concurred that the differentiated strategy requires more resources and knowledge of the market, since the company must tailor specific strategies for each market, this might not be a recommended approach for small companies.

Porter (1996, quoted in Hooley et al. 1998) explains that the danger of tailoring an efficiency-based strategy is that all companies look to reduce cost and improve efficiency, and then companies end up being very similar. He states that the more they do benchmarking the more they look alike, and these are tools that lead to imitation and homogeneity. Hooley et al (1998) states that when companies look for their resources they should look for sources of differentiations that will matter to the customers not only to create efficiency.

The differentiation strategy

Haarla (2003) states that there is not one definition of differentiation, there are in fact different approaches of what this strategy means from economists, marketers and strategist. Even Porter (1985, quoted in Haarla, 2003 p.35) as he explains that a company can differentiate itself by being unique at something that is valuable for its buyers, he states that the sources of differentiation are not well understood, and are variable and they can stem from anywhere in the value chain. *“Differentiation is a much broader concept which encompasses more than any one factor”* (Porter, 1985, quoted in Haarla, 2003 p.35). Kotler (1998, quoted in Haarla, 2003 p.35) defines differentiation as *“the introduction of differential features, quality style or image of Brands as basis for commanding a premium”*.

Scheuing (1974, quoted in Haarla, 2003 p. 35) defines differentiation as *“adding variations to one product that will compete in the same market”*. Calori and Ardisson (1988) states that differentiation is when a firm brings distinct characteristics, but they must fulfil value perception from the customer point of view and not be considered easy to imitate and bring higher market share or profit.

There are also several definitions of differentiated product, but before defining a differentiated product, Kotler (1998, quoted in Haarla, 2003 p. 30) has this definition of a product; *“product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need”*.

Bjørklund et al (2008) states that product differentiation is often related to something positive, and/or something that can lead to a competitive advantage, increased profitability or more stable earnings. In the exporting/importing industry were businesses traditionally trade standard products with relatively low degree of processing, the increased profitability is often seen in relation through product differentiation. Differentiation (lat. *differre*) means to separate and make different (Latin-Dictionary.net). The purpose of product differentiation is to get the customers to perceive your product to be different from other products in the market. According to Levitt (1980) all types of products and services can be differentiated.

To make product differentiation expedient for the providers, the additional properties/characteristics you add to the product must be noticeable for the customers and they must be perceived as something positive. Another important criterion is that customers must have the willingness to pay for the extra value added in the product. The goal is to be able to create a demand for these products (Bjørklund et al, 2008).

Haarla (2003) states then when talking about differentiation it is important to state *“different to whom and different from what”*, bringing not only the consumer perspective but also the competitor. A product is not differentiated if it is not perceived as different from other in the market by the consumer. Svendsen et al (2011) states that getting to know what the consumer will consider different in regard of the competitors requires access to information and knowledge, such as market research and customer interaction. *“Compared to traditional market research, close customer relations represent high-bandwidth mode of communication that facilitates the transfer of complex, ambiguous and novel information”*

(Salomo et al. 2003, quoted in Svendsen et al 2011, p.515). Myers and Harvey (2001, quoted in Svendsen et al., 2011, p.516) state that a good differentiation strategy requires some investment, tools, and a good knowledge of the value chain.

As mentioned previously in this paper, the term differentiation includes competitors in its definition; Svendsen et al (2011) refers to a competitor oriented strategy, in which the firm acquires information related to competitors' actions in the target market. Narver and Slater (1990) refer to competitor orientation as to what extent a firm willing to go to differentiate itself from the competitors. Balakrishnan (1996, p. 259) states that a company with competitor orientation is well aware of its weaknesses and strengths, compared to the strengths and weaknesses from its competitors, in order to adapt.

Strategies and types of differentiation

Diez (2011) identifies 4 general categories and sources of differentiation, while Grimm and Malschinger (2010) distinguish 7 strategies for differentiation. The authors define strategies and sources with a lot of similarities, but they group them different. Grimm and Malschinger mention packaging as a separate strategy from product, and niche-offers, which will not be mention in this section. Haarla (2003), on the other hand, categorizes strategies in price and non-price differentiation. The following strategies are considered the most relevant for the purpose of this thesis.

The price vs. the non-price differentiation

Svendsen et al (2011) states that while differentiation and competitor orientation are well related, differentiation refers to a long term strategy that cannot be changed in short notice, and on the other hand competitor orientation needs to be changed on short notice because is about constant monitoring of the competition and adaptation based on that. Athaide and Stump (1999) says that customer relationships might need special investments, such as "customization" in order to address all its needs and this way to be ahead of the competition.

According to Dickson and Ginter (1987, quoted in Svendsen et al 2011, p. 515) "*A product offering is perceived by the consumer to differ from its competition on any physical or nonphysical product characteristics including price*". Sharp and Dawes (2001, quoted in

Svendsen et al 2011 p. 515) states that *“the aim of differentiation is to earn superior profit through, for example, reduced price sensitivity or achieving price premium”*. These two last definitions include price as a factor of differentiation, while O’Shaughnessy’s (1984) definition differs completely from this, by stating that any non-price difference constitutes differentiation. Bertrand (1987, quoted in Haarla, 2003, p. 36) agrees somehow by saying *“When firms produce homogenous products, price is the only variable of interest to consumers. Consequently, no firm can raise its price above marginal cost without losing its entire market share. In contrast, product differentiation establishes market niches and allows firms to enjoy some market power over these clienteles”*. Even if price is considered a differentiating factor it is the one easiest to imitate, as Ehmke (n.d.) states, it is a natural reaction of companies when their competitors lower prices to do so as well. But this is not a differentiation strategy the company can maintain for too long without hurting its profits, otherwise it will be forced to reduce cost in other areas which could lead to hurting other valuable qualities of the product. On the contrary, most differentiated products are believed to have qualities that are enough to appeal consumers’ willingness to pay a premium price for them.

As stated before, even though price might be considered a differentiating factor for some authors, it is debatable on how reliable this differentiation is. Haarla (2003) states that the purpose of real differentiation is to reduce price competition by providing a distinctive services or goods promotion, packaging, delivery, customer service, availability and other marketing factors. *“Successful product differentiation creates value to both customer and manufacturer”* Haarla (2003). Evans and Berman (1997) call it the *“non-price based strategy”*.

Figure 3 summarizes and compares the graph of the price-based approach on relation to the non-price-based approach.

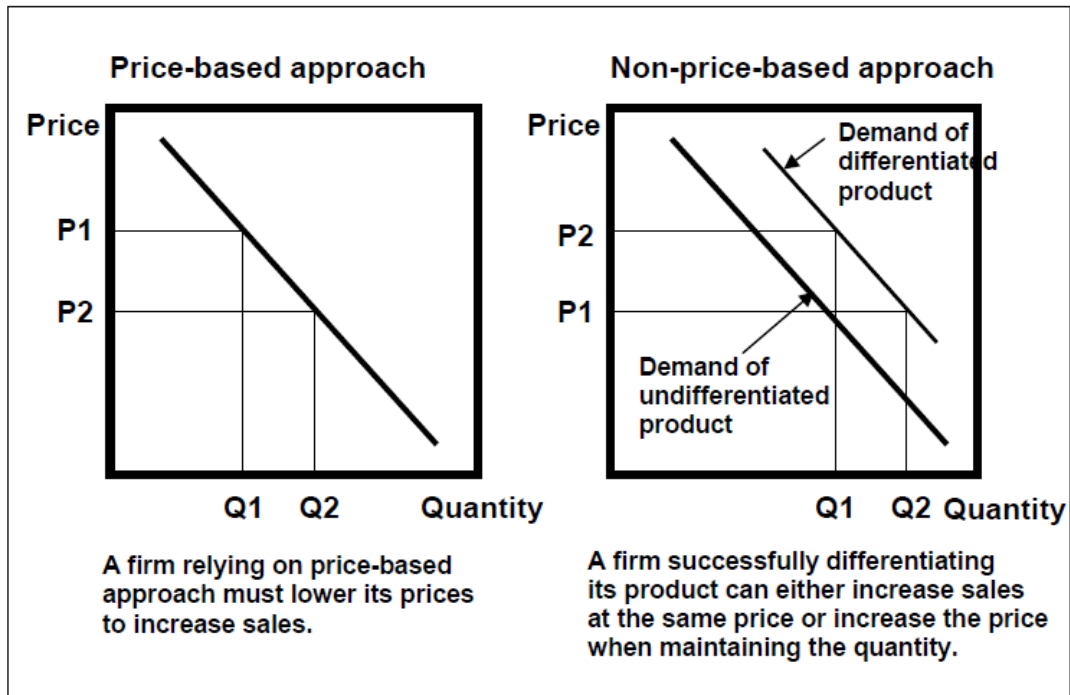


Figure 3 Priced-based approach vs. Non-price-based approach

Source: Evans and Berman (1997, in Haarla, 2003 p. 37)

Product and quality

Product features or characteristics as referred by Diez (2011) are related to characteristics that make a product unique. Ehmke (n.d.) refers to characteristics like style, handling, taste, quality or production methods such as natural or organic. Product characteristics as stated by Ehmke (n.d.) must answer the question: “what makes this product unique and desirable?”.

Diez (2011) gives examples of companies that have used product and quality characteristics to make a differentiation like Duracell and its alkaline batteries that last longer, due to the unique element of alkaline. Another example of a unique element that differentiates a product is Geox shoes and its rubber soles. Before they were introduced by Geox in casual shoes, these soles were only used by industrial boots. Geox patented a special rubber type of soles that could breathe unlike usual rubber soles bringing comfort to impermeable every day wear.

Diez (2011) also states that companies do not concentrate only in one feature to differentiate, as it will be exemplified later in this document with the dual certification of Fairtrade and organic, that satisfies the customer needs for social and environmental concerns on how food products are processed.

Differentiation through offers other than the product

Grimm and Malschinger (2010) refer to this as the services provided by the company when acquiring the product. The authors make example of milk that can be delivered to your door. Delivery, logistics or customer service provided by the company are some of the differentiating factors. Diez (2011) mention that one of these features is the time that the company takes to respond to the customer needs. McDonalds is an example on how in many countries they make differentiation, not only because of the products itself, but also due to the speed and attention customers received when purchasing the products, while Burger King makes more emphasis on the meat they use and the size of their burgers.

Company and Branding differentiation

As mentioned by Diez (2011) the differentiation sometimes comes from the market perception of the company itself. Diez explains how charismatic leaders running companies sometimes make a big difference on why customers choose one product over another. Besides the technology advances that Apple offered, the branding and the charismatic leadership of Steve Jobs was for many consumers the main reasons on why to use an Apple product instead of the competition.

Market and customization differentiation

Diez (2011) point out that companies will go the extra mile to customize products for their clients in order to make a differentiation. Offering different versions of a same product that fits into different types of customers is a reason why some customers will choose one product over another. Diez makes the beauty products firm L'oreal an example of this; L'oreal not only offers its lower range products in retail stores like supermarkets but in saloons which are customize depending of the demand of the saloons.

As a final though, Porter (1985, quoted in Haarla, 2003, p.38) warns about the risks of differentiation as follows:

1. Too much differentiation
2. Too high of a premium price
3. Uniqueness that is not valuable to consumers
4. Underestimating the cost of differentiation
5. Differentiation that is focus on the product and not the value chain
6. Failing at recognizing the consumers segments

Haarla (2003) states that it is important to tailor a program to make consumers aware of the uniqueness of the program. Differentiation without awareness of consumers is bound to fail.

Market niches vs. market segments – definitions and differences

Market niches and market segments are terms that are closely linked together. According to Dalgic and Leeuw (1994, quoted in: Toften & Hammervoll, 2012, page 272) niches can be defined as: *“positioning into small, profitable homogeneous market segments [...] ignored or neglected by others”*. Since this definition may be seen as a subset of segments, it is important to explain that concept. Kotler (2005) defines market segmentation as *“Dividing a market into distinct groups of buyers with different needs, characteristics or behavior, who might require separate products or marketing mixes”* (page 391). Further he argues that *“through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently with products and services that match their unique needs”* (Kotler, 2005, p. 391). This is more similar to Phillips and Peterson’ definition of market niches: *“a marketing strategy that uses product differentiation to appeal to a focused group of customers”* (Phillips and Peterson, 2001, p.1).

Other definitions have been suggested by several academics and authors, especially in regard of separating niches from segments. Toften and Hammervoll (2012) compared several definitions in their literature review on this topic. Their findings indicate firstly that the concepts of niches and the concepts of niche markets are overlapping, secondly, the definitions and applications compared are very similar and has only minor differences. The differences are related to a few details, firstly the matter of size. It seems that niches tend to be portrayed as smaller in size compared to segments. A niche can, in some cases, be only one customer. Some authors and corporations argue that the “segment of one”, where it is

only one customer, can be defined as a segment (Boston Consulting Group, N.D.). However, Toften & Hammervoll question this with the following: *“defining a niche as a smaller [...] how can a niche market be smaller than a single customer?”* (2012, page 278). Lindsay (2007) tries to answer this by saying that a niche doesn’t have to be small, only narrow, and she even calls this *“optimized segmentation”*. Furthermore, niches can be without any competitors, while segments usually tend to have competition, in other words: *“a segment has normally more actors”* (Toften & Hammervoll, 2012, page 278).

The second difference is how the market is defined. Segments are mostly defined as a smaller part of a bigger market. This also corresponds with Porter’s definition (see figure 2, Porter). A good example of this can be provided with the airline industry. Norwegian and SAS are both airline companies delivering the same end-service, namely transporting you from point A to point B. It can be argued that these two companies have different marketing strategies, which puts them into different segments. Norwegian is a low-fare company focusing on cost reduction to be able to provide the cheapest tickets possible, while SAS is focusing more on the business segment and delivering higher quality and service on their product (Strand & Westblikk, 2012). These two companies are competing in the same market, and delivering the same end-product. Niches, on the other hand, is more often referring to an independent part of the market, where the bigger market is conducting their business alongside. An example of this can be related to the world market of food, which is the big market, while organic food is operating alongside, providing their products for those who want organic grown food.

The third, and last difference, is regarding the protective barriers. According to Toften & Hammervoll (2012), niche firms have a tendency to focus more on a single niche and on protecting this with barriers unlike what most segmented firms tend to do. A natural explanation to this could be related to the first difference, the matter of size, and the fact that firms with only one or very few customers need more protection. With barriers they mean protection from the bigger market, competing firms and potential threat from new entrants. The most effective and most common barriers are the high quality or special product attributes the niche products tend to have. Patents and certifications can in some cases work as a barrier for a given period of time. Technology and capital can often make a big difference, especially regarding new entrants. Geographical advantages, either location

of business or location of resources, can work as a barrier or a strong competitive advantage, this aspect is very relevant for season-related products. High credibility, reputation, customer loyalty and long-term relationships can in many cases be very effective (Toften & Hammervoll, 2012; Kotler, 2005).

According to Toften & Hammervoll there has been close to no change, or as they put it: “marginally”, in the original definition of market niches since the year 1994 and the publication from Dalgic and Leeuw. In addition to their own conclusion (mentioned above), they suggested a definition from Websters dictionary (1992) which sounded like: “*A recessed space or hollow; specifically a recess in a wall for a statue or the like, any position specifically adapted to its occupant*” (Dalgic, T. and Leeuw, M., 1994, p. 40, quoted in Toften & Hammervoll, 2012, p. 279). Toften & Hammervoll points out that this definition has a few interesting point when connected to the business perspective. First, “A recessed spaced or hollow” could be related to the fact that niches is a part of the big market, carved out in a corner, to serve special needs. This could be looked at in the light at a metaphor. Imagine a big brick wall, where a small space is carved out, almost like a window but not all the way through the wall. In this shallow space there is a statue. There is only one opening to see the statue, which implies that the other sides are covered. In this metaphor it could also mean that the statue, or market niche, is partially protected from the big referral market or from competitors, in reality done with barriers.

To separate market niches from market segment by definitions, three important aspects are recommended. Market niches:

1. are narrow in scope
2. require specialized assets or skills → product/service differentiation/uniqueness
3. uses higher degree of protection

Given this, Toften & Hammervoll (2012, p. 280) suggest another definition on niche marketing:

“The process of carving out, protecting and offering a valued product to a narrow part of a market that displays differentiated needs”

Market niches – recommendations and pitfalls

There is much written about market niches or niche marketing, but there is no widely accepted theoretical basis (Toften & Hammervoll, 2012). However, there are multiple approaches and methods of operationalization for many different industries, for example: food products, retailing, wine, beer, airline travel, tourism, fashion, apparel, banking, health services and so on. Examples of successful market niches in Europe is the medium sized German engineering firms and the North-Italian fashion industry (Kotler, 2005).

Kotler's arguments about efficiency and uniqueness was also confirmed by Dalgic and Leeuw in their work from 1994 (quoted in Toften & Hammervoll, 2012, p. 273), and they further continue that meeting customer needs regarding taste and habits give foundation to added value in the product or service. Linneman and Stanton (1991, quoted in Toften & Hammervoll, 2012, p. 273) found that using niche marketing as a strategy is profitable.

Uniqueness, relationships, dynamic capabilities, high quality, commitment and (partial) protection are the most common success criteria you need to be profitable or sustainable as a niche marketer. The benefits of conducting "correct" niche marketing is not only profitability or living out your dream as an independent business man or entrepreneur, but also value creation and value added, growth possibilities in ignored markets, perceived value, increased competitiveness and good customer relations and loyalty. But these things do not come by themselves, and the following important recommendations are stated as the majority after the findings in Toften & Hammervoll (2012). First, competitive advantage is the outmost important and it should be done by developing internal dynamic capabilities. Dynamic capabilities are closely related to the resource based view, and it is a term that has gotten more attention the last two decades. One definition is "*the capacity of an organization to purposefully create, extend or modify its resource base*" (Helfat et al., 2007, p. 1. quoted in Ambrosini et al, 2009, p. 3). By this they mean how good and how quick a firm can modify or adjust their resources in a dynamic and changing market.

The second recommendation is regarding product specialization, and the following arguments are given by both Kotler (2005) and Toften & Hammervoll (2012). On a general level, specialization refers to uniqueness and/or differentiation. This is to some extent different and individual to your product or service, and an effect of the combination of products or services you provide. That being said, specialization can also be applied to other

areas, for example customer specialization. Also in this case it can be a combination of customer specialization with product/service specialization.

Relationship marketing is the third recommendation. The reasoning behind this aspect is the need for customer and supplier relationships. These relationships need to build on a mutual benefit, good communication and loyalty, especially for the relationships to last, often called long-term relationships. Fourth, protective barriers, is recognized by several academics including Toften & Hammervoll. These barriers do not only include patents, highly differentiated products/services and tough requirements for potential new entrants, but just as much factors related to recommendation already mentioned, namely strong relationships and dynamic capabilities.

To relate this even further to strategy and strategic capabilities, some more theoretical definitions are needed. Johnson et al (2008) defines strategic capabilities as *“the resources and competences of an organization needed for it to survive and prosper”* (page 95). Barney (1991) and Wernerfeldt (1984) have relatively similar definitions of strategic capability, and they add the word *“unique”*. All the *“requirements”* and recommendations mentioned above are related to strategy in one or several ways. To be able to succeed in a market niche and to be able to deliver high quality products you are often depending on good resources. As mentioned above, Porter states the importance of resources and high quality products in a differentiating strategy. Many academics and authors see this in relation with strategic capabilities and the connection to Porter's differentiation strategy. However, Newbert (2007) states that having the resource you need is necessary to obtain a strategic advantage, but it is insufficient to explain the firm's competitive position. Another important aspect to consider is the above mentioned changes in time and the firm's dynamic capability. Teece et al (1997) argues that a rapid changing market and environment requires good dynamic capabilities to be able to keep the strategic advantage over time.

Even though it seems to be many positive sides about market niches and recommendation about how to get there, it is also some pitfalls to avoid on the way. Product cannibalization is a known phenomenon within marketing theory, and it means when the introduction of a new product *“eats up”* the market share or the profitability of another product. This is not relevant if you are starting out as a new company launching your first product, but when and

if you launch a later product which is similar to some products you already have. To some extent, this could be related to substitutes within your own range of products. Another problem is related to market- and customer knowledge. As mentioned before, providing and satisfying special customers need, both in regard of customer satisfaction and product or service uniqueness it very important. Failing to do so, or failing the change with a dynamic market, ref. dynamic capabilities, could lead to failure (Kotler, 2005).

Another important issue to consider is the existing competitors. Even though some niches have very few competitors or none at all, there is always a chance for new entrants and existing competitors can choose to attack your niche. This means that they either starts competing directly within your niche for new and existing customers, or that they lunch a “price attack”. Price attacks means that a firm lowers the prices on a product or service to a degree where business is not profitable. This is a common strategy for big and capital-rich companies to get rid of competition or to take a market share.

Distribution is another factor that causes headaches for many companies. By losing your only or a very important distributor, either by bankruptcy, failure of communication, disagreements, or by contracts of strategic alliances, you could end up without any products to sell. Controlling the distribution channel is of outmost importance both in regarding the products and the logistics. Specific contracts and agreements are often made, and some of them are limited in time (Kotler, 2005; Toften & Hammervoll, 2012).

The last “common” potential problem identified by Toften & Hammervoll is decreasing niche demand. A mentioned before, niches tends to serve parts of the markets which often are ignored or neglected by others. Depending on the market, the popularity of the product or service, how substitutable it is and how easy it is for other to imitate it, demand may fluctuate. Considering the value-added and the general price level, niches may be very sensitive to economic aspects, both on a micro- and a macro level. For example, during the last worldwide financial downturn which started in 2008, countless firms went bankrupt because of reduction of demand. In the United States alone, 4.3 million businesses with 19 or fewer employees had to close down in the time period between September 2007 and September 2008 (Mattioli, 2009).

A problem that might occur is the extended use of differentiation features, as mentioned by Toften & Hammervoll. The first question to consider is if they are differentiating enough to be defined or perceived as different from their competitors. This aspect is most important for the customers and how they perceive the product compared to competing substitutable products on the market. The second question to consider are if several companies starts with the same differentiation strategy, is it then differentiation?

Doyle (1998) argues for two specific criteria's for niche success:



Figure 4 Success in niches

Based on Doyle (1998)

Quality as product differentiation strategy in niche firms

Results from a study conducted by Phillips and Peterson in 2001 shows that the most common differentiation feature is product quality. This is also the findings from Toften & Hammervoll (2009) when they studied internationally oriented firms in the fish industry. More similarities from the mentioned studies is the importance of quality, both for maintaining a strategic advantage over competitors, to keep customers satisfied and to differentiate from other products. Firm reputation is also mentioned to be important, and to some extent, the production method.

Conclusions from Toften & Hammervoll (2009) was that the firms do not segment their markets in order to choose certain costumers. Usually the customers found the company based on initiatives from the customers themselves. The indications for their study concluded that the niche firms had little or no traditional segmenting, little or no targeting of

customers, and little or no positioning of their products. But the firms greatly depended on resource based advantages, high quality products and long term personal relationships.

For niche firm strategy they found that customer-valued competitive advantage is of utmost importance (also include being knowledgeable and adapt to change in the market), enter rapidly growing markets and target more than only one product market, strong and long-term relationships, and finally, there is *“some room to follow your own personal convictions and ideas for crafting a marketing strategy”* (Toften & Hammervoll, 2009, p. 1389).

Differentiation as a niche strategy

Toften & Hammervoll continue their arguments and presenting their research results, this time in their study from 2010. This study focus more on niche firms strategy, and they refer to it as *“strategic orientation”*. *“Firms’ strategic orientation towards the market can be described as the strategic directions implemented by a firm to create the proper behaviours for the continuous superior performance”* (Toften & Hammervoll, 2010 (1), p. 110). They continue quoting from Dalgic (2006) who discuss how niche firms have both a product- and customer orientation as their strategy of choice.

Toften & Hammervoll’s (1) (2010) research conclusion is that niche firms have both a product and customer orientation at the same time. Further they conclude that managers of niche businesses should focus their attention and strategy purely on high quality products and very specific concepts of these products. This is strongly related to the before mentioned dynamic capabilities, and Toften & Hammervoll state the importance of continuous improvement of the niche quality products. Hedaa & Ritter (2005) state that a strategic orientation with a product focus will make customers favor the products that offer the highest quality, performance or innovative ideas. This is the same conclusions that are provided by Diez, as mentioned earlier in this chapter.

The Value Chain

The Foreign Investment Advisory Service (FIAS), a joint facility between the International Finance Corporation, The Multilateral Investment Guarantee Agency and The World Bank, define a value chain as “*a method for accounting and presenting the value that is created in a product or service as it is transformed from raw inputs to a final product consumed by end users*” (FIAS, 2007, page ix). The value chain is a method to analyze the business activities that aim to produce, design, deliver and service the product to the customer. The process of VCA often include typical identification and mapping stages that is meant to locate and analyze different stages or features and the relationship between them. Read more about value chains in appendix 2.

The value chains for coffee can be portrayed in many ways. They are important to understand the production of coffee and how complicated the system of coffee import are. The term *from crop to cup* is a good description on the process in figure 9 in appendix 2.

The coffee value chain also shows an important aspect, the import process. Why is it that countries choose to import products instead of produce the products themselves? There are many answers and aspects related to this question. A natural point to start is to have a brief look at some trade theories.

International business is closely related to international trade. Trade has been an important part of business, and in a way, you can argue that trade was the phenomenon that “created” the doorway for international business. Read more about trade and trade-related theories in appendix 3.

Chapter 3 – Methodology

This part of the thesis will present the methodology utilized to gather data and answer the research question:

How do quality, ethical certification and macro-economic aspects influence the different actors in the value chain of differentiated coffee, in Guatemala as a producing country and Norway as a consumer country

The research question and the research objectives, as stated in chapter 1, are the foundation for further work with gathering and analyzing secondary and primary data.

Philosophical view

According to Easterby-Smith, Thorpe and Jackson (2012) are there at least three reasons why an understanding of philosophical issues is very beneficial. Having sufficient knowledge about philosophy will help you see the difference between data and theory. It can also help to clarify which research design to choose, and how this will provide good answers to the basic questions that you as a researcher are investigating. This also implies that the more knowledge the researcher has about philosophy, the better he is equipped to recognize which design will work or not. Further, it can help the researcher develop, identify and create new research designs that is not a part of the researcher's previous experience. To be fully able to interpret, analyze and understand both sides of an argument, philosophy is very important in terms of eclectic designs that often are put together from more than just one tradition (Easterby-Smith et al, 2012).

For my choice of methodology it was important to start from my research question and figure out how to answer this. For that reason I choose a design which was closer to social constructionism, opposite to strong positivism. Social constructionism focuses on making sense of "the world", in this thesis my research question, through the medium of language. The best way to get an understanding of how the different parts of the value chain of differentiated coffee sees the aspects of quality, macro-economic factors and ethical factors, I chose a qualitative data collection method. According to Freeman & Cavusgil (2007) qualitative research opens for a choice of particular cases to address the research question, and this method is effective in providing an emphasis of how and why occurrences take

place. This decision was made because understanding of the underlying epistemology related to my research question and research objectives requires more than an analysis of numbers, regression, average, median and other statistical and mathematical calculations provided by quantitative data collection. Social constructionism defends this approach with stating *“the focus should be on what people, individually and collectively, are thinking and feeling, and the attention should be paid to the ways they communicate with each other, whether verbally or non-verbally”* (Easterby-Smith et al, 2012, p. 24). Based on this, my primary data is a reflection of the understanding and the experiences the informants has provided in the interviews. This gave me a broader field of knowledge relevant for this thesis, and laid the foundation for my choice of methodology.

Research methods

Research is a combination of several components: the main topic of study, collection of data, and in the end, analysis. The difference between quantitative and qualitative research mirrors the characteristics and quality of these components. As mentioned, a qualitative data collection method was chosen to be able to get deeper underlying understanding of the topic of research. Since the value chain of coffee can be complicated, and the fact that the different parts of the value chain have different interests, areas of focus, experiences and knowledge, and even different cultures and languages, I wanted more flexibility and openness related to gathering primary data. This is also reflected in the interview guides, since it was necessary to ask different questions to the different groups interviewed. A standardized scheme would not work in this study, especially since not all questions were relevant for every group, and because I needed some follow up questions to get deeper into the topic for the interviews. The result of this choice will allow this thesis to get more details and a better and more relevant understanding of the topic, both in theory and in practical terms. This would be difficult to achieve through a quantitative research method. Easterby-Smith et al. (2012) states how social constructionism helps for flexibility, good processing and deeper meanings and making data collection less artificial, but at the same time it can be very time consuming.

Semi-structured interview guides with optional follow-up questions were chosen. According to Johannessen et al. (2010) openness and flexibility are keywords for this method. The method allowed the interviews to have a more natural flow were the informants could talk

freely about the topic, but at the same time having the option of digging deeper into relevant and interesting parts of the interview. This opened for more understanding and elaboration of necessary parts to eliminate misunderstandings or misinterpretation. Furthermore, the informants decide what information they want to share, being an advantage instead of a disadvantage, given the fact that they are the experts on this topic. Instead of the alternative where they just answer the questions from the interview guide, they could talk about factors which were unknown in early stages of my study.

Research design

Johannessen et al (2010) and Easterby-Smith et al (2012) describes several types of research designs, which are the strategy applied on how to gather data and information, and how this is organized to answer the research question. More specifically, an exploratory research perspective which is closest linked to grounded theory was adopted with a basis of the reasons mentioned earlier in this chapter. Churchill (1992), Johannessen et al (2010) and Easterby-Smith et al (2012) all explains how exploratory research aims to find many nuances and get an insight of the respondents own interpretation of the topic at hand, and give the researcher a deeper understanding of underlying or latent constructs. See choice of informants for more information on how this related to the research in this thesis.

Research strategy (Grounded Theory)

Grounded theory was introduced and formulated by Barney Glazer and Anselm Strauss in the 1960's with a basis in constructionist perspectives, and the key task of the researcher being to look at an event or process in different situations or settings through comparative methods. Easterby-Smith et al (2012) define grounded theory as *"an open (and inductive) approach to analysis where there are no a priori definitional codes but where the structure is derived from the data and the constructs and categories derived emerged from the respondents under study"* (p. 342). Strauss recommends reading theory and previous research, but not taking this as an absolute truth. According to Easterby-Smith et al (2012) and Johannessen et al (2010) the researcher are approaching the study with a more open mind instead of looking for or after particular aspects stated in theory or previous studies, the results are then forming the researcher instead of the researcher forming the data. Grounded theory must fit the substantive area, be sufficiently complex and understandable. It is also recognized by constant analysis and comparisons as well as theoretical sampling

and saturation. Strauss and Corbin (1998) states that grounded theory is a flexible approach that get insights from many different sources based on an active examination of the data. Theory is considered in the same way as the data observed, and is used in the actual analysis part instead of a theoretical platform where everything in the research starts.

Grounded theory as methodology is not an excuse or justification to not read before the study or not to have a clear view of what is being researched. Grounded theory can be divided into different phases consisting of research design, data collection, organizing and analysis of data where the data collected is compared to previous studies and theory.

Interview guide, preparations and interviews

The interview guide was originally based on the research question and research objectives for my study. The questions were formed in a combination of brainstorming, mind-mapping and reading previous theory and studies, mainly based on academic articles. The questions were tested to check for relevance, misunderstanding and general impreciseness. Afterwards the questions was sorted and stated in a logical way in the interview guide, and had optional keywords to support follow-up questions. The testing of the interview guide also located some missing parts or blind-zones that were covered with new questions, while irrelevant questions were removed. This also gave me a practice on how to ask certain questions to minimize misunderstandings, as well as preparing for follow-up questions in a laddering technique. Easterby-Smith et al (2012) describes laddering as asking “*why*” types of questions to dig deeper into a topic or statement.

The first interview was performed with a coffee bar in Bodø city center, and this interview allowed me to sharpen the questions even more before the next interview. The three next interviews were conducted in Guatemala with private and governmental organizations related to differentiated coffees (read more about these in appendix 1). This time, the interview guide was slightly altered to better fit the relevance of the different organizations, before the guide was tested again, this time with agricultural engineer José Antonio Hernandez, who also helped with the interview appointments.

Seven different coffee farmers from the area Jalapa, Guatemala, where interviewed during the research process. These interviews were different from the others in several ways. The

interview was prepared up front, primarily based on my research question and research objectives. Some information from previous interviews and other secondary data also helped to shape the interview guide for the farmers. These interviews were more open than the previous based on my experiences obtained during the other interviews. My experience showed that cultural differences played a bigger part than I originally thought, and the interviews were more open and acted like a discussion or conversation, where food and drinks constituted a mandatory part based on the farmer's culture. These interviews were arranged with the help from José Antonio Hernandez, whom among others, helped with technical translations when necessary.

The original plan and agreement was to interview two farmers, but when we arrived, seven farmers were present. All seven were "neighbors", meaning that their farms were located next to one another's. This twist of event gave me several advantages:

- More farmers means more coffee farms
- More farms means bigger area covered
- More farmers means more opinions, experience and meanings
- More farms/farmers means more accurate data

An overview of the farmers and their farms is presented in table 11 in appendix 1.

The next phase of interviews was conducted with importers, roasters and sellers of differentiated coffee in Norway. Two companies were chosen KAFFA AS and Tim Wendelboe, both fulfilling these criterias. See more information about them in appendix 1. For these interviews, the interview guide was again slightly altered to better fit their area of business and expertise. In addition, the research methods had to be slightly changed. These interviews were conducted through phone calls and skype sessions. The interview guide used with the importers is included in appendix 12 in this thesis.

The last part of data collection was regarding to the end consumers of differentiated coffee. Short interviews were conducted with coffee consuming respondents. A total of 40 respondents, 20 men and 20 women were chosen. The only criteria put to accepting the respondents answer was that they regularly consume coffee, minimum 5 days a week, and that they have been drinking coffee for more than 3 years. The age difference varied from 19 (the youngest) to 66 (the oldest), with the average 30-31, more details about the

respondents can be found in table 12 in appendix 1. Some of the interviews were conducted by phone and skype, but the majority in a face to face conversation. Short and concise questions were asked. This part of my data collection was a mix between qualitative and quantitative interviews, referred to as mixed methods by Easterby-Smith et al (2012), who further states two different ways to conduct mixed methods: *sequencing* and *dominance*. “*Dominance is a matter of whether one method uses significantly more time and resource than the other, or whether they are roughly balanced in importance*” (Easterby-Smith et al., 2012, p. 61). The primary data collected regarding the consumers is predominantly qualitative, but slightly quantitative in a way where the answers can be compared and somehow possible to generalize. As stated by Easterby-Smith et al (2012) mixed methods “... *have the potential to throw new perspectives on research questions, to increase the credibility of results, to demonstrate generalizability, and to provide deeper insights that explains why things takes place*” (p. 63). For the rest of my data collection, purely qualitative methods were performed, where generalizability is difficult. Although, the questions were posed in such a way that the responses could be generalized in the best possible way, taking into account the interviewee's role in the value chain for differentiated coffee and cultural and language challenges that arose.

Primary data

Easterby-Smith et al (2012) define primary data as “*new information that is collected directly by the researcher*” (p. 344). The researcher seeks the source to answer the research question. The primary sources in this thesis are everyone interviewed, listed in table 1 ahead. Most of these was chosen upfront and contacted, with the exception of Crecer, whom was referred by José Antonio Hernandez. As mentioned previously, the subjects interviewed were divided into groups according to their location in the value chain. See figure 1 (in introduction chapter) and table 1 ahead.

Secondary data

Secondary data is data that is gathered by others than the researcher himself. This mainly consists in writing in form of publications. The idea behind secondary data is to supplement primary data, either to strengthen findings and/or arguments or by revealing differences, deviations or inconsistencies that undermine the findings (Easterby-Smith et al, 2012). In this research, mainly academic articles are used as secondary data, both in theoretical and empirical terms. These are located in electronic databases connected to the University Library, like *Emerald*, *British Food Journal* and different marketing and strategy journals, see bibliography.

Important and relevant reports made by worldwide organizations like The International Coffee Council, The International Coffee Organization, Specialty Coffee Association of America, The World Fairtrade Organization and The World Bank were used. Many of these are related either by topic or by author, and led to several additional sources of information. Books, theses and previous studies were consulted, as well as formal internet pages. See chapter of ethics, validity, reliability and objectivity below.

Choice of informants

The choices of informants or population in this study are all a part in the value chain of differentiated coffee. These were clearly chosen based on what Johannessen et al (2010) define as a strategic selection of informants. Important criteria' was defined before deciding whom to contact: Relevance, experience and knowledge – where all had to be fulfilled. Additional criteria' was considered as a bonus. Since the research questions and objectives focuses on Guatemala and Norway, as producing, exporting, importing and consuming countries, it was natural to search for and choose informants from these two countries. Diamantopoulos and Cadogan (1996) and Eisenhardt (1989) explains how "such non-random selection of heterogeneous cases is suitable for extending theoretical knowledge" (Toften & Hammervoll, (2) 2010, p.739).

Appointments were made through phone calls, emails and personal meetings with the informants. Table 1 shows a systematic overview of the population related to my primary data collection and interviews.

Groups in value chain	Population	Role - Purpose	Location - Information
1	Coffee farmers	Beginning of coffee value chain, producers of differentiated coffee	7 different coffee farmers from Jalapa Region, Highland Guatemala. See appendix 1 for more information about the specific farmers.
1	AGEXPORT	Institution for export advisory, have committees for differentiated coffee	Guatemala City, Guatemala. See appendix 1 for more information.
1	ANACAFÉ	Control and promote coffee export in Guatemala	Guatemala City, Guatemala. See appendix 1 for more information.
1	CRECER	Social and civil organization. Focus on certifications.	Guatemala City, Guatemala. See appendix 1 for more information.
2	KAFFA AS	Importer and Roaster of high quality coffee in the Norwegian market	Oslo, Norway
2	Tim Wendelboe	Importer and Roaster of high quality coffee in the Norwegian market	Oslo, Norway
3	Babel	Coffee Bar. Selling quality coffee with high degree of denomination of origin	Bodø, Norway
3	End consumers	End consumer of the actual product. Final stage of value chain.	40 different end consumers where interviewed. All interviews taken place in Norway

Table 1 Population of study

Data collection and transcribing

Most interviews were conducted in person or face-to-face, mainly to allow discussion, follow-up questions and to reduce misunderstanding. Two major interviews in Norway were conducted by phone/skype due to time and distance limitations (Kaffa AS and Tim Wendelboe).

As mentioned earlier, different interview guides had to be used for the different groups to be able to collect relevant primary data. The interviews in the different groups (G1, G2 and G3) were conducted in very similar ways to be able to draw lines and compare information. Since I was working on this thesis alone, I was counting on audio recording device when the respondent approved to this, which most of them did. After the interviews, the notes in the interview guide were filled out in complete sentences, the audio was transcribed fully, and

the notes were included in the transcription. Johannessen et al (2010) and Easterby-Smith et al (2012) stresses the challenges in qualitative data to be able to sort out information in huge amount of data, identify patterns, get rid of unnecessary data and make a framework to process the analysis.

After the transcriptions were done, the information was sorted by topics and labelled. This was particularly important since many of the interviews followed as a natural conversation, where different questions and topics were answered at different times in the interviews. Sorting by topic was also important to see which factors were repeated throughout the value chain. Some of the respondents wanted to read through the transcription for commenting and approval. Email correspondence to respondents was also conducted, up to several times, for clarifying purposes.

Analysis and evaluation

Easterby-Smith et al. use the word framing, meaning *“a range of ways in which information or data can be made sense of”* (p. 162). As mentioned before, *grounded theory* was chosen as a research strategy, and naturally following, *grounded analysis* suited the analysis of this research. Grounded analysis is known for a higher level of intuition and letting the data speak for itself. Easterby-Smith et al. suggest seven steps in grounded analysis: Familiarization, reflection, conceptualization, cataloguing, re-coding, linking and re-evaluation. The first is related to the transcription and data-sorting described above. Reflection and conceptualization is fairly self-explanatory, consisting of the “analysis part”, where the data is made sense of, compared and evaluated against previous data, secondary data in this case, before it is trying to answer “what is going on?”. The cataloguing concepts are followed throughout the complete research, both in terms of primary and secondary data, and it is reflected in the research question figure 1. Re-coding and linking was done together while trying to make sense of all the labels that appeared after the data collection. Around 13 labels were linked together to the three main topic of research, namely: Quality, macro-economic factors and ethical certifications. Strauss and Corbin (1998) refer to this as “axial coding” practice. Re-evaluation was done several times, between the actual analysis and conclusions, and after conclusions, leading to further recommendations.

As mentioned, the interviews were conducted at different times and different places. This also means that the transcriptions and the coding were done at different times, the first one were done before that last ones were started. This created extra work for me as a researcher trying to make sense of the data, and it would have been beneficial to use computer softer for coding, such as NVivo, but at the time, this was considered to create more mess than help.

Reliability and validity

Easterby-Smith et al. mention six concerns related to interviews in general: obtaining trust, being aware of social interaction, using the appropriate language, getting access, choosing the location for the interviews and recording the interviews (p. 136). All these are closely related to what Johannessen et al. refer to as reliability, validity, external validity and objectivity (p.p. 229-232). They further claim that qualitative research has to be evaluated differently from quantitative research, and in terms of qualitative, it often comes down to “both” instead of “either”.

Reliability

Reliability is related to the research data, which data is used and how it is collected and in the end, sorted and analyzed. Reliability in terms of qualitative data cannot be tested the same way as quantitative data with tests like “test-re-test” and “interreliability”. Further, interviews are often context-based, the “conversation” is directing the research process and this is again related to the researchers experience. This makes it more difficult for other researchers to duplicate a qualitative research. Audio recordings and full transcriptions was carried out before the data was coded, sorted, re-coded and analyzed, which helps to a certain degree of making the primary data more reliable. Translators helping during the process accounts for “lost in translation effect”, and this further leads to validity.

Validity

Johannessen et al. points towards a definition for quantitative validity, also called internal validity, as “*do we measure what we think we are measuring?*” (p. 230). In terms of qualitative data validity is related in which degree the researcher’s methods, procedures and findings, in a correct way, reflects the purpose of the study and reality. Internal validity can

be strengthened by asking the respondents to verify the information collected before it is being used. It can further be strengthened with “continuous observation”, which in this case was done with email correspondence before and after the interviews. As mentioned, different interview guides were used throughout the primary data collection, where each interview guide were changed to better fit the “area of expertise”, but also because experience was gained from every interview and every situation. This, combined with secondary data and previous researches, led to natural discussions in the interviews, debating different perceptions of the different aspects related to the different part in the value chain for differentiated coffee. This could increase the final validity in terms of statements as “I agree”, or “that is not the perception we have, but...”. This is according to Jacobsen (2005) defined as “*validity through control with other professionals, other theory and other empirical data*”. Deviations were found, but these were considered to be important findings instead of less valid. During the analysis, one of the main objectives to be able to answer the research question was to compare theory, secondary and primary data. Except answering the research question, this also increases the validity of the research.

External validity (transferability) is about the ability of the results to be transferred to similar phenomena. This study is purely related to the value chain for differentiated coffee, and mainly from Guatemala as a producing and exporting country to Norway as an importing and consuming country. External validity is mainly about generalizability, from a “sample to a population”. Generalizing is not the main purpose of this thesis, but rather to get a deeper understanding of the topic at hand. Instead of trying to generalize the results of this thesis, it can be put to better used as a foundation for further research, especially in the market for differentiated coffee, related to quality, ethical certifications, and how macro-economic factors, such as price, total production and different types of demand affect the international market. However, Jacobsen (2005) mention that it is possible to generalize from empirical data to theoretical data, but that is not the purpose of this thesis.

Objectivity

As mentioned, grounded theory and grounded analysis let the “data speak for itself”. This has been an important role for me as a researcher throughout the work with the whole thesis, by that it means not to let subjective attitudes affect the research data, but focus on the perception the different actors in the value chain has related to the topic of study. This does not mean that all informants give clear objective statements, but they are treated as objective in terms of the researcher and compared to each other.

The research process has been described throughout the methodology chapter; the readers of this thesis can follow this process and evaluate the decisions taken. See research limitations in chapter 1 and the interview guide in appendix 12. The findings of this research are indeed related to huge international markets, and similar findings have been presented before, as mentioned throughout the secondary data chapter, as well as similar data can be found by others if they carry out a similar research, see suggestions for further research.

Ethics

As this research is mainly based on primary data and huge amounts of secondary data, in terms of academic articles, formal reports and previous studies, it has been necessary to maintain a critical view when it comes to sources. Academic articles have been classified as very reliable sources, given the process they have to go through to be published in well-known and prestigious journals. Formal reports from both non-profit and profit-based international organizations such as The International Coffee Council, The International Coffee Organization, Specialty Coffee Association of America, The World Fairtrade Organization and The World Bank, have been classified as very reliable sources as well. Books in general have been consulted to a low degree, mainly for definitions, theories and theoretical explanations of concepts. Previous researches and other theses and reports have been evaluated before use to ensure quality of what is presented in this thesis.

When it comes to primary sources, these were selected upfront in terms of the criteria mentioned earlier. The institutions and businesses are considered experienced, and the data retrieved from these are analyzed with “critical eyes”. The farmers and the consumers are individuals representing their subjective chain of thought, so this required more critical

evaluation than the rest of the primary data. The farmers were considered very serious and professional related to their knowledge about their profession. The consumers on the other hand, had to fulfill more criteria, and even then, some respondents were considered “biased” or excluded from primary data at an early stage. It is also worthwhile to mention that more institutions and businesses were contacted, but for different reasons, they were not interviewed.

It is also important to state that general ethical code of conduct was followed. No information was achieved or gathered in any un-ethical way, political reasons hold aside, general and potential stakeholder merits and subjectivity were considered at all cases. All names used in this thesis are approved by the person himself. Confidentiality, privacy and anonymity are taken into account, and the information provided in this thesis is considered non-confidential.

Chapter 4 Empirical Data

The aim of this chapter is to present empirical data. First, some general information is presented before moving on to information and facts related to macro-economic factors and quality. Due to the complexity of ethical certifications, this is shortly presented here, and deeply explained in appendix 5. Results from similar previous studies, mainly academic articles, are presented and classified as secondary data in this thesis. In appendix 6, the in-depth information from my research is presented, referred as primary data.

General empirical data

Read shortly about the story of coffee and different coffee regions in appendix 4.

Arabica and Robusta coffee

According to the International Coffee Organization (ICO (2), 2014) these are the two most important types of coffee because of their economic contribution.

Arabica

According to Lewin et al (2004), Arabica coffee variety has better quality and less caffeine than Robusta. However as stated by the ICO this variety of coffee is more susceptible to diseases and weather changes. The ICO also states that this variety accounts for around 60% of the coffee production of the world, Latin America and Africa are the main producers of this variety. Lewin et al (2004), names Brazil and Ethiopia as the two big world Arabica producers.

Robusta

Robusta is a more bitter with higher content of caffeine variety according to ICO. As stated by Toan Thu Nha (2012), this variety is more commonly used for espresso type of coffee, and is more popular in regions like south of Europe. As stated by the ICO it is also a stronger variety of coffee, more resistant to weather and diseases. As stated by Toan Thu Nha (2012) Vietnam is one of the main producers of this kind among other Asian countries. However Brazil is becoming one of the main producers of this variety in the Americas according to

Lewin et al (2004). Lewin et Al (2004) mentions a variety of coffee that is hybrid between Robusta and Arabica making it more resistant but keeping the quality of the Arabica variety.

Differentiated coffee

Lewin et al (2004) explains that coffee is seen as a commodity and price is set in the New York stock exchange, this has been the reality for a big period of the history of coffee, however more and more producers are looking to move away from that paradigm by “differentiating” their product, and becoming more than only raw material producers. Alamo and Malaga (2012) state that when it comes to differentiation it is attributes like: type, style, quality, reputation, appearance, and location that tend to differentiate them from each other. In the coffee case, the main differentiation process has been developed in relation to type, quality, reputation, and denomination of origin.

“A differentiated coffee is the one that can be clearly distinguished by its origin, distinct process, or outstanding characteristics such as superior taste or zero defects”, as defined by Lewin et al (2004), the authors also explain that in contrast to mainstream coffee which are usually pre-ground blends of unidentified origin, distributed by mainstream channels like supermarkets and foodservice, competing on basis of price. According to the Sustainable Markets Intelligence Center (CIMS, 2007, by its initials in Spanish, quoted in Morales Buchan, 2011) the differentiated process in coffee is the one that is sold based on specific attributes which makes it stand out from the coffee that is sold in mass which is usually of indefinite origin. One of the main characteristics of differentiated coffee is that it is not sold in the stock market, but its price is set between the buyer and the seller, Lewin et al (2004) agrees that differentiated coffee looks for a closer relationship between the producer and retailer.

For coffee to be “differentiated”, it must meet social, ecological or quality requirements. As explained by Lewin et al (2004) the differentiation process is either made by quality or cultivation process and this is where ethical certified coffee come in, estate coffee which gives them a denomination of origin and specialty coffee that is usually well prepared and high quality in the cup.

The two main coffee associations in Europe: European Coffee Association and SCAE (Specialty Coffee Association of Europe) (quoted in Morales Bunchan, 2011) define specialty coffee as high quality coffee but also high standards in storage, roast, and preparation.

Lewin et al (2004) mentions that the main difficulty for a producer is the access to market, even with a value-added (quality or certification), the increasing concentration at every level of the value chain, makes it very difficult for producers to enter markets without a partner in the consumer country that promotes and has access to the appropriate channels.

Classification of differentiated coffee's – By Authors		
Lewin et al (2004)	Alamo and Malaga (2012)	IADB (2002)
Gourmet and specialty	Cause related (Organics, Fairtrade, Rainforest Alliance)	Gourmet
Organic	Roast types	Organic
Fairtrade	Blends	Fairtrade
Eco-friendly or shade grown	Flavored	Eco-friendly or shade grown
Private and corporate standards	Country of Origin	Geographic Orientation of origin

Table 2 Differentiated coffee, by authors

As explained by Lewin et al (2004) there is confusion on what a differentiated coffee is, and authors explain different characteristics of what is considered a gourmet coffee. For the purpose of this thesis, organic and Fairtrade will be dealt as ethical certifications, The SCAA (The Specialty Coffee Association of America, quoted by Morales Bunchan, 2011) and Lewin *et al* (2004) agree that specialty coffee is a zero defect type of coffee of great flavor or distinctive flavor and the SCAA adds that it must come from a special micro climate. Lewin *et al* (2004) defines gourmet coffee as an exceptional coffee of superior quality. Gourmet and specialty will be treated by its main asset which is “quality” and private or corporate standards like Nespresso and Starbucks will not be a topic of discussion because they have their integrated value chain that includes commercialization.

Efficiency and productivity are definitely important factors in the coffee market, Lewin et al (2004) explains, but for countries with limited resources it is not a competitive advantage. A differentiation method based on quality or product process is in the long run a more sustainable advantage. IADB (2002) agrees that areas like Central America have a competitive advantage in enhancing coffee quality, especially in regions with comparative advantage like high altitude.

Geographic Indications of origin

As stated by Giovannucci et al (2009) we all know a GI, Geographic Indicator or denomination of origin, as we speak of Scotch whiskey or Basmati rice, we talk about a good which its delimited territory or region equals specific characteristics or/and quality. However GI's are not only used for market purposes but are legal ways to protect a "trademark" or brand, in spite that sometimes that works for some regions and not for others. For example the case of Champagne and Feta, which are both protected in the European Union as denominations of origin, and in the U.S. they are used generically, which explains the complexity to become a Geographic indicator.

Giovannucci and Ranaboldo (2008) define geographic indicator (GI) or denomination of origin as *"A Geographical Indication identifies a good as originating in a delimited territory, or region where a noted quality, reputation or other characteristic of the good is essentially attributable to its geographical origin and/or the human or natural factors there"* (page 1).

According to Lewin et al (2004) coffee with special and distinct characteristic can achieve a denomination of origin just like wines that gives them a competitive advantage. These characteristics are achieved due to specific micro-climates, soil composition, and particular varieties. These coffees can achieve higher prices avoiding the market fluctuations if marketed correctly. This category can also include *estate coffees*.

Giovannucci and Ranaboldo (2008) state that denomination of origin is *"an opportunity to capture value for traditional products via legal protection that recognizes their uniqueness"* (page 1). According to the authors a denomination of origin recognizes and values not only physical characteristics but cultural and historical characteristics that are added to the product to make them unique. Giovannucci et al (2009) states that GIs are more than commercial or legal instruments but multi-functional, and have broader context participating in global markets but supporting local economy and culture.

As stated by Giovannucci et al (2009) a denomination of origin requires a lot of elements and efforts that have not proven to be successful for all those looking to get a GI. Once the first steps of getting the legal protection of the GI are over, the market stage comes into play and to be recognized as a GI is a much greater challenge.

According to Lewin et al (2004) some of the best known denominations of origin coffees are:

- Jamaican Blue Mountain
- Guatemala Antigua
- Hawaiian Kona

Giovannucci et al (2009) explains how Guatemala Antigua is an example of a successful GI that involves different actors in the value chain, especially producers and exporters who have built a brand based on quality, while Hawaiian Kona is a perfect example of a GI in its mature stage and the challenges that GI presents in this stage, they have a good use of vertical integration and low cost technology. All the three coffees above have achieved high comparative prices. Read more about them in appendix 4.

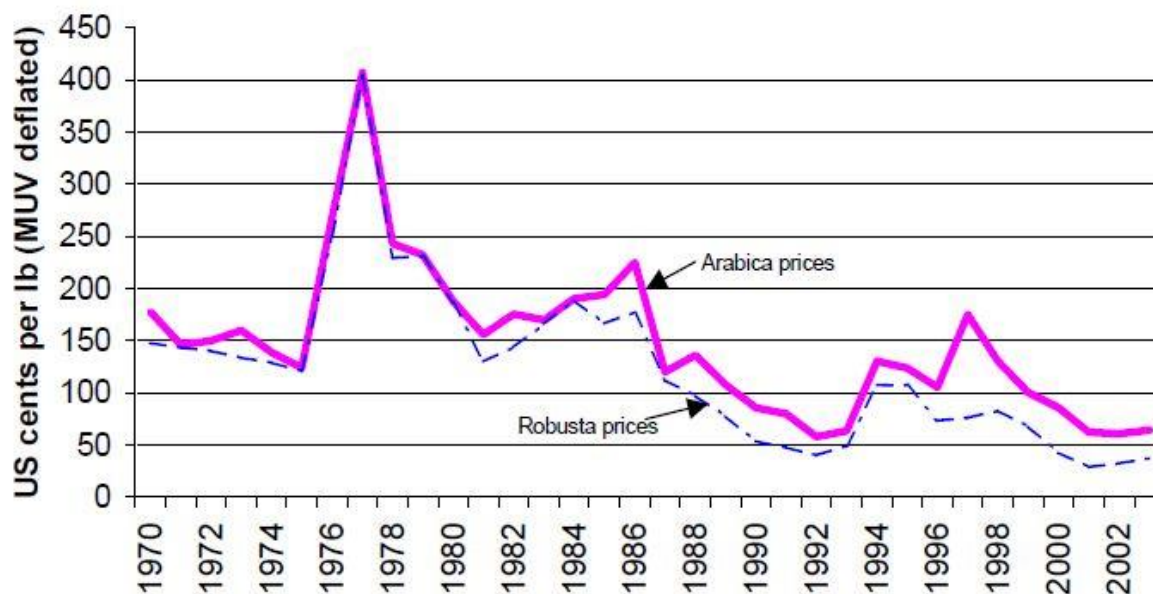
Secondary data

Macro-economic factors

Around 70 of the countries on our planet produce and grow coffee. Most of these are members of the International Coffee Organization, which are responsible for 97% of the total coffee output in the world.

Price development

Due to the fact of more producers and more producing countries, the total world production of coffee has grown rapidly the last 30 years, giving a negative effect on the world coffee price. If we take a closer look at the development in the price level of Arabica and Robusta coffee prices from 1970 until today, we clearly see the negative price development. In the 2001/2002 season, it was at the lowest level in a 30 year period, and if we adjust for inflation, it is on the lowest level in a 100 year period. Much of this can be explained of several years of total worldwide overproduction and better production methods.



Graph 1 Arabica and Robusta Prices 1970 – 2002

Source: Lewin et al (2004), p. 1

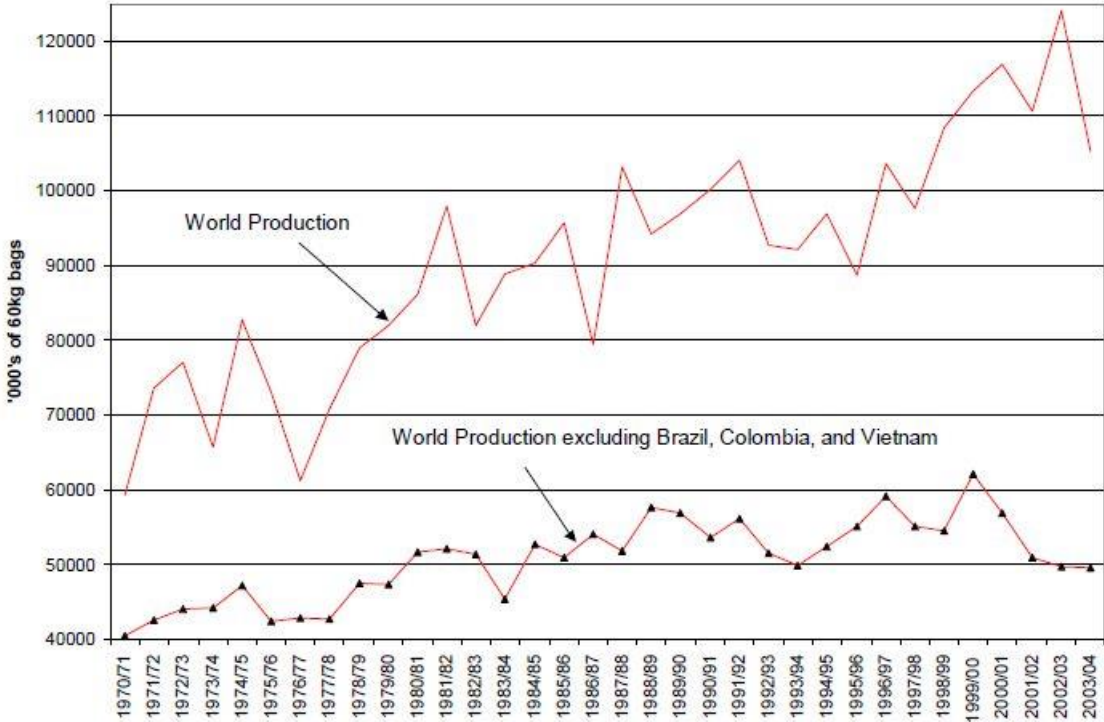
Note: MUV (Manufacturers Unit Value) deflated means that the value is deflated and shows the historical price index of manufactures.

If we have a look at the price development between 2002 and 2013 we can see a slight increase every year, reaching a peak in 2011, before the price level declines again. This is nowhere near the all high price level in 1977/1978, and is a strong indicator of tougher times in the coffee production industry. See appendix 7 for more detailed price overview.

World production

Like in most industries, having economies of scale production advantage gives you an edge over other producers. Some countries are big mass producers and their production affects the total world coffee price level. Total world coffee production is highly dominated by Brazil, Colombia and Vietnam (see graph 2 underneath), and in the latest years Indonesia (International Coffee Organization (3), 2013). These countries have huge physical land area and good technology to perform mass production. Their quality has increased the last decade, making this coffee more attractive to big buyers in the rest of the world since they are not dependent in the same degree to mix mass-produced coffee with other higher quality coffees from smaller producers. The result is more or less the same coffee on the market, but produced at a cheaper price, keeping the relative price level down. The farmers are at the beginning of the value chain, and take the highest level of risk, and many times,

have the highest level of investment in the total trade chain. Therefore they are directly affected by world coffee prices. Graph 2 underneath show global coffee production, both in total, and production excluding Brazil, Colombia and Vietnam.



Graph 2 Global production, splitted

Source: Lewin et al., page 5.

Comparing graph 1 and graph 2 we can see a clear connection describing text book economy, when production goes up, the price goes down. The total production in 2002/2003 crop season was historically large and resulted in a similar low price level. We can also see how much power the three biggest producers have in the world market for coffee. See appendix 8 for a more detailed description of world production the last several years.

<i>60-kg bags</i>	2008/2009	2009/2010	2010/2011	2011/2012
World Total	128 623	122 599	133 470	134 416
Arabica	78 857	72 593	84 152	81 024
Robusta	49 765	50 007	49 317	53 391
	Percentage share			
Arabica	61.3	59.2	63.0	60.3
Robusta	38.7	40.8	37.0	39.7

Table 3 World production by type

Based on International Coffee Organization (3), 2013, p. 9.

Looking closer at these numbers we can see a slight increase of 0,7 % in world production from 2010/2011 to 2011/2012. Even though the total production increased, Arabica production decreased by 3,7%, which also implies an increase in Robusta of 8,3%. The sudden increase of the cheaper and more acid Robusta beans is a result of an increase in Asian coffee production of 13% in the same time period. The abovementioned combination of better production techniques and higher quality on the Robusta coffee plants made this possible (International Coffee Organization (3), 2013). In table 4 the ten biggest producers for 2011/2012 are presented.

<i>In thousand bags</i>	Production	Percentage
Brazil	43 484	32.4
Vietnam	24 058	17.9
Indonesia	8 620	6.4
Colombia	7 653	5.7
Ethiopia	6 008	4.5
Honduras	5 705	4.2
Peru	5 581	4.2
India	5 233	3.9
Mexico	4 546	3.4
Guatemala	3 840	2.9

Table 4 Ten leading coffee producers 2011/2012

Based on International Coffee Organization (3), 2013, p. 10.

Exports

Table 5 shows numbers of world coffee exports from the years 1999-2012.

Coffee year	US\$ billion	Million Bags
1999/00	8.7	89.4
2000/01	5.8	90.4
2001/02	4.9	86.7
2002/03	5.5	88.2
2003/04	6.4	88.8
2004/05	8.9	89.0
2005/06	10.1	87.9
2006/07	12.5	98.4
2007/08	15.0	96.1
2008/09	13.5	97.4
2009/10	15.4	93.4
2010/11	23.6	104.7
2011/12	21.6	109.4

Table 5 World Coffee Exports 1999-2012

Based on: International Coffee Organization (2) and (3), 2013.

For the 2010/2011 season exports increased to 104.7 million bags, before it reached a record level in the 2011/2012 season of 109.4 million bags. The most interesting change is the year-to-year increase of Robusta coffee export which reached a total of 43.1 million bags, a new record increase of 16.6% from the previous season. Arabica coffee exports fell by 2.2%, again showing Robusta's strengthening position in the world market. Another thing to notice is even though the amount of coffee export increased, the total value decreased, which is a result of coffee prices falling in the same mentioned period. See appendix 9 for a more detailed description of world exports the last several years.

Import and consumption

Looking at production and export data presented above, the world coffee consumption in year 2009/2010 was equal to 133.9 million bags. General coffee consumption on the world basis has increased on average with around 1.2% annually since the start of the 1980's. Total consumption for 2010/2011 grew to 138.5 million bags, and it is estimated to increase to over 160 million bags by year 2020. Most of the increase is in emerging markets and within the exporting countries themselves (International Coffee Organization (3), 2013).

The situation in Europe and The United States has become weaker the last five years, and in some cases, the import is declining. The Asian markets have increased the most during the last few years, especially in Japan where annual average increase is 3.5%. This makes Japan the third largest coffee importer in the world after USA and Germany (International Coffee Organization (2), 2013). See appendix 10 for a more detailed description of world imports the last several years.

Norwegian coffee import and consumption

In comparison to the world, Norway is very small in many cases. According to the CIA, Norway is ranked as the 121st most populated country in the world (CIA, 2013). Statistical Central Bureau of Norway reports a population of 5 109 056 by January 1st, 2014 (Statistisk Sentralbyrå, 2014).

Coffee became a common drink in Norway around the 1850's, and now you can almost call it a national drink. Norway imports over 40 000 tons of coffee every year, and in 2013 it almost reached 47 000 tons, which is equivalent to 9.5 kilos of coffee per capita. Taken this into

consideration, Norway is the second biggest coffee consuming country in the world only behind Finland. Looking closer to these numbers, Norway imported only 0.5% of all the coffee produced in 2010, and 0.53% of all the coffee produced in 2013. But at the same time, Norway is only 0.0707% of the total world population (based on numbers April 8th, 2014, source: Geohive, 2014). Figure 11 in appendix 4 shows a geographical view of coffee consumption.

Norwegian coffee imports can be separated into two different categories: burned coffee and non-burned coffee. 53% of the burned coffee comes through Sweden and the majority of the rest is split between the Netherlands, Italy and Brazil. This accounts for 80% of the total burned-coffee import. The non-burned coffee comes from specific coffee producing countries like Brazil, Colombia, Guatemala and Mexico. Graph 9 in appendix 4 shows total coffee import the last 10 years, and graph 10 in appendix 4 shows the distribution between burned and non-burned coffee imports the same period.

Guatemalan production and export

As registered by Anacafé (1) (2014) the first initiative of coffee in Guatemala is registered in 1835 as a government initiative and as an alternative for fall of indigo, that was the main source of income for the country but it was until 1859 that the first export was registered. In the period of 2012-2013, 70% of Guatemalan coffee crops were affected by leaf rust which reduced the production by 15%.

As stated by Anacafé (2) (2014) Guatemala distinguishes 4 different types of coffee regarding altitudes, see table 8. Guatemala also distinguishes 8 regions of coffee, which are varieties with specific characteristics in the cup. See more in appendix 4.

Even though the U.S. is the main buyer of Guatemalan coffee in terms of volume, the preferred buyers and target markets are in Asia because they have been the ones that paid the best prices for the coffee. In the 2013 edition of cup of excellence where 179 *lots* of coffee were auctioned, Guatemala achieved the higher price per one pound bag of Central America (USD13.01) most of the coffee sold went to Asian countries and Europe, most of the

buyers registered in the auction came from Asia, Australian and New Zealand (Anacafé (2), 2014). See appendix 4 for graphs and figures.

Supply and demand: Paradigm Shifts in the world market

According to Lewin et al. (2004) there are clear indications in the world market of shifts in paradigms. The first one, briefly mentioned above, describes the increase in quality of the coffee produced by the two biggest producers in the world, Brazil and Vietnam. I will not go into more details of this paradigm shift, but focus on the second paradigm shift, more relevant for this thesis: *The increase in demand of high quality differentiated coffees*.

A natural explanation that could, to some degree, explain the outburst and beginning of this paradigm shift, is a mere consequence of the first shift mentioned above. When the big producers increase their quality and tighten their grip of the world market, forcing coffee prices down, the other countries have to develop a new strategy to stay in the market. As stated by Lewin et al (2004), *“many smaller countries that are negatively affected by the actions of the largest producers have an economic exposure to coffee that is substantially higher than that of the largest producers”* (page 7). In other parts of the value chain, new channels has emerged and developed rapidly for higher quality and differentiated coffees. The overall coffee market can from a conceptual point of view be perceived as a pyramid of quality. At the bottom we have the standard low-cost commercial blends with a high degree of Robusta coffee beans (mainly from Vietnam and Brazil). In the middle, a standard commercial blend containing a higher degree of Arabica beans (mainly from Brazil and Colombia) is located, and this part is accounting for the biggest part of the total coffee market. At the top of the pyramid, differentiated coffees are emerging, and they continue to grow and increase in relation to demand. A growing concern and acknowledgement of the social and environmental problems of the coffee producers and the coffee producing countries have increased several places in the world. This has led to a higher demand of ecological and eco-friendly types of differentiated coffees. Fair trade is a big part of this trend.

Lewin et al. (2004) states that many producing countries are looking toward and focusing on differentiated coffees because of the highly competitive and volatile coffee trading market.

Producers are finding differentiated coffees more profitable since regular mainstream coffee has a much lower price, if the buyers are interested in buying small quantities at all. Another aspect mentioned by Lewin et al. is the potential form of protection the farmers get by producing a differentiated coffee instead of a regular coffee type. The farmers achieve a strategic advantage based on the fact that the product is more difficult to duplicate by the big producers. This differentiation strategy has two clear positive effects for the producers; first, they have a better chance to sell their products, compared to dumping their price to compete with the mass-production countries. Second, they can achieve a value-added effect on the products they sell, because it is different from regular coffee.

The economic effect of maintaining and sustaining these smaller, but differentiated coffee farms, especially those related to Fairtrade products, is the total socio-economical effect it has on the area the coffee is produced. First, the local coffee farms provide and sustain work for people living there. This follows with positive economic effects on other parts of the society, for example transportation and shipping, which in total can have a positive effect on the community and organizational development. The new focus on eco-friendly products also has a lower risk of health issues for both people and the earth from misuse of agrochemicals. These findings are reflected in the studies from Pagiola and Ruthenberg (2002) and Giovannucci et al. (2000), but also in several others.

Quality of coffee

The importance of quality

Blanchfield (1981) defined quality as *"...a peculiar and essential character of the product. It has distinctive properties or characteristics, it is a degree of excellence, it is fitness for use"* (Wood, 2007, page 109). Bauman and Taubert (1984) define quality as *"...that extra component that distinguishes a product in its field"* (Wood, 2007, page 110). There are countless definitions of the term "quality", and others than the one mentioned here draw upon aspects such as satisfaction, needs, wants and stimulation.

To be able to describe the quality of coffee, we need to understand a little more about how quality is defined for this particular product. According to Alvarado and Linnemann (2010) coffee is a very complex product that goes through many changes in quality during the course of the production chain. *"Processing has a decisive influence on the ultimate coffee quality, in particular the roasting phase"..."more than 800 aromatic compounds are formed"* (Alvarado & Linnemann, 2010, p. 1023). Further they state that coffee quality cannot be easily measured chemically, and thereby we need human measurement by professionally trained coffee tasters, also referred to as "cuppers". Many people with special interest for coffee have chosen to educate themselves within the science of coffee tasting, and this is often in relation with roasting their own coffee.

First commandment for coffee tasting is anonymity. The coffee taster is not supposed to know what kind of coffee he tastes beforehand, so all pre-judged factors and bias related to that specific coffee is removed. International cupping procedures judges the coffee from several different aspects or "qualities" such as fragrance, body, cleanness and acidity (more about this further down).

To put professionalism in relative terms, the study of Alvarado & Linnemann (2010) tested how regular, untrained people could taste and score coffee compared to a professional coffee "cupper", Gerardo Astua (worked for ICAFE and have more than 30 years of experience). First they tested and measured their professional cupper with 23 different coffees from the same region. Six weeks later, they tested him again with the exact same coffees. Needless to say, all coffees were anonymous, but their test revealed the exact same scores for all 23 types of coffee both times. This test strongly indicates how and what the

taster is measuring, and how he is being able to be consequent in judging and scoring. The untrained tasters, the consumer panel in this study, were a group of 12 people, six women and six men, all regular coffee drinkers. Alvarado & Linnemann's study revealed that the consumer panel was able to detect "the most correct scores" for body and acidity, and not for aroma and fragrance. The consumers were also able to pinpoint the coffee with the lowest scores that was also ranked as the one with the most defects. Alvarado & Linnemann concluded that general consumers are able to recognize differences in the coffee quality, mostly related to acidity, *"are important to consider in coffee production and marketing as consumers can perceive them"* (Alvarado & Linnemann, 2010, p.p. 1029-1030). Previous studies made by Schlich (1998) also proved acidity as the most important sensory characteristic.

Another aspect related to high quality is low degree of defects. As Alvarado & Linnemann's studies showed, consumers are able to detect defects and relate this to lower quality. Mazzafera (1999) states that defects affects the chemical composition in coffees, and that this is more notable when compared to high quality coffees.

Wood (2007) states that in a mature consumers market where there is little or no innovation, the product brand itself provide the primary point of differentiation. Wood performed a study in 2007 measuring purchasing behavior among 268 consumers in England. The study aimed to locate and rank the most important factors for consumers when they were deciding for which brand to choose from. Coffee was one of the products Wood tested, and the findings showed a *"particular focus on the importance of quality"* (Wood, 2007, page 109). Quality was ranked at the top and included aspects such as flavor and aroma. The most unexpected findings in this study were that health, environment and Fairtrade were ranked in the mention order as the least important aspects by consumers in England (Wood, 2007).

Measurements and evaluation of quality

Throughout the world with different producers, consumers, roasters, associations, organizations and boards, various measurement and definitions of quality has arisen. Due to the perspectives taken in this thesis, only quality classification on specialty and/or differentiated coffee will be presented.

Lewin et al (2004) mentioned *Gourmet and specialty* as one of the differentiated coffees, but they make an effort to separate between them. Lewin argue that the term “specialty” was originally created by small roasters and retailers in USA, and their motive was to separate from mass produced mainstream coffee. He claims this term has been overused and lost most of its purpose. Further he argues that *Gourmet* is referring to a larger piece of the coffee market because in addition to sustainable, single origin and high quality coffee, Gourmet also includes coffees that are not necessarily special, such as: extra added flavor, espresso-based, decaffeinated and even ice-coffees. “*Today, the specialty coffee industry itself is searching for a clearer definition of this term to avoid the obvious confusion it engenders*” (Lewin et al, 2004, p.100). Many points towards the phrase from SCAA’s (Specialty Coffee Association of America) executive director “Great taste, no defects”.

The SCAA has developed a method to measure and promote coffee quality throughout the specialty coffee supply chain. SCAA’s goal is to deliver the highest quality possible to the consumers and maintain a constant supply from quality producers. They aim to achieve this goal by grading the coffee based on size, moisture, amounts of defects, a cup evaluation (tasting) followed by an evaluation of quakers (Unripened coffee beans) (SCAA (1), 2009).

The physical evaluation is based on a set of standards for bean size uniformity which accepts up to 5% variance from the set standards for the coffee bean being evaluated. Defects are measured from a sample of 350 grams of green coffee beans, and the protocols are defined in SCAA Handbook *Green Arabica Coffee Classification Systems* (GACCS) from spring year 2000. To “pass the test” the sampled coffee must have zero category 1 defects and less than five category 2 defects, but an evaluation of how the defects are affecting the cup quality is always performed. Each defect is more detailed described in the SCAA *Handbook for Defects*. The test is performed by two different graders (also known as cuppers), the primary grader and the verification grader. To be classified as specialty coffee, foreign odors must be

completely absent and color of the bean must be either blue-green, bluish-green or green (SCAA (2), 2009).

The cup evaluation is a highly organized process best described as a science by its own. Everything is described down to the last detail related to every aspect that might affect the results and to make sure that all tests are carried out the same way. The beans are roasted to a light or medium-light degree (between 8-12 minutes) before they have to rest for minimum 8 hours, but never more than 24 hour before the test. The glasses used to mix coffee and water is described of size and shape, before 8.25 grams of (whole bean) coffee is grinded maximum 15 minutes before they are mixed with 150 ml of water. Other factors described are room illumination, sound level, pouring techniques and room temperature. Then the actual cupping can take place where the ultimate goal is *“to determine the cupper’s perception of quality”* (SCAA (3), 2009). The aspects evaluated during the cupping are:

- Fragrance/Aroma
- Flavor
- Aftertaste
- Acidity
- Body
- Balance
- Uniformity
- Clean Cup
- Sweetness
- Defects
- Overall

The aspects are graded on a scale from 1 to 10, given by whole or quarter points in the numeric scales. Values below 6.00 are considered below specialty coffee. An example of the specialty coffee scale is shown in table 6.

Quality scale			
6.00 - Good	7.00 – Very Good	8.00 – Excellent	9.00 Outstanding
6.25	7.25	8.25	9.25
6.5	7.5	8.5	9.5
6.75	7.75	8.75	9.75

Table 6 Specialty Coffee Evaluation Scale

Source: Based on SCAA (3), 2009.

The overall score is calculated by summing the individual scores mentioned above, before arriving at *Final Score* and a result based on table 7:

Total Score Quality Classification		
90-100	Outstanding	Specialty
85-89.99	Excellent	
80-84.99	Very Good	
> 80.0	Below Specialty Quality	Not Specialty

Table 7 Total Score Quality Classification

Source: Based on SCAA (3), 2009.

Anacafé (Guatemalan National Coffee Association) is one of the organizations worldwide that uses the SCAA’s cupping method to measure and determine coffee quality. The detailed forms used while testing are found in appendix 11. By doing this Anacafé are able to create cup-profiles for the different coffee regions in Guatemala, to better describe and visualize the aspects of the coffee. The cup profiles are re-done every coffee season, and the cupping profiles for the 2009/2010 season is found in appendix 4.

Altitude coffee quality

Another internationally accepted way to grade coffee quality is based on the altitude the coffee is produced. In fact, many roasters prefer altitude as a measurement in the criteria of quality, namely because altitude is directly correlated with coffee acidity. Also here, several different standards of altitude classification exist, for example Mexican *Altura* coffee, Papua New Guineas *Mile High*, Colombian *Excelco*, but for the purposes of this thesis Guatemalan Altitude Classifications are utilized (IADB, 2002).

As a rule, coffee grown above 1,200 meters (measured from sea-level), have a higher potential to reach extra high quality, especially compared to those grown below 800 meter, who lack that potential. According to IADB (2002) coffee beans produced between 800 and 1,200 meters are usually graded as “Prime”, “Extra Prime” and “ Extra Hard”, and they state that these coffees often gets into the *specialty coffee* market, but they have to meet the defect-requirement.

Anacafé in Guatemala uses the following classification to grade altitude coffee:

Classification	Height in Meters	Height in feet
Prime – Extra Prime	762 - 1066	2500 – 3500
Semi Hard – Hard	1066 - 1370	3500 – 4500
Strictly Hard Bean (SHB)	Above 1370	Above 4500

Table 8 Guatemalan Altitude Classification

Source: Based on Anacafé (2011, p. 4.)

Ethical certified coffee

Due to the magnitude of ethical certifications, the limitations mentioned in chapter 1, and the total amount of pages it contains, all elaborated text is put in appendix 5: Ethical certifications. A summary is presented in table 9, please consult the appendix for full information.

General Summary of Certifications

	Organic	Fairtrade	Rainforest Alliance	UTZ certified
Definitions / purpose (sources: The Organic Trade Association, 2014. Giovannucci and Koekoek, 2003. Pierrot et al., 2010. Kline, 2009)	Organic coffee is the one grown without using any toxic pesticides or fertilizers, using methods that have low impact on the environment	An alternative to normal trade, in which producers are paid a “fair price” for their product, increasing their access to the market and strengthening their organizations and providing continuity on their relationships	Different from organic, allows some synthetic agrochemicals based on integrated pest management. Integrates to watch over the welfare of the farmer, the communities and the environment	Achieving sustainable supply chain by making producers professional, better practices and improve their livelihood, also making the food industry responsible of demanding and rewarding sustainable produced goods, meet the standards in terms of social and environmental responsibility
Market focus	All markets	All markets	Worldwide with special focus on North America, Europe, Japan and Australia	Mainstream and specialty

	Organic	Fairtrade	Rainforest Alliance	UTZ certified
Scope of the certification	Organic farmers, farming and processing practices.	Economic and environment sustainability for farmers and communities. Minimum price for farmers and premium price to cover cost of development programs.	Holistic sustainable management of farms: social, environmental and economic.	Economic performance through productivity and professionalism of the farms. Environmental standards to preserve flora and fauna.
Communication and promotion	Business to consumer. Backed by some governments. Consumer groups and suppliers are responsible of communication.	Awareness campaigns and labelling promotion.	Business to business and consumer communication.	Business to business and on product labelling.
Traceability	Traceable from supplier to producer. Required by US department of agriculture of organic products.	Traceable from roaster to producer.	Traceable from roaster to producer ensured by mandatory transactions certified.	Traceable from roaster to producer following supply chain roles.
Price differential for farmers	Premiums are paid to farmers.	Minimum price is set by FLO, prices vary depending on the type of coffee. Minimum price must be paid or above if the market price is higher.	Differential is negotiated between buyer and producer.	Differential is set by the market, however the market prices and requirement of quality are provided to the farmers.
Address to actors in supply chain	Except handlers and retailers.	All major actors must be registered.	Regulations applied to all actors in the supply chain and all transactions are ensured with licenses or certifications.	Rules for participation and chain of custody apply.

Table 9 Comparison of certifications

Source: Based on information in appendix 5, Giovannucci and Koekoek (2003), Lewin et al (2004), Kline (2009), Pay (2009), Pierrot et al. (2010) and The Organic Trade Association (2014).

Sustainability and Quality

Murphy and Jenner-Leuthart studied specialty coffee cafes in New Zealand in 2009/2010. Their main goal was to locate the awareness and meaning of fair trade coffee. 150 consumers were interviewed and asked about their perception of cafés and coffee attributes including taste, price and store atmosphere. Not surprisingly, the taste and quality was ranked as the most important aspects when choosing cafés or types of coffee, and Fairtrade came out as the least important aspect. When the respondents were divided into groups based on their knowledge of Fairtrade, the results were different. The customers classified as “highly knowledgeable” were considerably more aware of the selection of Fairtrade coffee, and also willing to pay a higher price for the mentioned coffee, while the customers classified as “little knowledgeable” chose coffee purely based on taste and had less interest of paying extra for a Fairtrade product (Murphy and Jenner-Leuthart, 2011).

Even though there is many studies trying to locate how many customers that are buying Fairtrade coffees, and how much they are willing to pay for a Fairtrade coffee, there seem to be a gap between what they respond and what they actually purchase. Carrigan and Attalla (2001) explain this as the attitude-behavior gap, where customers state their ethical intentions, but act differently when they can choose between a non-Fairtrade product and a slightly more expensive products labelled as Fairtrade. Cowe and Williams (2000) call this gap the “30:3 syndrome”, based on the average 30% of the population that states they are willing to buy a Fairtrade product, and the 3% market share most Fairtrade products actually obtain (Murphy and Jenner-Leuthart, 2011).

Another study performed by Joo et al (2010) investigated the difference between coffee shops that carried out Fairtrade coffee and those that did not. This study compared efficiency and operating efficiency and their ability to maximize profit and control cost/expenses. The results showed that cafes selling and using Fairtrade products performed significantly better than cafes that did not sell or use Fairtrade coffee, or committed any other type of social responsibility. The last mentioned group of coffee shops stated that they were too worried about a potential increasing purchasing price for Fairtrade coffee. Joo et al also found that the increase in premium for purchasing Fairtrade coffee compared to non-Fairtrade coffee did not undermine the coffee bar’s comparative operating efficiency. They

concluded this with increased social responsibility and higher revenue from brand recognition.

Joo et al. based this study on Doane (2001) who stated that if a company took proper social responsibility such as preservation of human rights, the well-being of animals, protection of the environment and underprivileged children, some customers could gravitate towards these kinds of companies because they find these aspects to be important. Others again, could boycott products made by a producer or company that is less sensitive regarding such factors (Joo et al, 2010). They also stated that a coffee retailer's sales, advertising and promotional efforts for Fairtrade coffee could be paid off by the increasing positive image the company could achieve in the market.

More than half (57.1 %) of US coffee retailers believe having Fairtrade coffee is very important for their business success (Giovannucci, 2001, in Joo et al, 2010). But in the United States, as well as in New Zealand, Fairtrade coffee make up around 3-4% of the total market share, and we can see the same tendencies of attitude-behavior gap, or "30:3 syndrome". Joo et al. point towards a Belgium study that indicated that the highest price premium customers were willing to pay for a Fairtrade or more "ethically" product was only 10% above the typical or normal price. Most Fairtrade products have a higher premium than that, and thereby customers were reluctant to buy Fairtrade products regardless of their predilection for ethical and social responsible products.

By offering Fairtrade products the retailers (buyers) and the farmers (sellers) can create a "win-win situation" by taking social responsibility seriously. The idea behind this statement made by Joo et al. is that the retailers and/or coffee bars will benefit from increased competitiveness and higher differentiation, and the farmers will benefit by getting a higher and more fair price for the coffee they produce. Further, they state that this kind of business require more concentrated efforts from both sides, and the result will often be stronger and longer-lasting strategic partnership between the coffee bars and the farmers (Joo et al, 2010).

Price differentiated coffee

Akhter (2009) states that even though the product price may play an important role when it comes to purchasing behavior, consumers does not always remember the price they paid for a product. *“The difficulty in recalling the price paid, however, is compensated by the ability to form evaluative judgments”* (Akhter, 2009, page 137). By this Akhter is arguing that instead of remembering the exact price, consumers are instead judging the product for the value received, and they put them into the following categories: overpriced, underpriced or just-priced. As long as the customers get enough value from the product they bought, in theory, it should not be a problem to charge a price premium for good, quality coffee, or the little extra certified coffee requires.

Fitter and Kaplinsky (2001) state that world coffee is weighted by four trading categories of coffee:

- Colombian milds (the highest quality of Arabica)
- Other milds (medium quality Arabica)
- Brazilian milds (lowest quality of Arabica)
- Robusta.

Fitter and Kaplinsky (2001) state that coffee was undifferentiated commodity for a long time, and competition was based on price, as Fitter and Kaplinsky (2001) quoted Nestlé’s vice president on comparing coffee to wine on the variation on tastes. Coffee differentiation was facilitated by the increasing trend in drinking coffee and coffee shops.

However Fitter and Kaplinsky (2001) analyses the coffee prices in different stages of the value chain to try to answer the question on who gets the most profit from “differentiation” in coffee.

- Farmers get “farm-gate price” for harvesting and processing the coffee (dry or wet).
- The next process of the beans gives “factory gate price”.
- The intermediary or exporter price is: fob price.
- Importing prices are: cif prices.
- Importers sell the prices at: wholesale prices.
- Roasters sell coffee after roast at factory gate prices.
- Retailers sell the coffee to the public at retail prices.

Fitter and Kaplinsky (2001) state that the cost of coffee contained in a cappuccino in a coffee shop is less than four percent. However coffee shops state that they sell the ambience, the image and related products. According to Fitter and Kaplinsky (2001) since 1985 the growing share of income is accumulated in the actors of the value chain in the importing countries. Kaplinsky and Morris (2001) quoted in Fitter and Kaplinsky (2001) define governance in the coffee industry as the power to define who and who does not participate in the chain and setting rules of achieving standards and monitoring performance. Fitter and Kaplinsky (2001) state that as the coffee market become more differentiated there will be more governance, especially in the importing countries.

Most of the world coffee producers come from developing countries and most of them are small farmers, 70% as stated by Fitter and Kaplinsky (2001), whom as stated by the authors sell individually and fragmented which keeps the price of coffee down. The authors also state that most of the buyers collude in order not to have price competition, and even greater level of concentration is found with the roasters. Agencies in developing countries are working to get more producers associated and certified in order to have better chances of selling at better prices, however Fitter and Kaplinsky (2001) conclude that the power in the value chain is on the importer end, relying mainly on importers, roasters and retailers.

Primary data

This sub-chapter was originally planning to present all primary data collected during the research. The data is presented in a logical order, following the value chain, and are marked with the same *Group indicators* (G1, G2 and G3). Please see appendix 1 for information related to the different informants. The analysis and conclusions on the following pages has information and quotes obtained from these interviews. The amount of information gathered, combined with the magnitude this thesis is grasping, and the importance of the information, everything considered relevant is included in appendix 6. Please consult this appendix for complete and full information. A summary of the findings is presented in table 10 below.

	Farmers	Institutions	Importers	Coffee shop	Consumers
Differentiated coffee definition	No knowledge of the term	High quality, ethical & corporate certifications, origin is important	No knowledge of the term	No knowledge of the term	No knowledge of the term
Specialty coffee definition	No knowledge of the term	Similar to above	Vague. Definition overused internationally	No knowledge of the term	No knowledge of the term
Quality	Know benefits of altitude coffee. Want to achieve recognition. Important for buyers, premium price.	Quality often pays better than certifications. Important entry barrier. Key to long-term relationships.	Do everything right in every part of the value chain. Everything is related to quality, and everything comes down to quality	Sells quality coffee. Important for the customers. Likes varieties like “coffee of the day”. Strict on brewing correctly.	Demands quality. Great willingness to pay more for higher quality. Have different preferences.
Ethical certifications	Very little knowledge. No motivation without demand. Not working together.	Gives better conditions and agreements. The key is working together.	Knowledgeable. No demand for ethical coffee in Norway. Focus on transparency instead	No demand. Relies on the importers paying a premium price for quality. Related to traceability.	Have heard about few. Have little or no knowledge. Not reason enough to buy
Macro-economic	Want premium price. Need supporting agreements	Big potential for differentiated coffee. Growing world demand	Can affect the demand in the market, related to the niche. Availability.	Not affected in noticeable ways	Not affected in noticeable ways
Denomination of origin	Not a focus for these farmers. No organized activity in this area.	Important as differentiation strategy. Big focus related to promotion and help to the farmers. Educating.	Related to quality, very important. Knowledgeable. Important for customers.	Acknowledge increasing demand for transparency. Feel more personal than mixes. Related to quality.	Have very little knowledge. 10% know and care about origin, related to taste (quality) preferences
Market, niche	Have no knowledge of any markets. Eager to learn.	Differentiated coffee is a niche. Market and demand is growing	High quality is a niche. Related to origin.	Recognize coffee “nerds”. Believes in growth for quality.	Have clear favorites. Able to choose the “best”

	Farmers	Institutions	Importers	Coffee shop	Consumers
Relationship coffee/ Transparency	Have no relationship coffee agreement. Want to achieve this in the future.	Traceability related to sustainability.	Transparency and traceability. Being open and honest to consumers	Important for marketing.	
Price	Most vulnerable of everyone in the value chain. Often only source of income.	Differentiated coffee always sold above stock price.	Pays above stock price and ethical prices. Related to relationship coffee.	Prices are stable. Want to be competitive.	Does not notice price fluctuations. Price related to quality
Others/ Mixed	Have different buyers. Make deals with buyers willing to finance them, not best buyers.	Productivity not a competitive advantage. Focus on quality and diff. aspects.			

Table 10 Summary of primary data

Chapter 5 Analysis

This chapter is analyzing secondary data up against primary data, as well as looking at theoretical aspects. To avoid repeating, not everything is described as detailed as it is in chapter 2, chapter 4, appendixes 1-6, but the main arguments are presented. The purpose of this chapter is to be able to draw conclusions and answer the research question.

Differentiated coffee, differentiated strategy

One of the challenges of this thesis was finding a common definition of “differentiated coffee”. As described by Porter previously (theory chapter) a differentiation strategy looks to make a product unique for a premium price, premium price being the motivation behind the differentiated coffee to avoid the price competition with countries that have a cost leadership, like Brazil. Haarla (2003) states that when talking about differentiation it is important to describe different from what. In the case of “differentiated coffee”, it seeks to be different from mass produced coffees and blends containing Robusta and Arabica that are traded in the stock market. A competitor oriented strategy as explained by Svendsen et al. (2011) needs a good knowledge of the company’s competitors and to be aware of its weaknesses and strengths. This requires research, investment, tools and a good knowledge of the value chain as explained by Myers and Harvey (2001). However, the farmers do not have market knowledge and as expressed during the interview, they are not sure about the value chain after the coffee leaves their farms; they depend on institutions and organizations (like the ones interviewed in this thesis) that carry out this type of research to have access to information.

Svendsen et al. (2011) explain that a competitor oriented differentiation strategy requires monitoring of the competitors, while a customer oriented strategy requires customization to meet customer needs. Given the lack of market or competitor information, the farmers have to rely on the importers and exporters in the value chain.

Lewin et al (2004) state that coffee was seen as a commodity for a long time, which made it, as explained by Bertrand (1987), a product based on price competition which hurts companies’ profitability, however, Sharp and Dawes (2001) explain that price differentiation means either to reduce price sensitivity or achieve premium price. Achieving a premium as

stated before, outside of stock exchange market, is one of the purposes of differentiated coffee producers. This requires, as explained by Alamo and Malaga (2012) aspects like quality, reputation and denomination of origin (especially for coffee). Lewin et al (2004) defines differentiated coffee as “the one that can be clearly distinguished by its origin (GI or region), distinct process, or outstanding characteristics as superior taste or zero defects (quality)”, however the authors also mentioned that another way to differentiate coffee is through meeting ecological and/or social requirements (ethical certification or sustainability).

Lewin et al (2004) state that there is confusion among experts in the coffee industry when defining “differentiated coffee”. This lack of consensus was evident while carrying out the primary data collection; the farmers interviewed had no knowledge of what differentiated coffee was, from the institutions, the differentiated coffee committee of Agexport categorized differentiated coffee as: coffees of origin, certified production, corporate certifications and high quality, while Crecer focused its definition on the different ethical certifications and high quality. The Roasters on the other hand, had not heard of the term “differentiated coffee”, but they have heard of *specialty coffee*, which according to their definition is vague. The coffee shop interviewed had not heard about the term, and from the consumers interviewed, 0% had heard about differentiated coffee and only 5% had heard the term “specialty coffee”, but they could not say anything about the term.

High quality coffee is often referred as specialty coffee or gourmet, however Lewin et al (2004) argues that the term specialty coffee has been misused given the fact that there are no limitation on which coffees can call themselves specialty. Tim Wendelboe agrees completely with Lewin et al., and he refuses to use the term *specialty coffee*. Lewin et al (2004) and the SCAA define specialty coffee as zero defects type of coffee of high quality, and gourmet is an exceptional coffee of superior quality. Gourmet on the other hand includes coffees that are flavored, espresso based and decaffeinated, and often containing added flavors. However these types do not always have a correlation with quality and the espresso based coffee is often Robusta type; however, there are big differences from country to country when it comes to espressos. Even though as discussed in the primary data chapter, quality for Robusta has increased, it is still lower quality than Arabica, meaning that uses of “Gourmet” makes the definition vague. The roasters also pointed out the

importance of origin and how the consumers have a right to be informed. This will be discussed further ahead.

The following are factors that the authors referred as characteristics of differentiated coffee:

- Clearly distinguished by its origin (Lewin et al, Alamo and Malaga, The IADB, Giovannucci)
- Distinct process (Lewin et al, Alamo and Malaga)
- Superior taste (Lewin et al, Alamo and Malaga, The IADB, Morales Buchan, Giovannucci)
- Zero defects (Lewin et al, The IADB, Giovannucci)
- Specific attributes that stand out from mass produced bulks (Morales Buchan, Giovannucci)
- Not sold in the stock market (Morales Buchan, Lewin et al, Giovannucci)
- It meets social, ecological or quality requirements (Lewin et al, Giovannucci, Alamo and Malaga, The IADB)

In spite of the different classifications of differentiated coffee presented by the authors in the secondary data chapter (table 2) the classifications used in this thesis are:

- High quality coffee as specialty coffee
- GI or denomination of origin and regions as specialty coffee
- Sustainable coffees such as certified coffees or relationship coffees (Norway perspective)

Another main characteristic of differentiated coffee is that it is not sold in the stock market (CIMS, 2007) but the price is agreed between producer and importer (Lewin et al, 2004). This is also confirmed by the importers and roasters in the interviews.

As the authors Morales Buchan (2011) and Lewin et al (2004) define *specialty coffee* as a coffee with superior and distinctive taste (from a micro climate), zero defects and high quality, the authors also state that in order to achieve the right standard it needs high standards in storage, roast and preparation. Hafslund from KAFFA agrees with the authors by stating that *specialty coffee* is related to what is going on throughout the value chain “from the farmer to the roaster”. As explained by Porter one of the dangers of differentiation is to have too much focus on the product and not look for differentiation in the value chain. The roasters interviewed defined specialty coffee as supreme quality. For them it is extremely important to have a certain degree of control in every part the coffee goes through “from crop to cup”. They point out the importance of harvesting only the ripe

beans, sort, clean, wash, dry, store, pack and transport the coffee the best possible way. *"Everything is related to quality"*, Tim Wendelboe.

Brassington and Pettitt (2005), Jobber and Fahy (2006) and Dibb et al (2006) agreed that a differentiated strategy requires more resources and more knowledge of the market, and this is not the appropriate approach for small companies. However Fitter and Kaplinsky (2001) state that most of the world coffee producers are small farmers, and Lewin et al. (2004) state that a differentiation based on quality or product process is a more sustainable advantage for these small producers, who also have the great challenge of accessing a market even with quality or a certification, without the right partner in the market place. The farmers interviewed stated that there is no motivation of getting an ethical certification or changing their process of producing coffee if there is no a market that values these changes by paying a premium price. As explained before by the authors, the differentiation approach requires knowledge of the market and resources to enter it, and small farmers who are the ones advised to use this strategy lack of market knowledge and resources. However productivity is not a viable competitive advantage for countries with limited resources like Guatemala, who want to compete with countries with mass production like Brazil, as stated by Mazariegos in Agexport, they cannot compete based on land extension and automation of Brazil's coffee production so differentiation is their best chance of success.

As referred by Diez (2011) one way of differentiating a product is related to characteristics that make a product unique, like taste and quality. This is the type of differentiation *differentiated coffee* is trying to apply. As stated by the author, an organic product is also a type of differentiation, however as Porter states one of the risks of differentiation is that this is not valued by the consumer, this will be discussed in more detailed ahead in certifications.

Haarla (2003) state that true differentiation strategies create value for consumer and manufacturer, something that price differentiation does not achieve. All the strategies that differentiated coffee strive to achieve through ethical certifications, quality or denominations of origin is creating value either through a premium price for the producers, and higher quality and/or ethical aspects for the consumers.

Denomination of Origin (GI) and coffee regions

Another way of differentiation as mentioned by Diez (2011) comes from market perception and capitalizing that market perception as *unique* and the branding behind this, which is the case of GI and coffee regions. They are unique because consumers have perceived them as having unique characteristics. Giovannucci and Ranaboldo (2008) define GI as a good that originates from a territory or region where noted quality, reputation and characteristics attributable to that origin or the human factor in it.

When the roasters were asked about denomination of origin, they immediately related it to traceability. They gave clear examples about wine, champagne and other products, where consumers have clear expectations of the products when reading labels with words like “Malbec”, “Rioja” and “Champagne”, and how these words are related to the specific regions mentioned. The roasters state it should be the same for coffee. “*If you care about quality it is essential*”, Tim Wendelboe. On the other hand, 90% of the consumers asked, did not know where the coffee they usually buy come from. From the 10% that actually knew where the coffee came from, half of them found this information on the coffee bags bought in supermarket, meaning that only 5% got this information from the coffee shop.

A denomination of origin is one of the most difficult differentiation strategies to copy, because of its uniqueness, and it is related to the micro climates, as stated by the institutions and the roasters. Lewin et al (2004) state that a coffee can achieve a GI due to specific micro-climates, soil composition, and particular varieties and this classification also includes *estate coffee*. Anacafé tries a similar strategy by promoting Guatemala’s coffees in eight different regions which have specific characteristics from each region and its micro-climate. However as explained by Giovannucci and Ranaboldo (2008) it is one of the most difficult to achieve, especially for small producers, not only because it requires time, money and other resources just to get the legal backup to be known as a GI, but the right market channels to get the reputation. As exemplified by Giovannucci and Ranaboldo (2008) the case of *Guatemala Antigua*, which GI required association of all the producers in the area and stable partnerships with international and large stakeholders, or in the case of *Hawaii Kona*, Government support made this happen. Nevertheless, as stated by Giovannucci et al (2009) the three GI coffees explained in appendix 4 have achieved to maintain comparative high prices.

True differentiation looks to avoid price competitions, even if a price differentiation could achieve a competitive advantage, as explained by Haarla (2003). Differentiation that goes beyond price competition is more difficult to copy and allows to find niches and “exercise power” in those, and have a higher marginal profit; this is why as stated in the empirical chapter by ICO (3) (2013), and Lewin et al (2004) the countries that dominate world coffee production (Brazil, Colombia, Indonesia and Vietnam) are looking to increase their quality, just as explained by Cordon during interview. Colombia is an example of a coffee producing country that can have technological production and quality, as they have changed around the 75% of their crops for leaf rust (Roya) resistant plants, while the central American countries have been affected by the disease; which leaves countries like Guatemala with no option but to look for other differentiating factors than quality or maintaining quality, and increase productivity as well.

Differentiated coffee, niche or segment?

Much has been debated in this thesis if the market for differentiated coffee is a niche or a segment. Pierrot et al (2010) state that ethical certified coffee is not a small market niche. If ethical certified coffee, that is only one of the types of differentiated coffee, Pierrot et al (2010) are also stating that differentiated coffee is not a small market niche. Cordon and Mazariegos agreed on interviews that differentiated coffee indeed was a market niche; both roasters interviewed also called it a niche market.

“I am not trying to make coffee for everyone. We are running a very small company that is only focusing on coffee”... “I am only focusing on the best in terms of quality, so we could agree that my share of the market within the coffee industry is a niche”, Tim Wendelboe.

According Toften, Hammervoll and other authors mentioned in the theory chapter the characteristics of a niche are: homogenous, small or smaller than a segment (it can be one customer), rare or no competition, require special tools (differentiation or uniqueness, and barriers such as high quality, special product attributes, certification and geographical advantages, customer loyalty and long-term relationships. Lewin et al (2004) state that more coffee producers look to differentiate their coffee because of the potential protection they get, and that this differentiation strategy is more difficult to duplicate. Ethical certifications

are another way to create barriers for competitors, Cordon explained how the certifications are part of most, and in some cases all the value chain, especially the market channels and how some countries require some certification for you to be able to export to them, like an entry barrier.

Another aspect of a niche market is to possess a geographical advantage, most countries that export differentiated coffee like Guatemala, rely on their altitude (altitude coffee), micro-climates, and Guatemala relies on its volcanic soil to produce quality beans. In terms of homogenous market, differentiated coffee consumers vary from country to country as it is observable in the secondary and primary data. Some countries are more appealed to the sustainable factor than others. However the common ground for consumers is a special interest in coffee and coffee quality. As stated by the institutions interviewed in Guatemala (Agexport, Crecer, Anacafé) and the roasters “quality holds the higher card”.

Competitors in the coffee market are increasing as fast as demand grows. Cordon states that just like there are emerging markets in coffee demand (Eastern Europe and within the coffee producing countries) there are also new competitors, for example China in the future (refer to interview). However these new competitors might not be differentiated coffee competitors. Some coffee producers are working hard to increase their quality, and they might meet the requirement to be categorized as differentiated coffee, thereby being a new threat. As explained before, new competitors are a threat to niche marketing, but Toften and Hammervoll explain that decrease in the niche market is a threat, niches are more sensitive to economic aspects because they usually get premium price, so economic downturns can make niches decrease or cease to exist.

As stated by Ehmke (n.d.) it is a natural reaction for competitors to reduce prices when competitors do so, in the case of coffee. Countries with price differentiation strategy like Brazil are now increasing their quality to compete in the same differentiated niches (Lewin et al 2004).

Finally, it can be argued that *differentiated coffee* is a niche, and not a segment, taken the proportions of the coffee consuming population versus the *differentiated coffee* consuming population, where the last mentioned group account for only a fraction.

Ethical Certifications

Most of the competitive advantage strategies mentioned before state the difficulties for small producers to achieve them, and it is common for small producers in developing countries to have very little chance to get an advantage of any kind. However the world becomes more aware as it becomes more globalized on how actions in one part of the world have effects on another. All ethical certifications have as an objective, sustainability, either social, ecological or both. Giovannucci (2010) state sustainability works in three pillars: economic, social and environmental. Brundtland defined sustainability as *“meeting the needs of the present without compromising the ability of future generations to meet their needs”*. An ethical certification is a company and branding differentiation as quoted by Diez (2011) where consumers recognizing the logo of any of the certifications will get a positive and responsible image of the product they are buying. However as stated by Porter, no differentiation is successful if consumers do not value it.

Cordon states that most of the farmers work in a very isolated way reducing their chances to be more competitive. Social organizations try to organize them to get them certified, this statement is supported by Fitter and Kaplinsky (2001) while they state that most buyers collude to keep farmers isolated and hence get better prices. Even though the date of the study by Fitter and Kaplinsky was 13 years ago, the farmers concurred with what had been stated by the authors during interview when asked if they were organized, they indicated that the attempts of other farmers to organize were disrupted by buyers and other big producers. Kotler states that distribution is one of the main challenges for any product, as stated before, the buyers control the distribution channels, and even though farmers are never left with coffee, as Cordon states, market is not a problem because farmers will always sell their coffee, for one price or another; differently from what Kotler states. However the farmers face other problems, as explained by them during the interview, they do not always sell to the best buyer but the ones that finances the harvest given their lack of resources to reach harvest season. According to the importers/ roasters this is not always the case, and it depends on the relationship the buyer has with the farmers.

Giovannucci (2012) explains demand for certifications is growing as well as the variety of certifications, ethical certified coffee grows at a faster rate than conventional coffee (Giovannucci, 2010). More and more certifications are entering in the market. It is worth

noticing that in Giovannucci (2010) graph 16 the certification with the most growth is Rainforest Alliance; Fairtrade and Organic are in third, and fourth place, in comparison to Kline's (2009) graph 21 that shows that in 2007/2008 UTZ had the most exports, followed by Fairtrade.

All authors mentioned above state Organic exports have slowed down. Pierrot et al. state that there are two possible reasons for the slowdown of organic: reluctance of consumers to pay the added value, and reluctance of producers of leaving fertilizers behind. Cordon from Crecer showed skepticism for organic's future in the coffee industry, stating that in most of the cases organic is just managed in the wrong way and the farmers do very passive farming or nothing at all. This fact is supported by Giovannucci and Koekoek (2003). Cordon expresses that farmers have many challenges like the leaf rust which lowers their productivity even more to do organic production. Anacafé reported 70% of the coffee plantations in Guatemala were affected by leaf rust. Lewin explains that organic had some setbacks with the certification and had mayor problems in Japan where the coffee didn't meet the expected quality. Denmark is the country where organic has the biggest market share. Giovannucci and Koekoek stated that Norway shows the lowest positive attitude towards organic coffee in the Scandinavian context; they explained that roasters and retailers were reluctant to promote these products. The roasters interviewed reported very low demand for organic certified coffee, and the increased cost that comes for the roasters themselves to be organic certified as well. The consumers interviewed did not mention organic certified coffee as any criteria when asked what they are looking for when to buy coffee.

Europe is the leading import region of organic coffee, and from the consumers interviewed this seemed to be one of the certifications they were more familiarized with, also verified by Pierrot et al (2010). However like with other certifications, Norway is one of the countries with lower imports, compared to Denmark and Sweden. Cordon states that 3 years ago farmers who wanted to export to the U.S. had to be organic certified, however this is no longer a requirement.

One of the main challenges exposed in this thesis is how the start of the value chain, the farmers, are the most affected by price fluctuations, and even though coffee is a billion

dollar industry, they live in extreme poverty and coffee is their sole of income. As Giovannucci and Koekoek claimed, only 12% of the price of the average coffee in a supermarket globally, and less than 3% of the out-of-home price (coffee served at coffee shops, restaurants, workplaces and vending machine) is paid to the producers, which for them this represents the only source of income. During the interview with the farmers this was evident; their inability to economically forecast affects their future and their families. Fairtrade was born as an answer to this problem. Giovannucci and Koekoek (2003) state that Fairtrade guarantees a fair price, increasing the farmers access to the market and provides continuity in their relationships. Giovannucci and Koekoek (2003), Pierrot et al (2010) and Lewin et al (2004) state that the organization and cooperation are the key words for the certification; Cordon supported the certification explaining that is an easy certification to get, nonetheless farmers who are not organized and work together have no chances in getting certified, and as stated most of the farmers in Guatemala fit in this scenario.

Giovannucci and Koekoek stated that the perception of Fairtrade is that it has “reached a glass ceiling” due to the small niche of social conscious market it focuses on and the lack of awareness of the market, while Pay (2009) thinks Fairtrade has a room for growth in several countries. However, Mazariegos also showed uncertainty for the Fairtrade certification, stating that some contracts based on quality pay higher than the Fairtrade certification. The roasters explained how little demand there is for Fairtrade or any other certified coffee in the Norwegian market, and the focus is more on transparency and place of origin, even though they have good knowledge about the different certifications.

Giovannucci and Koekoek (2003) explained that the Norwegian market for Fairtrade coffee is low in comparison to other European countries, especially in Scandinavia. They explained that roasters preferred “relationship coffee” which means a closer relationship with the farmers without the third party certification, claiming they pay fair prices. Relationship marketing, with consumers and suppliers is one of the recommendations of the authors when it comes to niche marketing. However Giovannucci and Koekoek (2003) stated that these prices do not reach the prices paid by Fairtrade, and Farmers have to depend on the trust they deposit on the roasters to have the long term relationship and stable prices. The Fairtrade Foundation (2012) state that the certification is needed because the little knowledge that farmers have of the market and this leaves them in disadvantage. In

interview with farmers the lack of knowledge of the market was evident as explained above. Even though the study of the Norwegian market carried out by Giovannucci and Koekoek was performed 11 years ago, this is a very precise analysis of Norway. The roasters interviewed showed their preference for Relationship coffee, one of the roasters was impressed by the statement of the authors and the date, stating that this was not as popular then. However the roasters state that the price they pay for coffee is above the prices of Fairtrade, sometimes three times above, and that they invest and form long term relationships with the farmers. For both roasters relationship coffee is more important than any certification. *“When we do business we do business with people. It is important for us that they are good people and that they focus on their family and environment”, Bjørnar Hafslund, KAFFA.* Both roasters agree that *“nowadays, it’s all about relationship coffee”*.

Consumers were more related with Fairtrade coffee and what it meant, even if they didn’t know deeply how it worked, they also stated they recognized the logo when purchasing coffee in supermarkets and stores. However they stated this was not reason enough to buy a product. A study carried out by the Fairtrade organization showed that even if consumers stated that they were willing to pay more for Fairtrade in Germany, the market share of this product did not match the results of the survey. Another study carried by Murphy and Jenner-Leuthart in New Zealand, stated that consumer ranked quality and flavor above Fairtrade, but even those responding to buy Fairtrade products showed the “30:3 syndrome” explained in primary data.

Value chain and certification for differentiated coffee

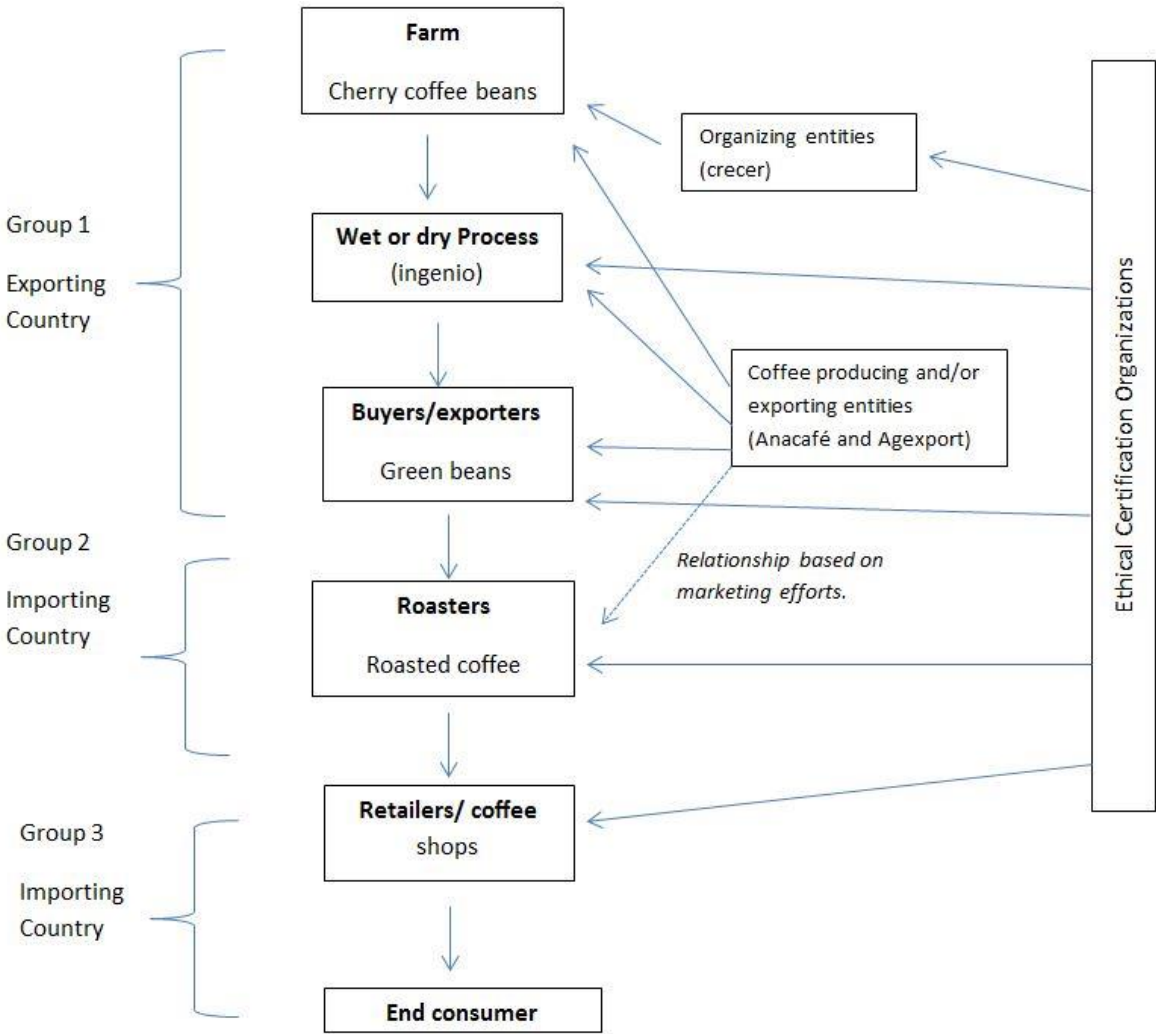


Figure 5 Value chain differentiated coffee

Source: Self made

Note: There are several variations of this value chain, sometimes the roasters act as importers and have a closer relationship with farmers, some farmers have the technology to process their coffee beans, but this is hardly the case when the farms are very small. As discussed in this thesis, sometimes there are no Ethical certification organizations involved.

Giovannucci and Koekoek (2003) noticed that in northern Europe, certified coffee is found mainly in supermarkets and not in coffee shops unlike other markets. This seems to be the reality in Norway, from the interviews with costumers most of them stated that they get certified coffee (the ones that buy certified coffee) when buying in supermarkets while they do not know if the coffee they get in their coffee shop is certified.

Rainforest Alliance has grown significantly and according to Pierrot et al (2010) in addition to Kline (2009) this certification is more flexible than organic when allowing certain agrochemicals and integrates welfare of the farmer. UTZ is also a better-rounded certification including both farmers' welfare and ecological aspects, and according to Pierrot et al. states that UTZ concentrates on better business practices and complies with global gap. According to Mazariegos global gap will be a requirement of the future for whoever wants to export coffee to Europe, but Cordon thinks that Rainforest Alliance is too robust. UTZ is also 100% traceable, and it can be trace back to the farm online. This is key topic when it comes to sustainability, Mazariegos explains that traceability is like a bar code that lets consumers know specific characteristics of the coffee, and it is a main characteristic of differentiated coffee. The roasters promote traceability in their relationship coffee stating that consumers need to know where the coffee comes from and make sure they are getting paid fairly, and this is the impression of the coffee shop owner interviewed, she expressed feeling calm about ethical treatment by knowing that if she wanted she could trace back the coffee she buys. The roasters also focused on the transparency and the importance of providing information to the end-consumer, not only related to what type of coffee they are selling, where it is from, but also if the consumers or anyone else wanted to check or control that they are paying the price they claim they pay.

All sustainable certified coffee have a set guidelines for all the different actors of the value chain, however Fairtrade states that they have a better emphasis to guarantee that everyone is certified so consumers are sure that the coffee they get is fair price, and the Fairtrade organization states that they pass the cost to the roasters and retailers instead of the farmers. According to the roasters interviewed this comes as an expensive fee for them that in their opinion does not reach the farmer, as Mazariegos agreed before.

Consumers and certifications

As explained by Giovannucci and Koekoek (2003) the main challenge of certifications is getting consumers aware and have them demand that their products are certified. Rainforest Alliance (2013) state that consumers are more aware of the certifications around the world and willing to buy certified products, manifested in a global survey. However Murphy and Jenner-Leuthart (2011) state that there is gap between consumers manifesting their willingness to buy a Fairtrade product and actually buying it (explained in secondary data). Most of the consumers interviewed in this thesis answered that a certification is not their primary motive when choosing a product, some of the subjects interviewed stated that they do feel good when realizing that the product they bought has an ethical certification, even if this was not the reason why they bought it. Most of the consumers interviewed know little or almost nothing about certifications. 97.5% had heard about Fairtrade, and 97.5% had heard about organic, but only 7.5% had heard of two or more ethical certifications. The two certifications they have heard most of were Organic and Fairtrade, but they could not explain clearly what the certifications were about, very few had a vague idea of their focus.

Even though consumers seem not to have an ethical certification as a primary reason to buy a product, Joo et al. (2010) state that a social responsibility can gravitate some consumers if the products have similar characteristics or could avoid “boycott” if consumers realize of unethical practices. According to the Rainforest Alliance (2013) 90% of the subjects that answered their global survey stated that they would consider boycotting a company if they found out they behaved irresponsibly towards the environment or humans. Mazariegos claimed that the certifications are an entry mechanism but quality is the main reason why consumers will buy a product. According to what is stated above, the certification will function as insurance but not a differentiating factor, like the collapse of the garment factory building in Bangladesh where workers had poor conditions and had been warn that the building had cracks. When the building collapsed and more than a thousand workers died, the worldwide retailers were held responsible by consumers of not being social responsible with their suppliers (BBC and CNN, 2013).

Macro-economic factors

One of the main macro-economic factors discussed in this thesis is price; however one of the influence and correlated factors of price is world supply and demand of coffee. Even in the differentiated coffee market, as stated by Cordon, when a country or a region fails to supply the demand of coffee, another country which in this case is a competitor, is benefited. Cordon also stated that the world demand for coffee is growing by 2%. According to ICO the coffee markets in Europe are either stable or decreasing and show the least growth on coffee demand, but the emerging markets are Eastern Europe, Asia and the coffee producing countries. Cordon state that Brazil is now not only the number one producer of coffee, but it is also one of the main consumers. In terms of differentiated coffee, when it comes to quality according to Mazariegos, U.S. is the main importer but the Asian markets are strong and willing to pay more for quality. The Asian countries are also demanding the highest quality in terms of punctuation to be imported. Norway occupies the second place of the consumer countries in per-capita terms; however only 2% of the coffee produced in Guatemala comes to the Nordic countries that include Norway (Graph 14 in appendix 4), Mazariegos stated this figure was 3%, however he believes this market has great potential for Guatemalan coffee. According to the roasters interviewed their supplier countries are listed in table 23.

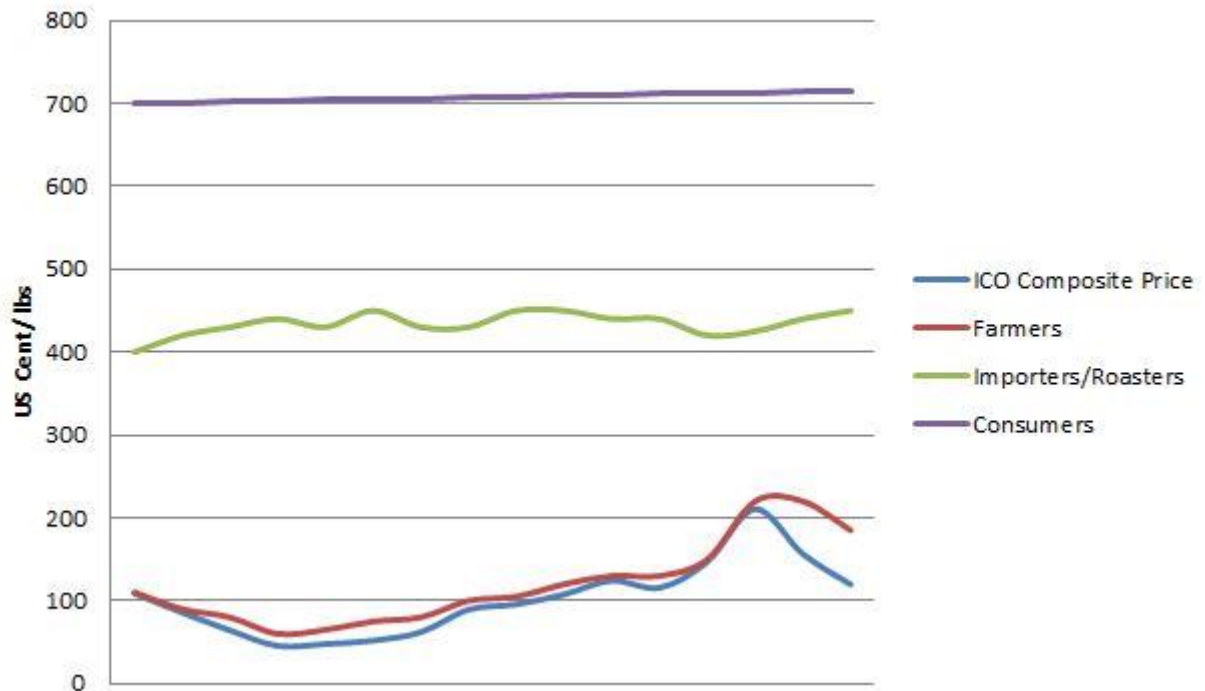
When discussing price as a macroeconomic factor, it is also discussed as non-differentiated coffee in this thesis, since all coffee prices are related and relative, and the world coffee prices are mainly influenced, not only by more suppliers, but in great scale by the industry's four key players: Brazil, Colombia, Vietnam and Indonesia. They count with vast plantation areas and technology advancements (Lewin et al 2004). The production of these countries also affects prices of differentiated coffee as explained by the farmers, if they do not have a certification or a contract. However Joo et al. states that consumers are willing to pay only 10% more for Fairtrade coffee while these retail prices are usually higher. 35% of the consumers interviewed in this thesis showed willingness to pay 10% or more for any ethical certification. Akhter (2009) state that consumers do not always remembered what they paid for a product but they instead will recall them as overprices, relating price to quality or other characteristics they look in products. Silvestre from Anacafé stated that Guatemalan coffee is always sold above the New York stock market prices, but these are still used as reference

price. This is confirmed by both roasters interviewed. Even if Guatemala is among the first 10 world coffee producers, in comparison with the first four producers, its percentage is so low that Guatemalan production does not affect prices, as explained by Cordon.

Value chain analysis and price

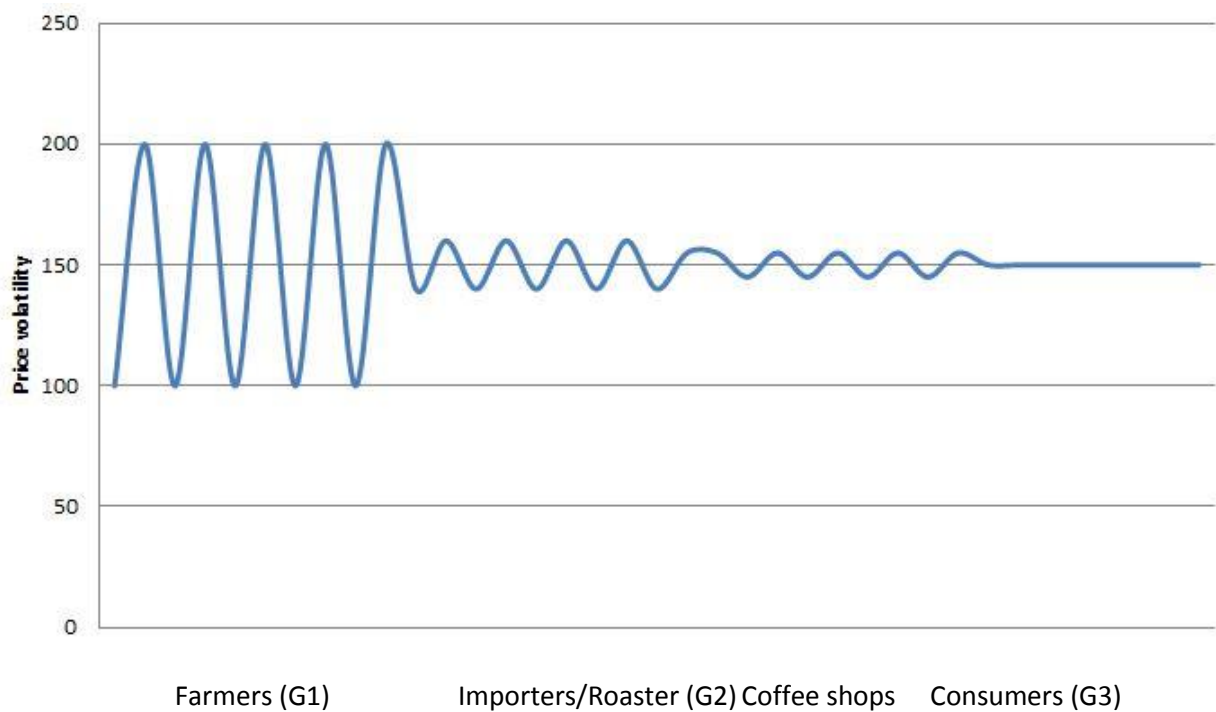
The study carried out by Fitter and Kaplinsky in 2001 explained how the farmers are always the most affected by price fluctuations, and the importers are most benefited when coffee prices go up, and they are less affected by these fluctuations. The farmers interviewed, expressed a high vulnerability to price fluctuations, and they even asked why consumers are not affected by these price fluctuations as with other agriculture products. The farmers stated that prices fluctuate from 250 GTQ around 32.46 USD (according to the day exchange rate) to 150 GTQ, 19.48 USD, in terms of one harvest to another, and sometimes even in three months. Cordon supported that the fluctuation in prices affect the farmers greatly.

The roasters agreed that the farmers are the most vulnerable to prices. They create and agree with different types of price agreements with the farmers they buy from, thereby securing themselves a certain amount of coffee. The price agreements also help the farmers invest in fertilizers and other products and equipment they need for their production, as well as creating more stable economic terms for the farmers. These deals are not affected by price changes in the stock market according to the importers. The roasters also stressed the importance of quality according to the price agreements, these going both ways, meaning extra money for extra quality, and no money if there is no quality. The roasters are not affected by price fluctuation in the same way as the farmers, simply because they base their own price on their own costs every year, as described in primary data. They claim that the coffee shops and the end consumers are taking a bigger part of the price variation than the roasters themselves. Fitter and Kaplinsky stated that the price for the coffee used in one cup is between 5-10% of what they charge for one cup, and Christensen from Babel confirmed this. This means that even if the coffee price fluctuates in the stock market, and this is used as a reference price when making deals with farmers, the amount of coffee that is used to make one cup, is so little that price fluctuation does not affect this in a noticeable way for the consumers. The consumers confirmed by agreeing that they usually pay the same amount for one cup from year to year, given that they go to the same place.



Graph 3 Price Fluctuation

Note: X-axis = time, source: self-made.



Graph 4 Price Volatility in the value chain

Source: self-made

Note to graph 3 and graph 4:

Both graphs are based on tentative prices for several reasons. First, it is impossible to compare the whole value chain since the farmers interviewed in this thesis do not sell their products to the importers and roasters interviewed. Secondly, the prices provided by the importers are average yearly prices, consisting of farmers from several different countries, some having cooperatives in between. Thirdly, prices vary several times a month, making it difficult to generalize. But the graphs show, to a good relative extent, several points discussed during the analysis of this thesis. Graph 3 shows how most farmers get prices around stock market prices (ICO Composite Price), and how much prices vary over time, making it difficult for farmers to plan the future. The graph also shows how importers and roasters have a more stable price from year to year, ref. primary data. Consumers and coffee shop end-price show only a slight increase taken inflation into account. Graph 4 illustrates how the different actors are affected by price variation. This graph can be related to the “bullwhip effect” also called the “Forrester effect”, which explains how customer demand affects the supply chain, but in this case it is related to price.

Quality

Lewin et al. (2004) state that the demand for high quality differentiated coffee is increasing, and quality seems to be the common ground for all the subjects of interview and many of the authors quoted in this thesis. As explained by Wood (2007) quality was ranked among consumers at the top, above ethical certifications.

However terms like high, superior and exception are still ambiguous if they are not compared. Lewin et al. (2004) tries to explain in comparative terms that the blends with more Robusta mainly from Vietnam and Brazil are the lower quality on the pyramid. Then blends of mainly Arabica coming from Brazil and Colombia, and at the top you have differentiated coffee which are Arabica beans, not blended with Robusta, and with traceable origin. However Alvarado and Linnemann (2010) state that there is no scientific way to prove the quality of a coffee so we still depend on the taste of experts to tell consumers what is considered high quality coffee. During the interview with master cupper of Anacafé, Carlos Roberto Muñoz Garcia, the “best” and most representative coffees of the regions of Guatemala were being tested, and the process as it was observable concurred with what Alvarado and Linnemann (2010) explained (refer to secondary data). During that process it

was also observable that the format developed by SCAA, was being used. This format is globally accepted and it helps the cuppers grade coffee in the following areas: aroma, flavor, after taste, acidity, body, balance, uniformity, clean cup, sweetness, defects and overall. The cuppers were also using another similar format in order to recognize specific characteristics from each region, and Muñoz stated even if the coffee was scored higher than others, it will not be promoted by the association if it did not meet the specific characteristics of the region, which makes micro-climate and altitude characteristics important to define quality in coffee.

Another way for coffee farmers to get a better price for their coffee quality is through coffee auctions. Micro-lots (smaller volumes of coffee) are sold to specialty markets. Bidders are guaranteed with high quality coffee that not many other buyers will be able to get. Guatemala holds the record of the best paid micro-lot in an auction for the coffee from Mocha variety.

Mazariegos explained that quality depends on the buyer and the perception of this varies. Even if a grade of 90 is considered high quality or specialty coffee, markets like U.S. consider a score of 75 to be high quality, while Europe demands 80 and Asia requires 85. He also showed how the defects of the coffee are measured, based on coffee grain size and variations, method that is also explained by SCAA. Tim Wendelboe points out the importance of relativity and how coffees measured by cuppers, who are humans after all, will consist of partly subjectivity when graded. He states that with training, especially with “calibrating yourself”, you can learn to grade coffee the same way someone else does. According to Hafslund, the training needed to be a good cupper, is very individually and it can take everything from 1-5 years. Both roasters claim that you will never be fully trained, meaning you will learn as long as you live.

Just like micro-climates have an influence on the quality of coffee, so does altitude, as explained by IADB (2002) and the master cupper, “*usually higher altitude means higher quality*”. Even if altitude, lack-of physical defects, micro-climates, specific soil characteristics and producing systems can yield high quality beans; high quality cherry beans need to be processed in order to produce high quality green beans, and these need to be stored and transported in a specific way to keep the quality, and then roasted accordingly. This was particularly important for the coffee importers and roaster in Norway, who relate this to

their own business within the extremely high quality coffee niche in Norway. In other words, quality is the end result of a very long equation.

As explained by IADB (2002), there is a correlation between altitude and acidity in coffee. Muñoz from Anacafé explained that acidity in coffee is of a sweeter type, like oranges or tangerines which is nice to the palate unlike lemon that will be bad for coffee. Coffee that is grown above 1200 meters has higher potential of reaching high quality standards, which is reflected in their grading scale. The results from Alvarado & Linnemann's study proved that acidity is the main characteristic non-trained, normal consumers can detect. Consumers might have difficulties comparing one quality coffee against another, but they recognize bad taste, especially in terms of acidity. This was also confirmed by Schlich. Coffee in supermarkets is always clearly market with acidity, body and roasting degree, which are two of the ten characteristics the professional cuppers judge the coffee by.

Lewin et al. (2004) explains that even if productivity and efficiency are important for small producers, it is a better option to use their resources, especially the environmental ones like altitude and micro-climates, to produce high quality coffee. Mazariegos agrees with this statement, and Cordon also stated that no importer will pay extra for a certification if the quality of the coffee is not high. However the farmers stated that they do not always get paid better for better quality, and that their beans are sometimes blended in bulks with other lower quality beans. As stated by the farmers, quality matters if there are markets willing to pay more for it, and the farmers interviewed stated that they do not have access to those markets.

Another important aspect of quality is perception. Even if experts grade coffee, the consumers need to agree and be willing to pay more for the coffee. As stated by the owner of coffee shop Babel, customers do not always concur with what she considers best the coffee. However during interviews, 90% of consumers stated that they will be willing to pay more for high quality or a coffee that met their requirements. In spite of these arguments like every other product in the market, retailers and roasters hold the marketing key, and this allows them to tell consumers *what quality is* and what type of coffees to promote, as explained by Giovannucci and Koekoek (2003). KAFFA agrees that they can influence the market demand with the coffee they choose to import and make available.

To summarize the importance of quality, the importers and roasters, the ones who to a very high degree control the Norwegian market for the theoretically, scientifically and practically, highest quality coffee possible, is influenced by almost every factor mentioned and discussed throughout this research. It starts with the best possible micro-climates, the correct altitude, and the right way of farming, combined with the best varieties of the Arabica coffee plant. But this alone is not enough, because so many human factors influence throughout the coffee *processing*, alongside with suitable packaging, storing and transportation, combined with the ultimate roasting, defines the end result. Informing the customers of why to buy this specific coffee, instead of cheaper substitutes, and at the same time educate them to really taste the difference, thereby justifying a higher price and making them want to come back for more is the final step. As Murphy and Jenner-Leuthart combined with what Akhter (2009) stated in their research, the taste is what most consumers care about, and the customers are able to make up their mind: is this product overpriced or just-priced?

Coffee has been compared to wine countless times throughout the work of this thesis, and it is comparable in some ways, like for example in terms of simplicity versus complexity and denomination of origin. But most wines claim to be better with age, while age according to the coffee roasters, makes coffee old. Coffee is considered “a fresh product” as soon as it is roasted, thereby limiting the freshness from that very day, making another important aspect of end-result in terms of quality.

Many would agree when the statement “you get what you pay for” comes up, and according to the coffee roasters, this is true in relation with quality coffee. “*Price and quality is linked together like hand and glove*”, as quoted by Hafslund from KAFFA, and this is valid for the consumers, but more importantly for the roasters. If the roasters could not provide quality coffee, they would not be able to call it *differentiated* or *special* and sell it within the high quality coffee niche. The prices they charge might be high for the average consumer, but it reflects the quality consumers get, it is a niche after all.

Guatemala as an exporter country

As argued by Smith, Guatemala might have an absolute advantage to produce differentiated coffee, given the variety of micro-climates, favorable weather conditions, altitude terrain and volcanic soil. Coffee production in Guatemala is traditional, a handcraft activity where very little or no technology is involved, where the competitive advantage relies on these resources and no technology like the example given by Paliwoda (1993). Still, Guatemala has made of these conditions tools of competitive advantage, like the GI Antigua, but even some market knowledge and other resources were needed to make this happen (see Antigua Guatemala, GI in appendix 4). However as explained by Cordon, Guatemalan coffee farmers are in disadvantage, price fluctuations, strong and more systematic producers, and even though coffee exports are still one of the main sources of income for the country, there is very little research regarding the product. As mentioned before, countries like Colombia had implemented initiatives to fight diseases like leaf rust (according to Cordon) while countries like Guatemala are still trying to find alternatives to fight it, meanwhile the disease affects 70% of the coffee plantations in the country. As described by Toften & Hammervoll (2012) as dynamic capabilities, the ability to change and modify the resource base to compete in a dynamic market. Mass produced countries are increasing quality and using technology to be even more productive.

Ethical certifications as explained before, look to even up this disadvantage, Fairtrade is the most certified coffee in the country, even if as stated before, small, isolated coffee farmers have no chance of getting certified if they do not get organized. Nonetheless, Cordon states that the future of differentiated coffee is in the small producers, countries with economies of scale will lose their advantage to smaller producers who have no high cost of production either.

Chapter 6 – Conclusions

Coffee is a billions dollar industry, and it is the second most traded commodity in the world. The coffee industry is complex, even when only looking at differentiated coffee. The work with this thesis has proved that there is not one single truth, but many different specific cases subjective to perspectives. These however, are often situation and/or country specific, meaning that this research and these conclusions do not necessarily apply for everyone. To make it easier to read and follow, they are presented in categories and in the form of bullet points underneath.

Terms and definitions

- The term “differentiated coffee” is known mainly by scholars or “research and support institutions”. Many of the important actors in the value chain: Farmers, roasters, retailers and consumers are not familiar with the term.
- As a result from the data gathered in this thesis “differentiated coffee” can be defined as: “coffee that sets itself apart from mass produced coffee that is traded in stock market. Differentiated coffee has one or many of the following characteristics: high quality (in terms of cupping scoring), lack of defects, denomination of origin or traceability and ethical certification with the purpose of achieving a premium and stable price”.
- Specialty coffee usually refers to high quality coffee, but the fact that many coffees do not reach high quality standards, promote themselves as specialty coffee has made the term loose its true meaning and thereby become vague.
- Gourmet coffee refers to coffee that is specially prepared like espresso based coffee and other specialties, often containing other added flavors. The meaning of Gourmet coffee is not directly linked to high quality.
- As a result of the present research “ethical certified coffee” is defined in this thesis like: “coffee that guarantees the consumers through a specific logo, the ethical initiatives practiced in different parts of the value chain with the purpose of assuring social and

environmental sustainability. The main focus is on the most vulnerable actors of the value chain: the farmers”

- “Relationship coffee” is defined in this thesis like: “Coffee practices that seek for a closer relationship, often long-lasting, between roasters/importers with farmers/producers in order to assure quality for the roaster/importer and a premium price for the farmer without the third party certifying entity”.

Value chain and niches

- Even though differentiated coffee demand grows, differentiated coffee is still a niche market, confirmed by all actors of the value chain interviewed, due to its size compared to the total coffee market, premium price paid for the product and the customers group they try to satisfy.
- For coffee to achieve a true differentiation, it has to have bigger focus on the value chain and not only the end product. The process that coffee goes through from the farm in cherries to the cup of the consumer impacts the final result in terms on quality, but also the ethical relationships between the different actors of the value chain has environmental and social impact.
- The roasters interviewed played the role of importers achieving a shorter value chain and a closer relationship between producers and importers. As mentioned by Agexport, the purpose of differentiated coffee is to achieve these closer, more stable relationships and maximize profit without many actors or middlemen in the value chain adding unnecessary costs.
- This thesis focuses its research resources on the main actors of the value chain in both countries: farmers and support institutions in one country; and roasters/importers, retailers and consumers in another. These are considered the main actors of value chain because of the impact they have on the coffee supply and demand. While other actors, like processing and transportation have a lower impact and influence.

Quality

- Even though consumers do not always recognize or agree with experts on what is considered high quality coffee, they recognize bad quality. As a result for the interviews with the consumers, quality or taste is the main differentiated factors that will motivate them pay a premium price, which is proved before in similar studies.
- Roasters are the gate to the market in Norway and they hold key to market coffee and educating consumers. Roasters in Norway intend to educate retailers and consumers on what high quality coffee is, about traceability, as well as why are their paying higher prices for their coffees.
- Quality is the main aspect that differentiates coffee. All the subjects of interview concurred that quality is the main aspect that will characterize a differentiated coffee and make it achieve a premium price. However quality is a matter of perception, and experts score coffee according to the international format developed by SCAA.
- Altitude and micro-climate are some of the main aspects that give specific taste characteristics to a coffee that can be tasted by cuppers. The two main ways of measuring quality are: lack of defects and cup scoring.

Geographic Indicator

- Differentiated coffee's differentiation strategy is based on product, quality and branding like ethical certifications or GI (Geographic indicator, denomination of origin).
- A denomination of origin or GI coffee, as referred by the authors in this thesis, is a coffee that region or territory of origin has achieved some reputation of the high and specific quality characteristics it holds. However, only three coffees were referred in appendix 4, because they have achieved both the legal and market status to be called GI. On the other hand, during interviews other special regions were mentioned that have gained some market reputation among the experts interviewed in this research for its special characteristics.
- Traceability it is an important factor for differentiated coffee, not only because it assures quality characteristics, but ethical practices as well. Traceability was described in this thesis as a "bar code" that allows you to understand the different characteristics of a coffee by knowing its place of origin.

- Most of the end consumers in Norway know nothing about the origin of the coffee they drink. Only 10% of the consumers interviewed knew the origin, but only 5% got that information from their coffee shop.

Ethical certification

- To avoid “misuse of the term” sustainable coffee, like with specialty coffee, ethical certifications use the official logos, making sure that all actors of the value chain follow specific guidelines and/or are also certified.
- Of the four ethical certifications that were subject of research in this thesis, the two most well-known ones are Fairtrade and Organic. From the interviews performed these two certifications had the highest percentage of awareness of the focus of the certification and recognition of the logo.
- From the four certifications studied in this thesis, the newest ones are: Rainforest Alliance and UTZ (this being the newest one). These new certifications have a wider spectrum than Organic and Fairtrade, including both social and environmental aspects in their practices. They are also more flexible in some phases of the certification, which seems to be why they were born, to satisfy a market that was not being satisfied by the Organic and Fairtrade certifications.
- Rainforest Alliance is the fastest growing certification; according to latest statistics, while UTZ has been the most exported certification in 2007/2008 and it is “gaining terrain” through its approach on better business practices and “easy traceability”. This is reflected as consumers become more aware of transparency.
- Even though UTZ was first born as an initiative in Guatemala, it holds a low market share in the country while Fairtrade is still the most certified coffee in the country.
- The perception that Organic certified coffee production has slowed down was shared by the experts interviewed and the authors referred. The main two reasons are:
 - Consumers are less willing to pay extra for organic coffee as the sole reason for a premium price.
 - Producers are less motivated to produce organic due to lack of correct practices, low productivity and high vulnerability to plant diseases like leaf rust (Roya).

- Most of the experts interviewed expressed that the future will be more focused on “green” or more ecological practices instead of Organic.
- One of the main risks for ethical certified differentiated coffee in Norway is that consumers do not value them and/or are not willing to pay the premium price for them. All four ethical certifications studied in this thesis scored very low on awareness from consumers, while roasters showed no willingness to market them, consumers showed very little willingness to have an ethical certification as the main reason to purchase coffee.
- An ethical certification is an entry market strategy, a requirement or an insurance against bad PR for social responsibility aspects, but it does not guarantee a competitive position in the market. However, it is a responsibility of consuming countries and companies to ensure the ethical treatment of its suppliers, the fair gain of the products in order to avoid tragic consequences if matters go wrong and consumers rejecting their products.
- From the consumers interviewed only a very little percentage buys certified coffee and this small percentage does it from supermarket, not from the coffee shop. Backing up secondary data that Norway’s market for ethical certifications is mainly in supermarkets, not coffee shops like in some other countries.
- Given the fact that there were some cases of non-certified coffee distributors calling themselves organic or Fairtrade, most certifications have made a greater effort to certify everyone in the value chain and/or make sure they follow the guidelines of the certification. In the case of Fairtrade the cost is mostly passed on to other actors than the farmers, however this have made them (like in the case of the roasters) less motivated to get certified.

Macro-economic factors

- Macro-economic factors like supply, demand, existing competitors, new and potential competitors affect the differentiated coffee value chain in different ways, especially the farmers, but the main macro-economic factor that farmers are more vulnerable to is price.
- The coffee industry today faces an increase in demand, and therefore an increase of new competitors. New markets are opening for the coffee industry, younger generations of

coffee drinkers, and coffee enthusiast in countries with tradition of drinking coffee, and new emergent markets are opportunities for the differentiated market. On the other hand, existing players in the coffee industry like the world biggest suppliers are becoming competitors of the differentiated niche, by increasing their quality, while potential competitors (China) might compete in both industries. New markets and new entrants are therefore both an opportunity and a threat in terms of differentiated coffee.

- Even though coffee is a billion dollar industry, most of the producers are small farmers that live in extreme poverty, while for other actors of the industry it is very profitable business. As a result of this research, it was confirmed that the farmers are the ones that suffered the most from price fluctuations, making them unable to plan future productions or even forecast their own life and families as they live day by day from what they get from selling coffee beans.
- Consumers do not notice these price fluctuations; they pay the same for the coffee they drink from year to year, if they drink/get it in the same place. They seem to be the actors in the value chain that are less affected by price fluctuations, but this is mostly because of the amount (relative proportions) of coffee that is used to make one cup of coffee. However roasters have fix costs and they plan accordingly, making them very little affected by price fluctuations.
- Price of coffee is influenced by supply and demand factors, but above all, the supply of the four main producers: Brazil, Vietnam, Colombia and Indonesia. Even though differentiated coffee is not sold in the stock market exchange, these prices are used as a reference.
- Differentiated coffee achieves premium prices by stable long term contracts with buyers, ethical certifications or geographic indicators (GI) with the corresponding legal and market backup. Relationship coffee is another way for coffee producers to achieve a premium price, however further research should be done on the duration of this relationships.
- Farmers have no market or value chain knowledge which places them in a very vulnerable position with buyers. Due to the high demand in coffee, farmers always sell their coffee, but not to the best price, they assure the harvest to buyers willing to finance the production, even if sometimes is barely above a breakeven price.

Guatemala as producing country

- Guatemala's competitive advantage for producing coffee is the country's natural resources and comparative advantages like: altitude, weather conditions, volcanic soil and micro climates. However the country needs dynamic capabilities to face future competitors and challenges.
- Even though Guatemala's coffee has success stories, like GI and records of best pay lots in auctions, most of the coffee producers in the country have no market and knowledge access and depend solely on buyers. Research and market support is still very scarce and does not reach the ones in need while organization initiatives are not being fulfilled due to other actors' interests.
- Guatemala's coffee producing is traditionally, handcrafted and a family occupation that is passed on generations. Even though Guatemala is among the top 10 coffee producing countries, and coffee exports account for one of the main sources of foreign exchange, productivity is very low and is very vulnerable to diseases and competitors.

Norway as consumer country

- Even though Norway is at the top of the chart of consumer countries in per capita terms, the market for differentiated coffee is still very small. A small percentage of coffee consumers are knowledgeable about the coffee they drink and even a smaller percentage is interested in ethical certifications.
- "Relationship coffee" is the main way that differentiated coffee is traded and marketed in Norway, instead of ethical certifications. As claimed during this thesis, relationship coffee can, at times, pay higher prices than ethical certifications, if the quality meets the standards. However these relationships are based on trust and business requirements, consequently they rely on the fair behavior of the roasters, which in the cases of the roasters studied in this thesis who seemed to work ethically. However, this cannot be generalized and it will be a responsibility of the consumers to make their suppliers accountable for sustainability.
- Ethical certification is a way to make sure the business transactions between countries are following sustainable principles. It is a responsibility of the importing countries to use governance as a tool to make sure that the importers are following these principles,

because exporting countries are more business and market driven and they will comply with the requirements imposed by the demand.

- The efforts made by the different actors of the differentiated coffee sector to balance or make the trade more “fair” for the farmers is an ethical global initiative, it is not isolated to producing/ developing countries since we are all part of the industry. However, just like with other industries, poverty is a complex problem that might not have one answer but several different approaches, in this thesis two of these have been studied, ethical certifications and relationship coffees, it is still to be proven how these impacts the farmers and their communities.

As a general conclusion with the purpose of phrasing an answer the research question:

How do quality, ethical certification and macro-economic aspects influence the different actors in the value chain of differentiated coffee, in Guatemala as a producing country and Norway as a consumer country

Quality is the only factor that is repeated as the most important for everyone in the value chain for differentiated coffee. However, quality is decided by the importers and the roasters, since they influence the demand for extremely high quality coffee in the market, by making this coffee and the necessary knowledge available for the consumers. It is also proved that price is influencing purchasing behavior more than ethical certifications, but there is a willingness to pay more for quality. The ethical certifications are most important for the farmers since it function as an entry mechanism to new markets, and it pays on average higher prices than non-ethical and non-relationship coffees. In macro-economic terms, price is crucial for the farmers, who are clearly suffering the most from fluctuations.

Recommendations for further research

- “Relationship coffee” needs to be further studied in order to have awareness of its weakness and strengths as well to understand the model as a substitute of an ethical certification.
- To fully interpret the value chain of a product, the research should follow through the exact chain in reality, meaning interviewing the farmers that do relationship coffee with Norwegian importers.
- Governments in consuming countries should have initiatives that ensure ethical treatment for producers in developing countries. Some countries in Europe, as expressed during interviews, are already making sure that the coffee they import has some ethical certification or other sustainability initiative.
- The part of the value chain related to Norwegian consumers is in this study limited to only 40 respondents. To get a more accurate picture of the consumers of coffee, especially in the differentiated niche, a broader study with more respondents is needed.
- As a response to the low demand for organic coffee in Norway and low motivation to perform organic agriculture without the necessary demand, there is still a potential market for ecological coffee, often called “green coffee”. More research is needed in this field.
- As a suggestion to increase the demand for ethical certified coffee, it may be worth to research if Governmental initiatives such as tax-reduction on ethical certified products can compete in the market for differentiated coffee, as well as for mass-produced and “mainstream” coffees.

Bibliography

Academic articles & Reports:

Akhter, S.H. (2009) *Niches at the edges: price-value tradeoff, consumer behavior, and marketing strategy*. Journal of Product & Brand Management Vol.18, No.2, 2009.

Alamo, C. and Malaga, J. (2012) *Coffee Differentiation: Demand Analysis at Retail Level in the US Market*. Texas Tech University, Department of Agriculture and Applied Economics. Selected Paper prepared for presentation at the Southern Agricultural Economics Association Annual Meeting.

Alvarado, R.A. & Linnemann, A.R. (2010) *The predictive value of a small consumer panel for coffee-cupper judgment*. British Food Journal vol. 112, No. 9, 2010. p.p. 1023-1032.

Athaide, G.A. and Stump, R.L. (1999) *A taxonomy of relationship approaches during new product development in technology-based industrial markets*. Journal of Product Innovation Management, Vol. 16 No. 5, pp. 469-82. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.

Balakrishnan, S. (1996) *Benefits of customer and competitive orientations in industrial markets*. Industrial Marketing Management, Vol. 25 No. 4, pp. 257-69. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.

Barney, J.B. (1991) *Firm resources and sustained competitive advantage*. Journal of Management, Vol. 17, No. 1, pp. 99-120. Quoted in: Toften, K and Hammervoll, T. (2010) *Niche marketing and strategic capabilities: an exploratory study of specialized firms*. Marketing Intelligence & Planning, Vol. 28, No. 6, (2010) pp. 736-753.

Bauman, H. and Taubert, C. (1984) *Why quality assurance is necessary and important to plant management*. Food Technology, vol. 38, no. 4, p. 101. Quoted in: Wood, L. (2007) *Functional and symbolic attributes of product selection*. British Food Journal, Vol. 109, No. 2, pp. 108-112.

Bertrand, K. (1987) *Marketers discover what "quality" really means*. Business Marketing, 72 (April): 58-70. Quoted in: Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Bjørklund, O., Skallerud, K., Sogn-Grundvåg, G. & Grønhaug, K. (2008) *Produktdifferensiering: hva og hvorfor?*. Magma, vol. 5, 2008.

Blanchfield, R. (1981) *The philosophy of food control*. Food Technology, Vol. 35, No. 4, pp. 49-51. Quoted in: Wood, L. (2007) *Functional and symbolic attributes of product selection*. British Food Journal, Vol. 109, No. 2, pp. 108-112.

Calori, R. & Ardisson, J.M. (1988) *Differentiation strategies in "stalemate industries"*. Strategic Management Journal 9(3): 255-269. Quoted in: Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Carrigan, M. and Attalla, A. (2001) *The myth of the ethical consumer – do ethics matter in purchase behavior*. Journal of Consumer Marketing, vol. 18, no. 7, p.p. 560-578.

Dalgic, T. and Leeuw, M. (1994) *Niche Marketing revisited: concept, applications and some European Cases*. European Journal of Marketing, vol. 28 No. 4, pp.39-55. Quoted in: Toften, K. & Hammervoll, T. (2012) *Niche marketing research: status and challenges*. Marketing Intelligence & Planning vol. 31 No. 3, (2013).

Diamantopoulos, A. and Cadogan, J.W. (1996) *Internationalizing the market orientation construct: an in-debt approach*. Journal of Strategic Marketing, vol. 4, no. 1 p.p. 23-52. Quoted in: Toften, K. & Hammervoll, T. (2) (2010). *Niche Marketing and strategic capabilities: an exploratory study of specialized firms*. Marketing Intelligence & Planning, vol. 28, no. 6, p.p. 736-753.

Dickson, P.R. and Ginter, J.L. (1987) *Market segmentation, product differentiation, and marketing strategy*. Journal of Marketing, Vol. 51 No. 2, pp. 1-10. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.

Ehmke, C. (N.D.) *Strategies for Competitive Advantage*. Department of Agricultural and Applied Economics. University of Wyoming.

Eisenhardt, K.M. (1989) *Building theories from case study research*. Academy of Management Review. Vol. 14, no. 4, p.p. 532-550. Quoted in: Toften, K. & Hammervoll, T. (2) (2010). *Niche Marketing and strategic capabilities: an exploratory study of specialized firms*. Marketing Intelligence & Planning, vol. 28, no. 6, p.p. 736-753.

Fitter, R. and Kaplinsky, R. (2001) *Who Gains from Product Rents as the Coffee Market Becomes more Differentiated? A value Chain Analysis*. IDS Bulletin Paper, May 2001. University of Sussex.

Freeman, F. & Cavusgil, S. T. (2007) *Toward a typology of commitment states among managers of born-global firms: a study of accelerated internationalization*. Journal of International Marketing, vol. 15, no.4, p.p. 1-40.

Grimm A. and Malschinger A. (2010) *7 Differentiation Strategies*. Austrian University of Applied Science. Published paper.

Hedaa, L. & Ritter, T. (2005) *Business relationships on different waves: paradigm shift and marketing orientation revisited*. Industrial Marketing Management, vol. 34, p.p. 714-721. Quoted in: Toften, K. and Hammervoll, T. (1) (2010) *Strategic Orientation of niche firms*. Journal of Research in Marketing and Entrepreneurship, vol. 12, no. 2, p.p. 108-121.

Helfat, C. E., S. Finkelstein, W. Mitchell, M. Peteraf, H. Singh, D. Teece, and S. Winter (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Blackwell, London. Quoted in: Ambrosini, V., Bowman, C. and Collier, N., 2009, *Dynamic capabilities: An exploration of how firms renew their resource base*. British Journal of Management, vol. 20, no. S1.

Johnson, L. E. (1992) *The source of value and Ricardo: an historical reconstruction*. Atlantic Economic Journal, 20 (4): 21-31. Quoted in: Schumacher, R. (2012) *Adam Smith's theory of absolute advantage and the use of doxography in the history of economics*. Erasmus Journal for Philosophy and Economics, vol. 5, issue 2, autumn 2012.

Joo, S.J., Min, H., Kwon, I.W.G., and Kwon, H. (2010) *Comparative efficiencies of specialty coffee retailers from the perspectives of socially responsible global sourcing*. The International Journal of Logistics Management, Vol. 21, No. 3, pp. 490-509.

Levitt, T. (1980) *Marketing success through differentiation – of anything*. Harvard Business Review. 58 (1), p.p. 83-91. Quoted in: Bjørklund, O., Skallerud, K., Sogn-Grundvåg, G. & Grønhaug, K. (2008) *Produktdifferensiering: hva og hvorfor?*. Magma, vol. 5, 2008.

- Linneman, E.R. and Stanton, L.J. (1991) *Making Niche Marketing Work*. McGraw-Hill, New York, NY. Quoted in: Toften, K. & Hammervoll, T. (2012) *Niche marketing research: status and challenges*. Marketing Intelligence & Planning vol. 31 No. 3, (2013).
- Mazzafera, P. (1999) *Chemical composition of defective coffee beans*. Food Chemistry, vol. 64, no. 4, pp. 547-554. Quoted in: Alvarado, R.A. & Linnemann, A.R. (2010) *The predictive value of a small consumer panel for coffee-cupper judgment*. British Food Journal vol. 112, No. 9, 2010. p.p. 1023-1032.
- Murphy, A. and Jenner-Leuthart, B. (2011) *Fairly Sold? Adding value with fair trade coffee in cafes*. Journal of Consumer Marketing, Vol. 28, no. 7, pp. 508-515.
- Myers, M.B. and Harvey, M. (2001) *The value of pricing control in export channels: a governance perspective*. Journal of International Marketing, Vol. 9, No. 4, pp. 1-29. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.
- Narver, J.C. and Slater, S.F. (1990) *The effect of a market orientation on business profitability*. Journal of Marketing, Vol. 54 No. 4, pp. 20-35. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.
- Newbert, S.L. (2007) *Empirical Research on the resource-based view of the firm: An assessment and suggestions for further research*. Strategic Management Journal, Volume 28, Issue 2.
- Phillips, J.C. and Peterson, H.C. (2001) *Segmenting and differentiation of agri-food niche markets: examples from the literature*. Staff paper, Michigan State University, East Lansing, MI. Quoted in: Toften, K. and Hammervoll, T. (2009) *Niche firms and marketing strategy: an exploratory study of internationally oriented niche firms*. European Journal of Marketing vol. 43 no. 11/12, 2009.
- Porter M.E. (1996) "What is Strategy?". Harvard Business Review, 74 (6), 61-78. Quoted in Hooley et al. (1998) *Marketing Strategy and Competitive Positioning*. Second edition. Prentice Hall Europe.
- Rorty, R. (1984) *The historiography of philosophy: four genres*. In Philosophy in history: essays on the historiography of philosophy, eds. Richard Rorty, J. B. Schneewind, and Quentin Skinner. Cambridge (UK): Cambridge University Press, 49-75. Quoted in: Schumacher, R. (2012) *Adam Smith's theory of absolute advantage and the use of doxography in the history of economics*. Erasmus Journal for Philosophy and Economics, vol. 5, issue 2, autumn 2012.
- Ruben, R. and Zuniga, G. (2011) *How standards compete: comparative impact of coffee certification schemes in Northern Nicaragua*. Supply Chain Management: An International Journal, Vol. 16, No. 2, p.p.98-109.
- Salomo, S., Steinhoff, F. and Trommsdorff, V. (2003) *Customer orientation in innovation projects and new product development success – the moderating effect of product innovativeness*. International Journal of Technology Management, Vol. 26 No. 5/6, pp. 442-63. Marketing strategy 529. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.
- Schlich, P. (1998) *What are the sensory differences among coffees? Multi-panel analysis of variance and FLASH analysis*. Food Quality and Preference, vol. 9, no. 3, pp. 103-106. Quoted in: Alvarado, R. A. & Linnemann, A. R. (2010) *The predictive value of a small consumer panel for coffee-cupper judgment*. British Food Journal vol. 112, No. 9, 2010. p.p. 1023-1032.

Schumacher, R. (2012) *Adam Smith's theory of absolute advantage and the use of doxography in the history of economics*. Erasmus Journal for Philosophy and Economics, vol. 5, issue 2, autumn 2012.

Sharp, B. and Dawes, J. (2001) *What is differentiation and how does it work?*. Journal of Marketing Management, Vol. 17 No. 7/8, pp. 739-59. Quoted in: Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.

Svendsen, M. F., Haugland S.A., Grønhaug, K. and Hammervoll, T. (2011) *Marketing strategy and customer involvement in product development*. European Journal of Marketing. Vol. 45, no. 4.

Teece, D.J., Pisano, G. & Shuen, A. (1997) *Dynamic Capabilities and Strategic Management*. Strategic Management Journal, Volume 18, Issue 7.

Toften, K. and Hammervoll, T. (2009) *Niche firms and marketing strategy: an exploratory study of internationally oriented niche firms*. European Journal of Marketing vol. 43 no. 11/12, 2009.

Toften, K. and Hammervoll, T. (1) (2010) *Strategic Orientation of niche firms*. Journal of Research in Marketing and Entrepreneurship, vol. 12, no. 2, p.p. 108-121.

Toften, K. & Hammervoll, T. (2) (2010). *Niche Marketing and strategic capabilities: an exploratory study of specialized firms*. Marketing Intelligence & Planning, vol. 28, no. 6, p.p. 736-753.

Toften, K. and Hammervoll, T. (2012) *Niche marketing research: status and challenges*. Marketing Intelligence & Planning vol. 31 No. 3, (2013).

Wernerfeldt, B. (1984) *A resource-based view of the firm*. Strategic Management Journal, Vol. 5, No. 2, pp. 171-180. Quoted in: Toften, K and Hammervoll, T. (2) (2010) *Niche marketing and strategic capabilities: an exploratory study of specialized firms*. Marketing Intelligence & Planning, Vol. 28, No. 6, (2010) pp. 736-753).

Wood, L. (2007) *Functional and symbolic attributes of product selection*. British Food Journal, Vol. 109, No. 2, pp. 108-112.

Conferences and other reports:

Agexport (2) (2013) *Annual Report 2012*. Guatemala City, Guatemala.

Anacafé (2011) *Green Book*. Guatemalan National Coffee Association, Second Edition, Guatemala City.

Anacafé (2) (2014) *Memoria de Labores 2012-2013*. Working Report, Anacafé. Guatemala City, Guatemala.

Boston Consulting Group (N.D.) *Segment of One Marketing*. Perspectives, no. 329.

Brundtland Report (1987) *Our Common Future*. World Commission on Environment and Development, Oxford University Press. Quoted in: Giovannucci, D. and Koekoek, F.J. (2003) *The State of Sustainable Coffee: A study of twelve major markets*. Report for: International Coffee Organization, International Institute for Sustainable Development, United Nations Conference on Trade and Development and The World Bank.

Cowe, R. and Williams, S. (2000) *Who are the ethical consumers?* The Co-operative Bank/Mori Survey, The Co-operative Bank, Manchester.

Fairtrade Foundation (2012) *Fairtrade and Coffee*. Commodity Briefing, London, UK.

FIAS (2006) *Improving Indonesia's Competitiveness: Case Study of Textile and Farmed Shrimp Industries*. IFC – World Bank Group, September 2006.

FIAS, The World Bank Group (2007) *Moving Toward Competitiveness - A Value Chain Approach*. Washington DC.

Giovannucci, D., Brandriss, P., Brenes, E., Ruthenberg, I.M. & Agostini, P. (2000) *Engaging Civil Society to Create Sustainable Agricultural Systems: Environmentally-Friendly Coffee in El Salvador and Mexico*. In *Thinking Out Loud* (Latin America and the Caribbean Civil Society Team). Washington D.C. The World Bank, 2000. Quoted in: Lewin, B. Giovannucci, D. & Varangis, P. (2004) *Coffee Markets: New Paradigms in Global Supply and Demand*. Agriculture and Rural Development Discussion Paper 3. The World Bank.

Giovannucci, D. (2001) *Sustainable Coffee Survey of the North American Specialty Coffee Industry*, unpublished report, The Summit Foundation, North American Commission for Environmental Cooperation, Specialty Coffee Association of America, Philadelphia, PA. Quoted in: Joo, S.J., Min, H., Kwon, I.W.G., and Kwon, H. (2010) *Comparative efficiencies of specialty coffee retailers from the perspectives of socially responsible global sourcing*. The International Journal of Logistics Management, Vol. 21, No. 3, pp. 490-509.

Giovannucci, D. and Koekoek, F.J. (2003) *The State of Sustainable Coffee: A study of twelve major markets*. Report for: International Coffee Organization, International Institute for Sustainable Development, United Nations Conference on Trade and Development and The World Bank.

Giovannucci, D. and Ranaboldo, C. (2008) *Markets and Geographical Indications of Origin: Synthesis of Terra Madre Gathering and E-Forum*. Produced for The Latin-American Center for Rural Development (RIMISP).

Giovannucci, D., Josling, T., Kerr, W., O'Connor, B. & Yeung, M.T. (2009) *Guide to Geographical indications, Linking product and their origins*. International Trade centre, Geneva, Switzerland.

Giovannucci, D. (2010) *Differentiated Coffee*. Guatemala, World Coffee Conference Report 2010.

Giovannucci, D. (2012) *Managing Sustainability*. International Coffee Organization Seminar of learning, economics, social and environmental impact of certification.

Inter-American Development Bank (IADB), United States Agency for International Development (USAID) and The World Bank (2002) *Managing the competitive transition of the coffee sector in Central America*. Discussion Document. Antigua, Guatemala, April 2002.

International Coffee Organization (3) (2013) *Annual Review Rétrospective 2012*. London, United Kingdom.

International Coffee Organization (4) (2013) *Exports of organic coffee and differentiated coffees Calendar years 2005 to 2012*. Statistics Committee, March 2013, London, United Kingdom.

International Coffee Organization (3) (2014) *Organic coffee export statistics based on Certificates of Origin and Monthly Reports for the period October to June: 2007/08 and 2008/09*. Statistics Committee, September 2009, London, England.

Kline, A. (2009) *Sustainable Coffee Certifications: A comparison Matrix*. SCAA (Specialty Coffee Association of America) Sustainability Committee.

Lecture in International Business, 2013/2014. Bodø (2013) *International Trade and trade theories*. University of Nordland, by Thon, D.

- Lewin, B. Giovannucci, D. & Varangis, P. (2004) *Coffee Markets: New Paradigms in Global Supply and Demand*. Agriculture and Rural Development Discussion Paper 3. The World Bank. March 2004.
- Loranger-King, A. (2008) *FEDECOAGUA: Federación de pequeños productores de café de Guatemala*. Collection Études de cas d'entreprises d'économie sociale. ES0802, January, 2008.
- Mazariegos, S. (2014) *El Comercio Mundial de Café, Mercados de Nicho y su Industria*. Agexport, Working Report. Guatemala City, Guatemala.
- Pagiola, S. Ruthenberg, I.M. (2002) *Selling Biodiversity and Coffee Cup: Shade Grown Coffee and Conservation in Mesoamerica*. In *Selling Forest Environmental Services: Market-based Mechanisms for Conservation and Development*. London: Earthscan. Quoted in: Lewin, B. Giovannucci, D. & Varangis, P. *Coffee Markets: New Paradigms in Global Supply and Demand*. Agriculture and Rural Development Discussion Paper 3. The World Bank. March 2004.
- Pay, E. (2009) *The Market for Organic and Fairtrade coffee*. Study prepared in the framework of FAO project GCP/RAF/404/GER. Trade and Market Division, Food and Agriculture Organization of the United Nations. Rome, 2009.
- Pierrot, J., Giovannucci, D. & Kasterine, A. (2010) *Trends in the Trade of Certified Coffees*. Pre-publication copy. International Trade Centre.
- Potts, J. (2000) *Commodities as a Tool for Sustainable Development: Towards a Sustainable Coffee Agreement*. Unpublished Draft, Quoted in: Giovannucci, D. and Koekoek, F.J. (2003) *The State of Sustainable Coffee: A study of twelve major markets*. Report for: International Coffee Organization, International Institute for Sustainable Development, United Nations Conference on Trade and Development and The World Bank.
- Rainforest Alliance (2013) *Sustainability that sells: Smart marketing and promotional ideas from the Rainforest Alliance*. Broadway, New York.
- Rainforest Alliance (2014) *What's Behind the Rainforest Alliance Certified™ Seal?* New York.
- Silva, R. O. (2012) *Outlook for the world coffee Market*. International Coffee Council, ICO. London, 2012.
- Tandberg, E. (2005) *Treasury System Design: A Value Chain Approach*. International Monetary Fund, Working Paper.
- Wijn, A. (2012) *Economic, Social and Environmental Impact of Certification*. Rainforest Alliance, September 2012.

Books & Theses:

- Brassington, F. and Pettitt S. (2005) *Essentials of Marketing 1st edition*. Prentice Hall.
- Churchill, G. A. (1992) *Basic Marketing Research*. The Dryden Press, Fort Worth, Texas.
- CIMS (Centro de Inteligencia sobre Mercados Sostenibles) (2007) *El café, producto emblemático de América Latina: ¿un detonante para el desarrollo rural con identidad cultural para pequeños productores rurales?* Estudio de caso. Alajuela, Costa Rica; January 2007, p. 121. Quoted in: Morales Buchan, S.D. (2011) *Investigacion de Mercado de café Diferenciado*. EPS (ejercicio Profesional supervisado. Universidad de San Carlos de Guatemala/Asociacion Guatemalteca de Exportadores.

Dalgic, T. (2006) *Handbook of Niche Marketing*, The Haworth Press, New York, NY p.p. 25 – 63. Quoted in: Toften, K. and Hammervoll, T. (1) (2010) *Strategic Orientation of niche firms*. Journal of Research in Marketing and Entrepreneurship, vol. 12, no. 2, p.p. 108-121.

Diaz, K.V. (2009) *Global Coffee industry: pitfalls, successes and future perspectives*. Final Thesis Master of Science in Business Performance Management. Aarhus School of Business.

Dibb, S., Simkin, L., Pride, W. and Ferrell, O.C. (2006) *Marketing concepts and strategies*. Houghton Mifflin, USA.

Diez, P.M. (2011) *Examples of Sources of Differentiation competitive advantage*. Universidad Rey Juan Carlos. La Dirección estratégica de la Empresa. L.A. Guerra y J.E. Navas. 4th Edition.

Doane, D. (2001) *Taking Flight: The Rapid Growth of Ethical Consumerism*. New Economics Foundation, London. Quoted in: Joo, S.J., Min, H., Kwon, I.W.G., and Kwon, H. (2010) *Comparative efficiencies of specialty coffee retailers from the perspectives of socially responsible global sourcing*. The International Journal of Logistics Management, Vol. 21, No. 3, pp. 490-509.

Doyle, P. (1998) *Marketing, Management and Strategy*. Second Edition, Prentice Hall Europe.

Easterby-Smith, M., Thorpe, R. & Jackson, P. (2012) *Management Research*. London. 4th edition, SAGE Publications Ltd.

Evans, J.R., Berman, B. (1997) *Marketing*. 7. Edition, Prentice Hall Inc., New Jersey. Quoted in: Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Griffin, R. W. & Pustay, M.W. (2010) *International Business*. 6th edition, New Jersey, Pearson.

Hooley G. J., Saunders J.A, and Piercy N.F. (1998) *Marketing Strategy and Competitive Positioning*. Second edition. Prentice Hall Europe.

Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Jacobsen, D. I. (2005) *Hvordan gjennomføre undersøkelser?* 2. Edition, Kristiansand. Høyskoleforlaget.

Johannessen, A., Tufte, P.A. & Christoffersen, L. (2010) *Introduksjon til Samfunnsvitenskapelig Metode*. Oslo. 4th edition, Abstrakt forlag.

Johnson, G., Scholes, K. & Whittington, R. (2008) *Exploring Corporate Strategy*. Eight Edition. Prentice Hall. Harlow, England.

Jobber, D. and Fahy, J. (2006) *Foundations of Marketing*. 1st edition, Mc Grall Hill.

Kaplinsky, R. & Morris, M. (2001) *A Manual for Value Chain Research*. Quoted in: Fitter, R. and Kaplinsky, R. (2001) *Who Gains from Product Rents as the Coffee Market Becomes more Differentiated? A value Chain Analysis*. IDS Bulletin Paper, May 2001. University of Sussex.

Kotler, P. (1998) *Marketing management – analysis, planning, implementation and control*. 8. edition, Prentice Hall, New Jersey. Quoted in: Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Kotler, P., Wong, V., Saunders, J. and Armstrong, G. (2005) *Principles of Marketing*. Harlow, Pearson Education Limited.

Krugman, P.R. and Obstfeld, M. (2000) *International economics*. New York, Addison Wesley.

Krugman, P.R. Melitz, M.J. and Obstfeld, M. (2012) *International economics: theory & policy*. Boston, Addison Wesley.

Morales Buchan, S.D. (2011) *Investigacion de Mercado de café Diferenciado*. EPS (ejercicio Profesional supervisado. Universidad de San Carlos de Guatemala/Asociacion Guatemalteca de Exportadores.

O'Shaughnessy, J., (1984) *Competitive marketing: a strategic approach*, Allen & Unwin. Quoted in Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Paliwoda, S. (1993) *International Marketing*. 2nd edition Butterworth-Heinmann Ltd.

Porter, M.E. (1985) *Competitive advantage: creating and sustaining superior performance*. The Free Press, New York. Quoted in: Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Porter, M.E. (1990) *The Competitive Advantage of Nations*. Macmillan, London. Quoted in: Paliwoda, S. (1993) *International Marketing* 2nd edition Butterworth-Heinmann Ltd.

Scheuing, E.E. (1974) *New product management*. Dryden Press. Quoted in: Haarla, A. (2003) *Product Differentiation: Does it Provide Competitive Advantage for a Printing Paper Company?* Dissertation for the degree of Doctor of Science in Technology Helsinki University of Technology.

Steigum, E. (2010) *Moderne Makroøkonomi*. Oslo, Gyldendal Akademisk.

Strand, E. and Westblikk, R. (2012) *Viktige faktorer ved anskaffelse av fly*. Bachelor thesis, University of Nordland.

Strauss, A.L. and Corbin, J. (1998) *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. 2nd Edition. Thousand Oaks, SAGE.

Toan Thu Nha, N. (2012) *The Business Potential for Vietnamese Coffee in Scandinavian Market*. Bachelor's thesis. Degree Programme in International Business. Tampere University of Applied science.

Internet:

4C Coffee Association (2014) *Who we are*. [Online] Available from: <http://www.4c-coffeeassociation.org/about-us/who-we-are.html#2>. Downloaded: 03.04.14.

Agexport (1) (2013) *About Us*. [Online]. Available from: <http://export.com.gt/agexport/acerca-de/>. Accessed: 02.04.14.

Anacafé (1) (2014) *Historia del Café en Guatemala*. [Online] Available from: https://www.anacafe.org/glifos/index.php?title=10CON:Historia_del_Cafe. Accessed 25.04.14.

Aventura Cafe (2014) *World Map of Coffee Producing Countries* [Online]. Available from: http://www.aventura-cafe.com/Coffee-World-Map:_:70.html. Downloaded: 17.01.14.

BBC (2013) *Bangladesh factory collapse toll passes 1,000*. [Online] Available from: <http://www.bbc.com/news/world-asia-22476774>. Downloaded: 01.05.14.

Central Intelligence Agency (US) (2013) *The World Factbook* [Online]. Available from: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html> Downloaded 11.11.13.

ChartsBin (2013) *Current Worldwide Annual Coffee Consumption per Capita* [Online]. Available from: <http://chartsbin.com/view/581>. Downloaded: 11.11.13.

CNN (2013) *Stop cashing in on Bangladeshi workers*. [Online] Available from: http://edition.cnn.com/2013/05/08/opinion/bangladesh-collapse-worker-rights/index.html?iid=article_sidebar. Downloaded: 01.05.14.

Creceer (2014) *About Us*. [Online]. Available from: <http://creceer.org.gt/index.php?showPage=6&cache=1>. Accessed: 03.04.14.

Forbrukerinspektørene. (2013) [Online Documentary], Oslo, NRK Productions. 02.10.13. Available from: <http://tv.nrk.no/serie/forbrukerinspektoerene/mdhp11004013/02-10-2013>. Downloaded: 29.01.14.

Friele (2014) *Vår Historie* [Online]. Available from: <http://www.friele.no/om-kaffehuset-friele/var-historie/>. Downloaded: 04.02.14.

Ganefryd: Kaffe (2005) [Online Documentary]. Oslo, NRK Productions. 19.01.2005. Available from: <http://tv.nrk.no/serie/ganefryd/okfv02000303/19-01-2005>. Downloaded: 05.02.2014.

Geohive (2014) *Current World Population*. [Online] Available from: http://www.geohive.com/earth/population_now.aspx. Accessed: 08.04.14.

Global GAP (2014) *Global GAP History*. [Online]. Available from: http://www.globalgap.org/uk_en/who-we-are/history/. Accessed 15.03.14.

Institute for Manufacturing, Dept. of Engineering, *Porter's Generic Competitive Strategies (ways of competing)* University of Cambridge [Online]. Available from: <http://www.ifm.eng.cam.ac.uk/research/dstools/porters-generic-competitive-strategies/>. Downloaded: 29.11.2013.

International Coffee Organization (1) (2013) *The Story of Coffee* [Online]. Available from: http://www.ico.org/coffee_story.asp. Downloaded 04.11.13.

International Coffee Organization (2) (2013) *World Coffee Trade* [Online]. Available from: http://www.ico.org/trade_e.asp?section>About_Coffee. Downloaded 11.11.13.

International Coffee Organization (1) (2014) *Coffee consumption in East and Southeast Asia: 1990-2012*. [Online] Available from: <http://www.ico.org/news/icc-112-4e-consumption-asia.pdf>. Downloaded 02.04.14.

International Coffee Organization (2) (2014) *Sustainability Initiatives*. [Online] Available from: http://www.ico.org/sustaininit.asp?section>About_Coffee. Accessed: 03.04.14.

International Coffee Organization (4) (2014) *ICO Indicator Prices*. [Online] Available from: <http://www.ico.org/prices/p2.htm>. Downloaded: 31.01.14.

International Coffee Organization (5) (2014) *Exporting Countries: Total Production*. [Online] Available from: <http://www.ico.org/prices/po.htm>. Downloaded: 04.04.14.

International Coffee Organization (6) (2014) *Exports of all forms of coffee by exporting countries to all destinations*. [Online] Available from: <http://www.ico.org/prices/m1.htm>. Downloaded: 04.04.14.

International Coffee Organization (7) (2014) *Imports of all forms of coffee by selected importing countries from all sources*. [Online] Available from: <http://www.ico.org/prices/m4.htm>. Downloaded: 04.04.14.

Latin Dictionary. [Online] Available from: <http://www.latin-dictionary.net/>. Accessed: 03.04.14.

Lindsay, M. (2007) *Today's Niche Marketing is About Narrow, Not Small*. Advertising Age, June 4. [Online]. Available from: <http://adage.com/article/cmo-strategy/today-s-niche-marketing-narrow-small/117005/>. Downloaded: 26.01.14.

Mattioli, D. (2009) *Recession Spells End for Many Family Businesses*. The Wall Street Journal [Online]. Available from: <http://online.wsj.com/news/articles/SB125478399429765967>. Downloaded: 25.11.13.

Merriam-webster.com, Online Dictionary (2014) *Certification (keyword)*. [Online] Available from: <http://www.merriam-webster.com/dictionary/certification>. Accessed: 04.04.14.

Merriam-webster.com, Online Dictionary (2014) *Sustainability (keyword)*. [Online] Available from: <http://www.merriam-webster.com/dictionary/sustainable>. Accessed: 05.04.14.

National Coffee Association USA (2013) *The History of Coffee* [Online]. Available from: <http://www.ncausa.org/i4a/pages/index.cfm?pageid=68>. Downloaded 04.11.13.

Organic Trade Association, OTA (2014) *Facts About Organic Coffee*. [Online] Available from: http://www.ota.com/organic/organic_and_you/coffee_collaboration/facts.html. Downloaded: 04.04.14.

Perez, M. (2012). *World Coffee Demand Fueled by Emerging Markets, ICO's Silva Says*. Bloomberg, March, 23. 2012. [Online] Available from: <http://www.bloomberg.com/news/2012-03-23/world-coffee-demand-fueled-by-emerging-markets-ico-s-silva-says.html>. Downloaded: 02.04.14.

SCAA, Specialty Coffee Association of America (1), (2009) *SCAA Standard | Green Coffee Quality*. [Online] Available from: <http://scaa.org/PDF/ST%20-%20GREEN%20COFFEE%20QUALITY%20V.21NOV2009A.pdf>. Downloaded: 09.04.14.

SCAA, Specialty Coffee Association of America (2), (2009) *SCAA Protocols | Grading Green Coffee*. [Online] Available from: <http://scaa.org/PDF/PR%20-%20GREEN%20GRADING%20PROTOCOLS%20V.22NOV2009A.pdf>. Downloaded: 09.04.14.

SCAA, Specialty Coffee Association of America (3), (2009) *SCAA Protocols | Cupping Specialty Coffee*. [Online] Available from: <http://scaa.org/PDF/PR%20-%20CUPPING%20PROTOCOLS%20V.21NOV2009A.pdf>. Downloaded: 09.04.14.

Smith, A. (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*. An Electronic Classics Series Publication (2005) The Pennsylvania State University [Online]. Available from: <http://www2.hn.psu.edu/faculty/jmanis/adam-smith/wealth-nations.pdf>. Downloaded: 27.11.13.

Statistisk Sentralbyrå (2011) *Uten Kaffe stopper Norge* [Online]. Available from: <http://ssb.no/utenriksokonomi/artikler-og-publikasjoner/uten-kaffe-stopper-norge>. Downloaded: 11.11.13.

Statistisk Sentralbyrå (2014) *Folkemengden, 1. Januar 2014*. [Online]. Available from: <http://ssb.no/folkemengde/>. Downloaded: 08.04.14.

The Coffee and Health Institute (2014) *Where Coffee Grows* [Online]. Available from: <http://www.coffeeandhealth.org/all-about-coffee/where-coffee-grows/>. Downloaded: 17.01.14.

The Fairtrade Resource Network (2014) *More about Fairtrade*. [Online] Available from: <http://www.fairtraderesource.org/learn-up/faq/>. Accessed: 03.04.14.

The Nose (2005) *Three Generic Competitive Strategies* [Online]. Available from: http://tatler.typepad.com/nose/2005/04/three_generic_c.html. Downloaded: 30.11.13.

The World Fairtrade Organization (2009) *The Charter of Fair Trade Principles*. [Online] Available from: <http://www.fairtrade.net/what-is-fairtrade.html>. Downloaded: 03.04.14.

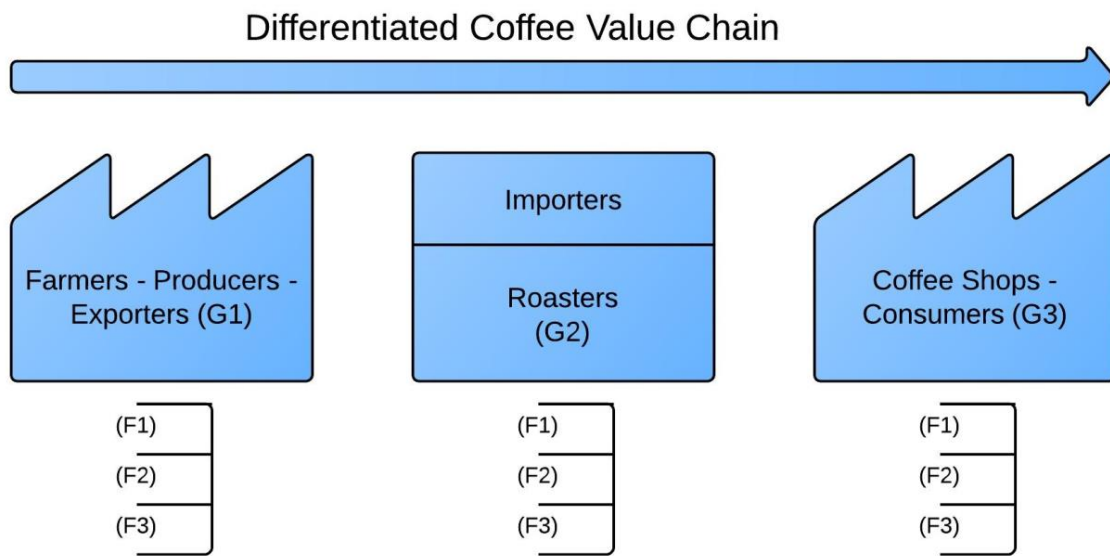
Trade Commodities (2013) *The Most Common Commodities to Trade* [Online]. Available from: <http://www.tradecommodities.co.uk/commodities/>. Downloaded 05.11.13.

United States Environmental Protection Agency, EPA (2014) *Sustainability*. [Online] Available from: <http://www.epa.gov/sustainability/basicinfo.htm>. Downloaded: 05.04.14.

UTZ (2014) *About UTZ Certified* [Online]. Available from: <https://www.utzcertified.org/en/aboututzcertified>. Accessed 15.03.14.

Appendix 1: Information about respondents – The interviews

This appendix provides information about the respondents used to gather primary data in relation to the research and work with this thesis. This appendix is divided in the same way the primary data is presented, in the same groups mentioned throughout this thesis.



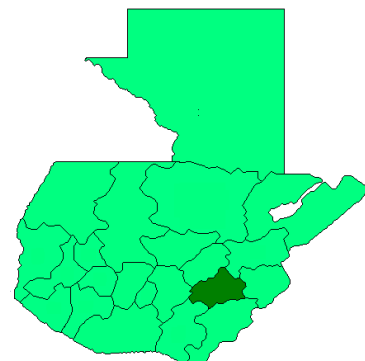
Ref: Figure 1

The coffee Farmers (Group 1)

The interviews were performed in group with seven coffee producers in the area; there are more than a hundred small coffee producers in this area. These are family farms, and of tradition, they have been farming coffee since they were very young. This is specific information about each farmer.

Figure 6 Jalapa, Guatemala

Source: Google



Farmer name	Name of farm	Years in Business	Size of production in Quintales	Comment	Size of production in KG
Anibal Monterroso	Dinama	35	640	Monterroso family	29376
Manfredo Garcia	La Falda	28	60	Garcia family	2754
Felix Morales	El Salitre, La Bella	50	3000 to 5000	Morales family	137700 - 229500
Demerito Reynoso Morales	Los lavaderos	30	400	Reynoso family	18360
Gadiel Morales	La falda	30	400	Morales family	18360
Joel Reynoso	Los lavaderos	25	300	Reynoso family	13770
Edgar Reynoso	El huevo	25	600	Reynoso family	27540

Table 11 Farmer information

Note: Quintal is a Spanish measurement equivalent to 45,9kg. Measurements in coffee cherries.

The farmers interviewed are from the area of Jalapa, Guatemala. Jalapa is characterized by mountains and the volcano Jumay, and most of the land is located around 1700 meters above the sea level. The coffee from this area is defined as altitude coffee, which gives this coffee special characteristic. On the other hand, the terrain makes it more difficult to grow and work in, and the volume is thereby lower than other coffee producing regions.

The exact location of these farms and the place where the interview took place can be found by using these GPD coordinates:

Latitude: 14°34 , 71'N

Longitude: 90°9 , 622'W

Altitude: 1773 meters

The farmers speak only their native language, Spanish, and therefore I had to use a translator to help with technical translations back and forth, to minimize “lost in translation effect”.

The Institutions (Group 1)

ANACAFÉ



Anacafé, National Coffee Association (acronym in Spanish) is the association of coffee producers in Guatemala, founded 1960, and currently represents around 90.000 coffee producers. Anacafé's team is formed by field and lab technicians, cuppers, educators and marketing personnel. The Government started centralizing, helping and keeping statistics in 1928, Guatemala has been exporting coffee since 1959, but it was until 1960 that this association was created with the purpose of supporting coffee producers in the country (Anacafé, 2011).

Anacafé is a governmental entity and part of its duties is to control and promote coffee exports from Guatemala, which was the main responsibility of this entity. Anacafé provides its members with scientific research and technical support for coffee production and processing, market data and analysis, laboratory testing, and educational training in sustainable practices and coffee preparation (Anacafé, 2011). Nowadays, as expressed on their website, they conduct research, provide technical support, and keep statistics regarding coffee production. They also promote activities related to coffee and promote social responsibility for coffee workers and small farmers through funcafe.

The organization was initiated by the international coffee organization, as a way to centralize statistics regarding coffee production in the country. Anacafé is financed by fees and taxes that come from coffee producers in the country. They are an important actor in terms of information and research of all national coffees, but it also acts as a regent and it carries out international promotion being the official national entity. This is why Anacafé is involved in many stages of the process of coffee and elements of the value chain.

At the moment of the interview the entire team of cuppers was carrying out the contest of the coffees per region for the 2013/2014 harvest. They had to choose three coffees per region (of total 8 regions) that were the highest quality, but also represented the region characteristics. The best three coffees of each region would be promoted worldwide during the year 2014. The regions have been defined on based of cup profile, climate, soil and altitude.

Informant, contact person and interview respondent:

Agricultural Engineer and Master Cupper *Carlos Roberto Muñoz Garcia*, Head of coffee tasters.

AGEXPORT



AGEXPORT
ASOCIACION GUATEMALTECA DE EXPORTADORES

Agexport, Guatemalan Association of Exporters (acronym in Spanish) is a private entity, non-lucrative, which its goal is to promote and support the export activities of the country. As stated on their website (Agexport (1), 2013) it groups and represents small, medium and large companies of Guatemala in order to support them in their exporting activities. It also makes strategic alliances with the public, private sector as well as the international community to help small and medium companies stay in the world market. It offers training, world promotion, technical support, International networking, public-private alliances, and work clusters among others (Agexport (2), 2013).

Agexport states in its website that its vision is to make of Guatemala “an exporting country”, this generates better income for the country and more opportunities of employments, as well as it makes companies more competitive.

Coffee is the third most exported product in Guatemala (Agexport (2), 2013) and Guatemala is 10th coffee producer in the world. Agexport has a committee dedicated to the export of this product; a committee specialized on differentiated coffee. According to Sergio Mazariegos (Agexport) “*The purpose of the committee is to promote differentiated coffee, producers and farmers to specialty markets like Australia, Japan and the Nordic countries. Promote the quality vs. price relationship*”. The committee merchandises coffees of origin, of certified production and corporate certifications.

The committee of “differentiated coffee” looks to promote market certified or coffee with denomination of origin that are member of the committee, which it looks to unify strengths.

One of the purposes of the committee is to reduce the length of merchandising chain of the coffee, so the producer is closer to the consumer, and it can obtain better profits.

Alliances with international entities like: the Belgium technical cooperative, Holland cooperative, HIVOS, and the European and American associations for differentiated coffee Agexport got a technological tasting lab.

All producer members pay a fee to this committee of Agexport, they make the match between producers and buyers, but when the business relationship is concrete, and all the other negotiations are made between them without intervention of Agexport, as stated by Sergio Mazariegos in interview.

Agexport is a private association, unlike Anacafé, the association of different stakeholders of the value chain with this entity is not mandatory, however it has received much help from international entities and it has proven successful for many exporters, which made the information provided by this entity very valuable.

Informant, contact person and interview respondent:

Engineer and Executive Coordinator of the Differentiated Coffee Committee of Agexport, Sergio Mazariegos.

CRECER



Crecer is social and civil organization in Guatemala, supported by European and U.S. entities to promote competitiveness and certification in the agriculture sector. Crecer was founded in 1997 with the help of EFTA-European Fair Trade Association. Crecer is oriented to provide tools to increase competitiveness to small agriculture producers in Mexico and Central America and promote sustainability, development and attractiveness in international markets (Crecer, 2014).

Crecer has developed programs of corporate consultancy that have benefited and allow first and second grade organizations directly agricultural and non-agricultural entities to develop

competitive strategies that allow them visualize sustainable scenarios, strategic alliances, access to markets and to adopt a more competitive focus (Crecer, 2014).

Crecer expertise areas are:

- Business plans and company strategy
- Industry analysis, interpreting the environment and opportunities
- Sustainable markets, a condition for the future
- Quality and continuous improvement management
- Economic, social and environmental sustainability. A viable paradigm
- Social investment, and profitable commitment
- Innovation and development, a requirement
- Human resource, a strategic resource
- Strategic alliances

According to Ileana Cordon "Crecer is a civil association which facilitates development programs for small producers, we work with a lot of training and coaching for the organization to be competitive and reach the market place. We support this medium-long term perspective. We do a lot of consultancy".

The relevance of Crecer as a source of primary data relies on the fact that differentiated coffee and sustainability are intrinsic terms. As explained before, Crecer is an entity that supports small farmers and deals with sustainability problems in the country with other entities and farmers on one side and international certification entities on the other side.

Informant, contact person and interview respondent:

Director of Organization *Ileana Cordon* and Director and Engineer *Antonio Cordon*.

The Importers / Roasters (Group 2)

Tim Wendelboe



Interview subject, name: Tim Wendelboe

Position: Coffee Barista, Coffee importer, World Champion Barista 2004

Company name: Tim Wendelboe

Location of company: Oslo, Grünersgate 1

Business area/location/market: Quality coffee

Contact information:

- Email: brenneriet@timwendelboe.no
- Webpage: www.timwendelboe.no
- Social media: Facebook, Twitter and Flickr

According to the webpage, Tim Wendelboe is a micro roastery, a coffee training center and an espresso bar located in Oslo, Norway. The webpage is full of information related to their business, achievements and general information related to their coffee and their business. The main goal is as follow: “Our goal is to be among the best coffee roasters and espresso bars in the world and to be a preferred source for quality coffee, knowledge and innovation”.

KAFFA AS

Interview subject, name: Bjørnar Hafslund



Position: Coffee Importer and Main Roaster

Company name: KAFFA AS

Location of company: Enebakkveien 117, 0680 Oslo

Business area/location/market: Quality coffee

Contact information:

- Email: post@kaffa.no; bjornar@kaffa.no
- Webpage: www.kaffa.no
- Social Media: Facebook and Twitter

KAFFA is an importer and micro roastery for high quality coffee, with history back to early 1990's. They offer training, courses and tastings. Read more information on their webpage.

The Coffee shop (Group 3)

Interview subject, name: Siv Christensen

Position: Manager and Gründer of Babel Barista og Hjemmebakst

Company name: Babel Barista og Hjemmebakst (started: 20.09.2012)



Location of company: Bodø City Centre (only 1 shop)

Business area/location/market: Good coffee & homemade pastry market

Contact information:

- Email: siv-e-c@online.no
- Social Media: Facebook

The business, Babel, in Bodø opened for business in 20. September 2012. The coffee shop, as most of them, sells a variety of baked goods (freshly baked goods) besides coffee prepared drinks, the business has one owner who manages and runs the business. They get their coffee from KAFFA, the roaster, along with tea and brewing equipment.

The interview was carried out with Siv Christensen, owner and manager of the coffee shop, as it will be referred from here on as Christensen (all citations in this paragraph refer to her).

The Consumers (Group 3)

The consumers represent the end of the value chain for differentiated coffee. They are the end-user of the product. Based on the magnitude of this thesis, 40 consumers were chosen for short interviews. The following criteria had to be fulfilled by the consumers to be evaluated as a source:

- Regularly consume coffee, minimum 5 days a week
- Have been consuming coffee for more than 3 years

In addition, to achieve some level of representativeness, 20 men and 20 women were chosen. See table 12 for information regarding demographics. When referring to city, it is not place of birth, but where they lived at the time of the interview.

Information about respondents, consumers

#	Sex	Age	City	Quality vs. Price
1	Male	28	Bodø	Quality
2	Male	20	Bodø	Quality
3	Male	45	Bodø	Quality
4	Female	21	Bodø	Quality
5	Female	19	Bodø	Price
6	Male	19	Bodø	Quality
7	Female	36	Bodø	Quality
8	Female	n.a.	Bodø	Quality
9	Male	29	Bodø	Quality
10	Female	24	Bodø	Quality
11	Female	25	Bodø	Quality
12	Female	45	Bodø	Quality
13	Male	33	Bodø	Quality
14	Male	30	Bodø	Quality
15	Male	66	Trondheim	Price
16	Female	39	Trondheim	Quality
17	Male	25	Trondheim	Quality
18	Female	n.a.	Oslo	Quality
19	Male	45	Oslo	Quality
20	Female	28	Oslo	Quality
21	Male	29	Oslo	Quality
22	Female	74	Oslo	Quality
23	Male	19	Oslo	Price
24	Male	41	Oslo	Quality
25	Female	54	Oslo	Quality
26	Female	26	Oslo	Quality
27	Male	27	Oslo	Quality
28	Female	31	Oslo	Quality
29	Female	24	Oslo	Quality
30	Male	49	Oslo	Quality
31	Male	25	Oslo	Quality
32	Male	29	Oslo	Quality
33	Female	24	Oslo	Price
34	Male	25	Oslo	Quality
35	Female	36	Oslo	Quality
36	Male	43	Oslo	Quality
37	Male	28	Oslo	Quality
38	Female	n.a.	Oslo	Quality
39	Female	43	Oslo	Quality
40	Female	22	Oslo	Price

Table 12 Consumer information

Appendix 2: The Value Chain

A value chain often referred to as a “Value chain analysis” or “Value chain approach”, hereafter called VCA in this thesis, is one of many tools used in business and economics for measurement purposes. The Foreign Investment Advisory Service (FIAS), a joint facility between the International Finance Corporation, The Multilateral Investment Guarantee Agency and The World Bank, define a value chain as *“a method for accounting and presenting the value that is created in a product or service as it is transformed from raw inputs to a final product consumed by end users”* (FIAS, 2007, page ix). The value chain is a method to analyze the business activities that aim to produce, design, deliver and service the product to the customer. The process of VCA often include typical identification and mapping stages that is meant to locate and analyze different stages or features and the relationship between them. These stages or features can be divided into four different groups:

1. The activities performed during each stage of the process
2. The value of inputs, processing time, outputs and value added
3. The spatial relationship, such as distance and logistics, of the activities
4. The Structure of economic agents, such a suppliers, producers, and wholesalers

A typical value chain or VCA depends on the product, service, company or phenomenon being analyzed. It can be everything from a simple line with a few identified stages, to an advanced, multicultural, international company with business aspects all over the world. The more factors that are taken into account, the more advanced and complicated it will be.



Figure 7 Key elements of Value Chain Study

Source: FIAS, 2007, page 11.

It is common to include VCA with other and different kinds of analyses. VCA is a commonly used tool by governments, often for strategic decision making. For example, Indonesia conducted a VCA of selected sectors to identify and classify important key inputs for their export strategies and international competitiveness in the apparel industry (FIAS, 2006). The

Investment Climate Assessment conducted a report in association with the government in Cambodia regarding their growth and competitiveness strategies in three other countries, namely Bangladesh, Kenya and Pakistan. Nigeria has used VCA for their shrimp industry, and Mozambique has used it for tourism industry (FIAS, 2007).

VCA plays an important part in international business. More and more companies are looking for new opportunities, new markets, cheaper labor, and easier access to raw material and so on. This does not go for every service or product, and often we can sort out industry specific value chains. These are also being used in technical reports and analyses in already existing businesses to identify problems, failures, costs and opportunities for improvement.

By looking through the lens of VCA as a way of analyzing costs or doing business, VCA will identify binding constraints to growth and competitiveness and an effective targeting of institutional and policy-related issues. The most common identified factors from a VCA can be divided into three core areas:

1. Product market issues
2. Factor market issues
3. Market related issues

Product related issues is for example trade policy, product standards, logistics, competition policy, price level and price distortion, licensing, customs, subsidies, property rights and enforcement of regulations. *Factor market issues* is wages, utility market issues, the cost of capital, rigidities in the labor market, the price of land etc. Finally, *market-related issues* typically groups factors like market diversification, research and development, supplier linkages and product diversification (FIAS, 2007).

Typical results or implementations from VCAs, both for public or private service is summarized in figure 8 below

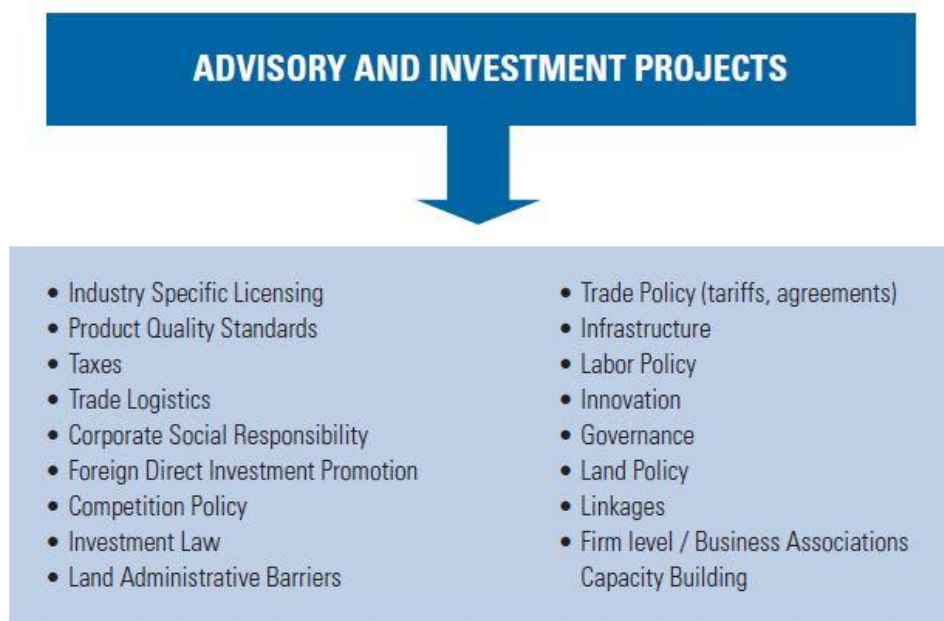


Figure 8 Example of Potential Implementation Projects following an Industry VCA

Source: FIAS, 2007, page 5.

The concept of value chains or VCA was made popular by Michael E. Porter in the mid 1980's. There is written countless books and reports on this topic, both considering strengths and weaknesses. Value chains are also a common feature in a variety of different academic articles, each applied in different industries, companies or phenomenon. A search in the library database shows more than 1 million hits. Reading through the most commonly used sorted by "relevance" seem to show the same opinions. The majority agree on the usage of VCAs, and what the strengths and weaknesses are. Tandberg describes value chains as the following in his working paper: *"A value chain analysis builds on the same types of relations as economic analysis, but it is more conceptually focused and puts less emphasis on numerical parameterization of these relations. It is usually more flexible, but less precise and rigorous"* (Tandberg, 2005, p. 4).

The Coffee Value Chain

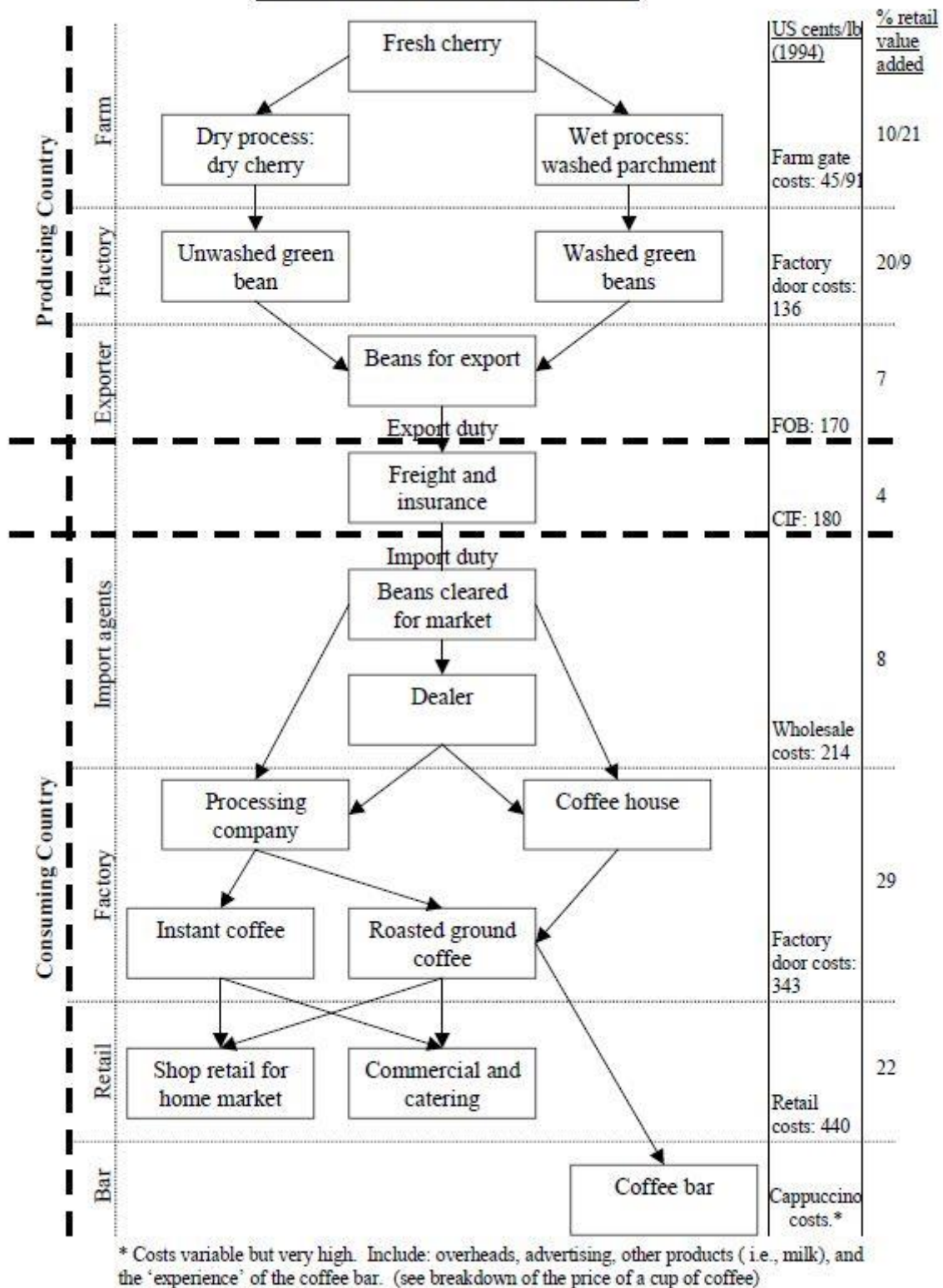


Figure 9 The coffee value chain

Source: Fitter, R. and Kaplinsky, R. (2001).

Appendix 3: Import as a way of trade

Trade has been an important part of business, and in a way, you can argue that trade was the phenomenon that “created” the doorway for international business. The Dutch were the first people to really embrace this aspect of business, and they play an important role in the internationalization of coffee and other commodities (see appendix 4). There are many theories trying to describe trade, from the simplest to more advanced forms, and a lot of these take a macro economical point of view. To see how these theories have evolved, we need to go back in time to the 17th century.

The definition of international trade

The definition of international trade is in many ways similar to international business. Griffin and Pustay (2010) start their definition with “International business consists of business transactions between parties from more than one country” (page 29), and they include buying, selling, logistics, investments and transportation, both between private individuals, individual companies and governmental agencies. In a way, we can say that international trade is a part of international business.

From mercantilism to factor-proportions – review of different trade theories

Mercantilism is an economic doctrine that originated in the 17th century and it instigated from the merchants. This economic chain of thought dominated the Western European economic policy for almost three centuries. It is based on the theory that a country will benefit if the total exports is greater than the total imports, and they used reason such as “one country’s gain is another country’s loss”. This could be achieved by keeping a positive balance of trade and accumulate monetary reserves, and the governments were supposed to control the trade. This was done in several different ways including high import tariffs, colonizing, maximizing the use of domestic resources, banning the trade of gold and silver, embargo the use of foreign ships, create monopolies, limit wages export subsidies. The mercantilist writer Thomas Mun wrote around the year 1630 the following citation: *“The ordinary means therefore to increase our wealth and treasure is by foreign trade, wherein we must ever observe this rule: to sell more to strangers yearly than we consume of theirs in value”* (Krugman & Obstfeld, 2000). Nowadays, mercantilism is considered to be more

history then theory, and because of that many textbooks ignore this, and rather start the introduction of international trade with a short summary of Adam Smith’s theory on absolute advantage.

Adam Smith’s famous work *An Inquiry into Nature and causes of the Wealth of Nations* from 1776 introduce the theory of **absolute advantage**. In his own eyes, trade should have the same underlying causes either if it is national or international. Smith’s own definition is the “propensity to truck, barter, and exchange one thing for another” (Smith, 1776, page 18). Smith argues for no governmental involvement in trade, and thereby encouraging free trade. This is often referred to as one of the most important aspect in the market form *perfect competition*. Smith’s arguments points out that if everyone were left to do what is in his or her best interest (economically speaking, referred to as market forces), there will be more goods and services available as a result, which will result in lower prices. This will again lead to an increase of wealth in each nation, measured by the welfare of the citizens. It is important to note that Smith does not exclude selfish motives in trade, but rather the opposite, trade will not occur unless you can benefit from it. Smith also states that this is the same reason why some merchants choose to conduct international trade, and that societies benefit from this as well. In macroeconomic terms, the price level of perfect competition is achieved where the demand curve intersects with the supply curve for a given product or service (Steigum, 2010).

As mentioned, Smith believes that domestic and international trade follows the same rules, and he argues that the division of labor is the same way. Smith sees production as a result of labor, and a typical example is given in many textbooks and shown in table 13:

Days of labor required to produce one unit of	Nation A	Nation B
Commodity 1	3	6
Commodity 2	8	4

Table 13 Example of Absolute Advantage

Based on Schumacher, 2012, page 65

As the example show, Nation A has an absolute advantage in producing commodity 1, and Nation B has an absolute advantage in producing commodity 2. If these two nations start trading with each other, each nation will benefit from specializing in the commodity they

have an absolute advantage in and trade to get the other commodity. The total economic effect will be a higher amount of commodities produced since the resources are utilized more efficiently, and thereby a higher consumption.

Smith did not provide any numerical examples in his own original book, and the example provided above is a recreation often presented in textbooks. Many authors choose to introduce Smith's theory, and then discard absolute advantage in favor for David Ricardo's theory of comparative advantage. According to Schumacher, Adam Smith's theory and writing includes more sophisticated theoretical approaches to international trade than they are given credit for in textbooks. Schumacher argues in particular for Smith's account for unrestricted and free trade at an international level, including international competition, is more beneficial than the previously mercantilist economic policy (Schumacher, 2012, page 54). Schumacher further argues that most textbooks utilize a doxography approach to explain Smith's theory. Doxography is one of four ways to reconstruct history, historical events or past thoughts or theories (Rorty, 1984. Quoted in: Schumacher, 2012, page 55). In this approach, the original ideas are decorticated, which means "remove the bark", and afterwards given a modern face. Johnson describes the process in economics as "*the attempt to describe theories of the past in terms of some form of modern economic theory under the presumption that the issue, purpose, and goals of past economists are the same*" (Johnson, 1992, page 22. Quoted in: Schumacher, 2012, page 56). This has the negative effect where the original ideas often lose their original meaning.

Nevertheless, Adam Smith had a great influence after his book was published, and other famous people like John Stuart Mill and David Ricardo were influenced by the book, even though they did not fully agree with Smith. According to Schumacher, writers like Kobatsch 1907; Eßlen 1925; Bickel 1926; Viner 1931 and 1937; Sinclair 1932; Haberler 1933; Young 1938; Killough 1938; Samuelson 1948; argues that Smith paved the way for Ricardo (Schumacher, 2012, page 70).

To be able to understand comparative advantage we need to know what opportunity cost means. The opportunity cost describes what you can spend your resources on, alternatively. For example, in the light of producing commodities, if commodity A is coffee and commodity B is computers, the opportunity cost of coffee in terms of computers are then the number of

computers that could have been produced with the resources put into the production of coffee. A country then has a comparative advantage if they can produce a commodity and the opportunity cost of producing this commodity in term of other commodities is lower than in other countries (Krugman et al, 2012). This is the basis of the Ricardian Model developed by David Ricardo in the beginning of the 19th century, and Ricardo argued that a country does not need an absolute advantage like Smith described to engage into international trade and still benefit from it.

David Ricardo - Comparative Advantage. A one-factor Economy

The Ricardian model has a set of different assumptions:

- Two countries, two commodities
- Labor is the only factor of production (one wage)
- Linear production functions
- Homogenous commodities (the commodities in the two countries are identical)
- Perfect competition in factor and product markets
- Labor productivities (technology) differ between countries, one country is more efficient than the other
- No transportation cost, no trade barriers, all labor is used in the production

In table 13 above, both nations had an absolute advantage in each commodity. Let us now assume that Nation B has an absolute advantage in both commodities. The table could then look like this:

Days of labor required to produce one unit of	Nation A	Nation B
Commodity 1	10 (A1)	6 (B1)
Commodity 2	8 (A2)	5 (B2)

Table 14 Example on labor requirements, Ricardian Model

Source: self-produced, based on Krugman et al 2012.

In addition to the opportunity cost mentioned above, we also need to understand the production possibility frontier (PPF). The PPF represents the different combinations of outputs a country can produce for a given level of technology, assuming that all the

resources are used efficiently. To make show this in a graphical and macro economical point of view, the following alternative denoting will be used:

Nation A	Nation B
A1= unit labor requirement for commodity1	B1= unit labor requirement for commodity1
A2= unit labor requirement for commodity2	B2= unit labor requirement for commodity2
L = total labor supply, Nation A	L* = total labor supply, Nation B
Q1 = quantity of commodity 1	Q*1 = quantity of commodity 1
Q2 = quantity of commodity 2	Q*2 = quantity of commodity 2

Table 15 Denotations

Source: Self-produced.

The production possibility frontier, where all resources are used efficiently is then:

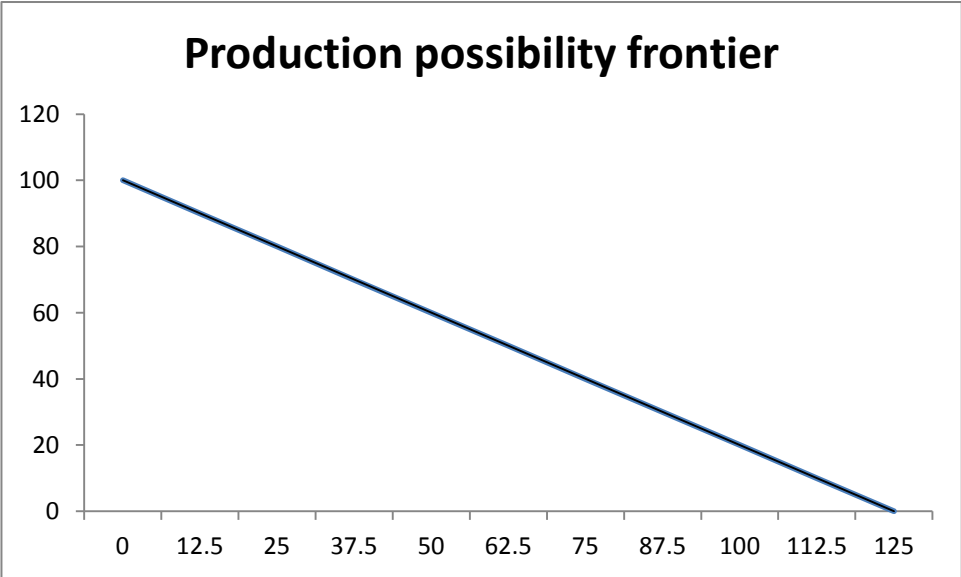
$$A1Q1 + A2Q2 = L \text{ (Nation A)}, B1Q*1 + B2Q*2 = L* \text{ (Nation B)}$$

If L = 1000, then Nation A can produce:

$$\text{Only commodity 1 gives: } \frac{L}{A1} = \frac{1000}{10} = 100$$

$$\text{Only commodity 2 gives: } \frac{L}{A2} = \frac{1000}{8} = 125$$

Graph 5 shows the PPF for Nation A, with commodity 1 on the Y-axis, and commodity 2 on the X-axis.



Graph 5 Production Possibility Frontier

Source: based on example above.

The opportunity cost of commodity 2 in terms of commodity 1 is: $\frac{A_{L2}}{A_{L1}}$, which is also the slope of the curve. The graph for Nation B will be different, but it is not showed here.

In the absence of international trade, the relative prices of commodities are equal to their relative unit labor requirement. A country has a comparative advantage in producing a commodity if the opportunity cost of producing that commodity in terms of another commodity is lower in that country than it is in other countries, and in this case, international trade will occur. In mathematical terms, this is when:

$$\frac{A_{L1}}{A_{L2}} < \frac{B_{L1}}{B_{L2}}$$

The Factor-proportion theory (Heckscher-Ohlin model)

This model is developed by two Swedish economists, Eli Heckscher and Bertil Ohlin.

This model has some different assumptions from Ricardo:

- There is two commodities, one is labor intensive and one is resource/capital intensive
- Labor and resources/capital are the only two relevant productive factors, and they are substitutes in the production of both commodities, but the more resources/capital you use, the more difficult it becomes to replace labor by resources/capital. Neither labor nor capital can be moved from one country to another.
- Preferences in both countries are taken to be identical and homogenous
- Countries are assumed to differ in their relative factor endowments
- Identical technologies, constant return to scale in the production of both commodities

The idea and main difference between this theory and the Ricardian model is that it takes another factor into account, available and abundant resources. The theory then emphasizes on the interplay between the proportions in which different factors of production are available in different countries, and the proportions in which they are used in producing different commodities. These differences will lead to an international differentiation in production where each country will export the commodity in which they have a comparative advantage, regarding both labor and resources. If international trade opens, the countries

will export the commodities that use their most abundant resource/factor intensively, and import commodities use their scarce resource/factor intensively. For this to happen, there must be an international price on the different commodities, and this price must be between the two prices before trade starts. If Nation A has a comparative advantage in producing Commodity 1, the international relative price on this commodity must be higher than it was in Nation A, but lower than it was in Nation B. A country's factor proportion will determine and predict both what it will export and what it will import (Krugman, 2012; Thon, 2013).

Criticism and weaknesses with traditional trade theories

Even though these theories describes important gains and trade-offs for conducting international trade, and gives a simple answer to why nations should engage into trade with each other, they are still in fact, theories. This means that they rely on different kind of assumptions and they are often very simple, therefore they do not reflect "the real image" of international trade. It is not realistic to assume that preferences are the same in different countries and cultures, no transportation costs, or that factors as labor, capital and resources cannot cross borders. There are also many important factors that are not explained by these theories, like the benefit of knowledge and education and how this differs between countries. Economic factors like exchange rates, interest rates, corporate taxation, wage costs, subsidies and research and development (R&D) are not represented in these theories.

Appendix 4: Additional Empirical Data

The story of coffee

History tells us that the origin of coffee began at the Horn of Africa, more specifically in Ethiopia province of Kaffa. Legend has it that goats were eating the coffee berries and had trouble sleeping at night. This finding was reported to the abbot of the local monastery, who made some research and ended up with a drink that could keep him alert for long evening prayers. The energizing effect of this newly discovered drink spread fast to the other monks, and a new journey was started which would end up as a big, international, famous and cherished mystical drink (National Coffee Association USA, 2013).

The exact date and location for the first cultivation is very uncertain. Evidence shows certainty of cultivation in Yemen by the 15th century, but most likely much earlier. Further history shows coffee production in Persia, Egypt, Syria and Turkey in the 16th century. The Dutch brought the plants and started systematically growth in Greenhouses in 1616, and with their colonies they became the main supplier of coffee to Europe by late 1600's. This was shortly after the introduction of two other popular hot drinks in Europe, namely hot chocolate and tea, recorded at year 1528 and 1610. The first European coffee house started in Venice in 1683, and probably the most famous "*Caffe Florian in Piazza San Marco*" opened in 1720, and it is still open for business today. These coffee houses quickly became a center for discussion, social activities and politics. Many tried to ban the first coffee houses, but they quickly became an accepted part of society (International Coffee Organization (1), 2013).

Coffee Regions

As we can see from figure 10 below, the coffee producing countries are geographically located in a "belt" around equator, approximately 20°North and 20°South. This is the area where coffee can grow naturally. The coffee plant needs time to grow and to produce the coffee berry. The ideal average temperature range is between 15 to 24 degrees Celsius for the type Arabica, and 24 to 30 degrees Celsius for Robusta. The coffee plants also require a certain amount of annual rainfall and some level of altitude. The Robusta plant can grow in

harsher areas, both in terms of temperature, rain and in lower altitude, making this coffee plant more robust (The Coffee and Health Institute, 2014).

We can divide the main world regions into 4 geographical zones: South America, Central America + the Caribbean, Africa and Asia.



Figure 10 Coffee Producing Countries

Source: Aventura Café (2014).

Each country consists of several locations, often referred to as regions, where different types of coffee are produced. Common for these locations or regions are that natural differences make the coffee different, or unique, even when it is produced within the same country. These differences lie in the factors mentioned above, namely altitude, amount of rain and temperature. The amount of sun and shadow also play a role in this. When we speak about differentiated coffee, or special coffee, this is often carefully selected from specific regions that are known for good quality, but mainly the Arabica type. Like stated by Aventura Cafe: *“Understanding more about coffee origin and where the best beans come from will open up a whole new dimension as you discover the many varieties of coffee beans that are available”* (Aventura Cafe, 2014).

The Origin of South- and Central American Coffee Region

The Dutch are famous for their skills in shipping and trade, and not surprisingly they introduced and brought the coffee plant to Central and South America in the beginning of the 18th century, mainly to their own colonies. The expansion of coffee plantations can be said to be a result of a decline in the price of sugar, as well as a growing popularity and demand for the black drink. The rapid growth of coffee production led to a significant decline in world prices, and they reached a bottom in the late 1840's. New and better means of transportation opened for moving bigger quantities over further distances, spreading coffee even further to the world. The opening of the Panama Canal in 1914 allowed South and Central American products to be exported, mainly to North America and Europe (International Coffee Organization (1), 2013).

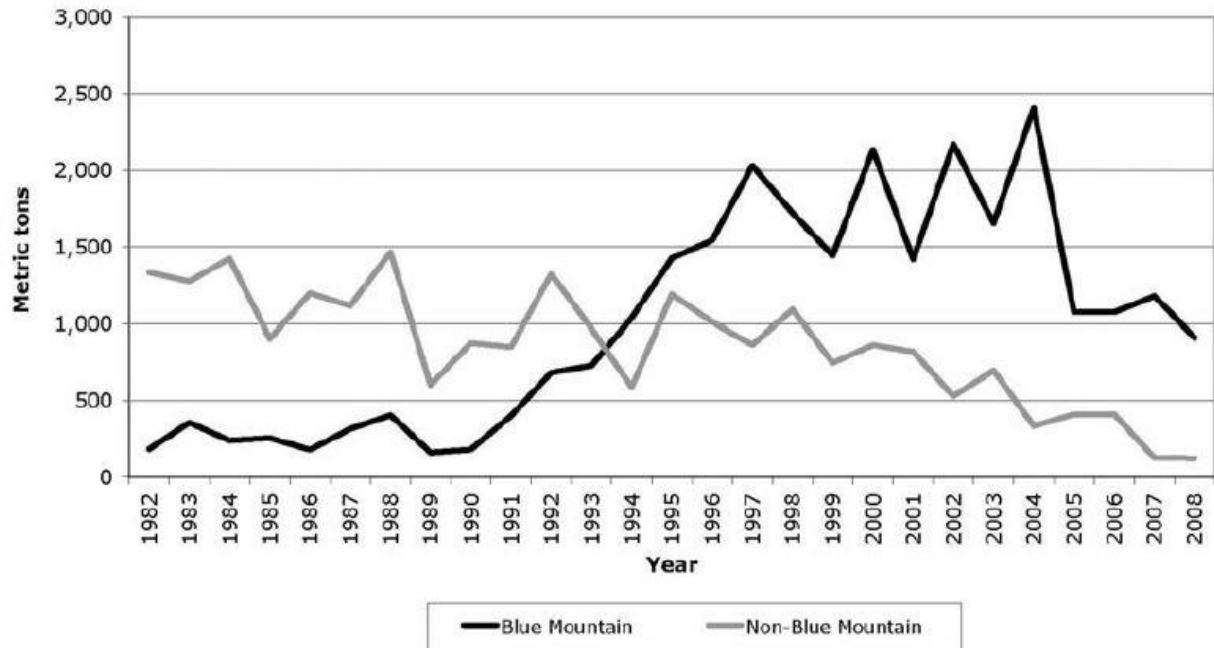
As mentioned in the introduction, the importance of coffee cannot be underestimated. Coffee is the second most traded commodity in the world after crude oil, and it provides a high percentage share of producing countries total economy. The coffee value chain including cultivation, processing, trading, transportation and marketing create and provide hundreds of thousand jobs worldwide. This is most important for some developing countries where the coffee provides more than 50% of their total foreign exchange earnings (International Coffee Organization (1), 2013).

Geographic Indications of origin

Additional information.

Blue Mountain, Jamaica

Giovannucci et al (2009) explains that Blue Mountain coffee comes from three regions in Jamaica, and it began exporting coffee to England while still being part of the empire. The industry collapsed due to bad quality and then the Coffee Industry Board (CIB) decided to restore the trust in the quality of the region. The region success is mainly due to a Government effort. The GI has built its success on quality, consistency and strong relationships, especially with the Japanese market. The GI is at its pinnacle paying producer more than any other region and assuring the volume of production to supply its markets.



Graph 6 Jamaican coffee production: Blue Mountain region and outside, 1981–2008

Source: Giovannucci et al. (2009) (page 171).

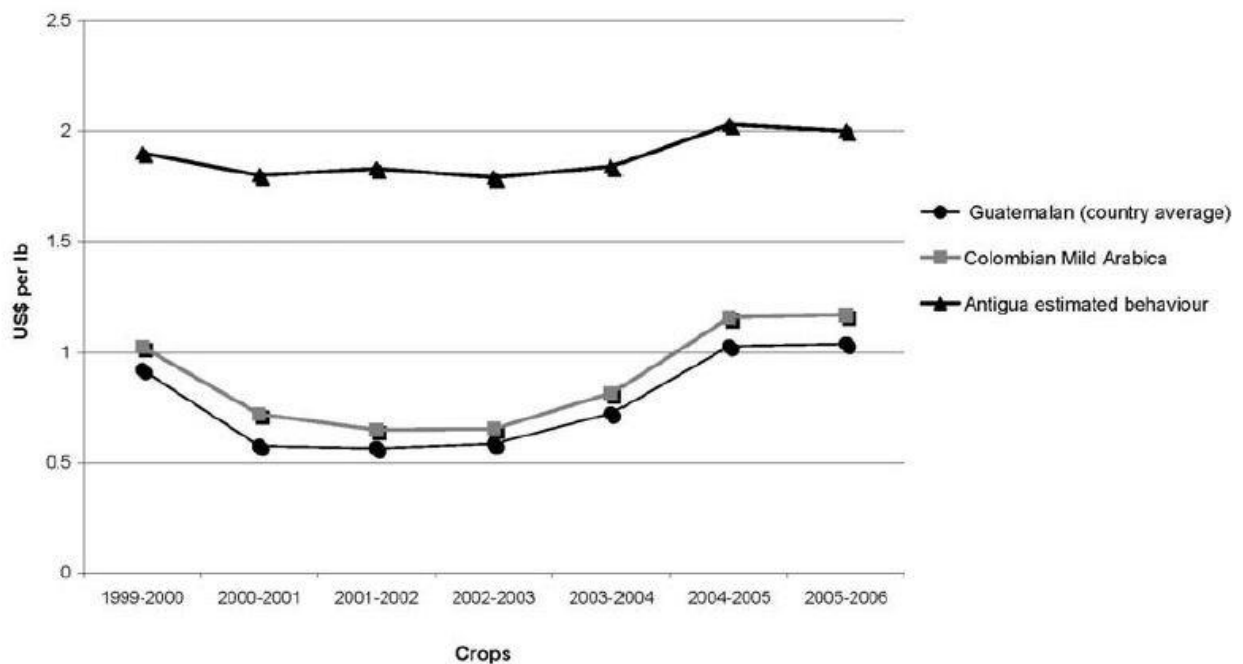
Guatemala Antigua

Giovannucci et al. (2009) explains that coffee premiums are paid to Guatemala Antigua better than other regions and the reason behind this valuation of Guatemala Antigua as a GI are the main aspects as follows:

1. They have a constant and well-established quality based on the interaction of: terroir (land quality nexus), coffee varieties and well-ordered traditional processing methods.
2. Important and stable partnerships with large industry stakeholders that have built international recognition.
3. The Antigua coffee producers' foundation. This organization helps guarantee the authenticity of the products using "Antigua Coffee" GI.
4. Sustainable initiative that have given the producers an environmental and social responsible image.

Giovannucci et al (2009) state that Antigua began by gaining name in the market for its known quality cup and winning awards, first by one farm, which led to the Antigua Coffee Producers Association (APCA) in order to ensure the quality. Afterwards the APCA began the

process that involved technical, legal, socio-political and cultural aspects to create a coffee profile for Antigua. Nowadays even regions outside the delimitation of the Antigua territory label their coffee as Antigua, ensuring that meet the requirement of the cup profile; however 100-125% more bags have been labelled as Guatemala Antigua than they really are. Giovannucci et al (2009) explain that it is likely that regions that are not even in Guatemala have labelled their as it in order to be sold with a premium price, that is evident in the graph below.



Graph 7 Export price fluctuations, Antigua Guatemala, Guatemala and Colombia.

Notes: Colombian Mild Arabica was calculated from data provided by ICO. Guatemalan price fluctuation was calculated based on data provided by Anacafé. The values presented for Antigua are estimated according to data from interviews with Antigua’s producers.

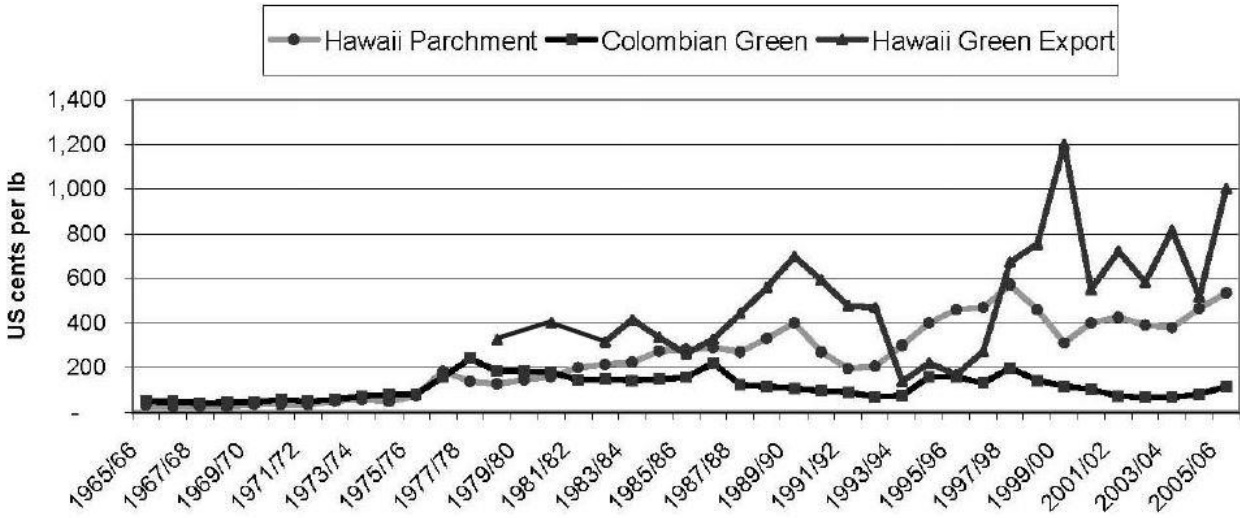
Source: Graph by Giovannucci et al. (2009) (page 150).

Kona coffee, Hawaii

Giovannucci et al. (2009) state that part of the success of this GI is its relations with big market players, who brought the coffee to a bigger audience. Kona It is a mostly rain-fed area whose approximately 630 producers most commonly cultivate a Kona Typica coffee of Guatemalan origin.

Giovannucci et al. (2009) state that rules to participate are very clear and mutually agreed by producers, processors and exporters. Hawaiian coffees are graded based on size, color, defects, and aroma into six different grades: Extra Fancy, Fancy, No.1, Select, Prime, and Hawaii No. 3. Nevertheless, only beans that meet the geographical origin requirements and quality specifications for Prime or better are qualified for branding or labelling with the words: “Kona coffee”.

Like it has happened with Guatemala Antigua other regions are labelling their coffee Hawaii Kona to achieve premium prices. Giovannucci et al. (2009)



Graph 8 Comparison of Hawaii with benchmark Colombian market prices

Source: Graph by Giovannucci et al. (2009) (page 180)

Notes: Hawaii Green Export is for Hawaii-grown green bean prices (based on F.A.S.) of domestic coffees exported directly from Hawaii to foreign destinations.

Hawaii Green Export is the weighted average price of regular coffee and decaffeinated coffee combined from 1978 to 1988 and of regular coffee only after that.

Prior to 1989, the Census Bureau did not disaggregate decaffeinated coffee from regular coffee. Hawaii Parchment is for the parchment equivalent value (not parchment price) of coffee grown in Hawaii County only serving as proxy for Kona that represents >90% of the County output.

Norwegian coffee import and consumption

Relevant figures and graphs.

Current Worldwide Annual Coffee Consumption per capita

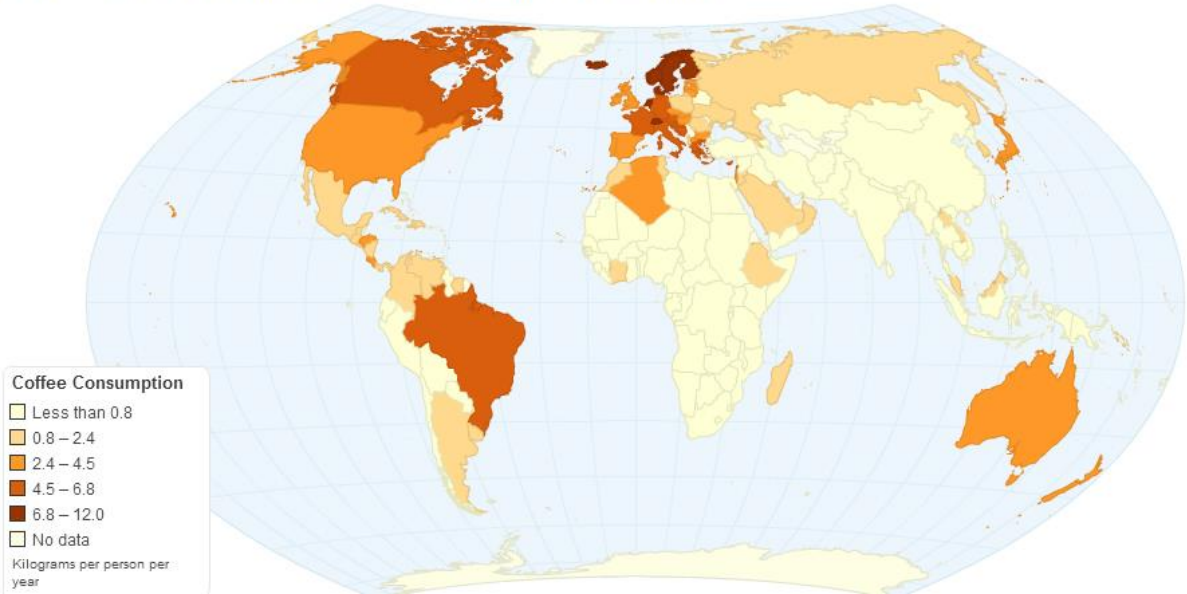
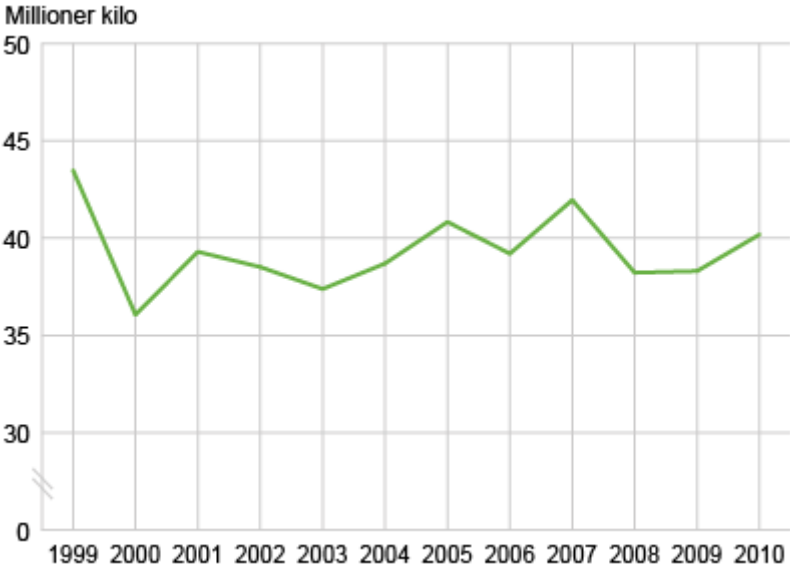


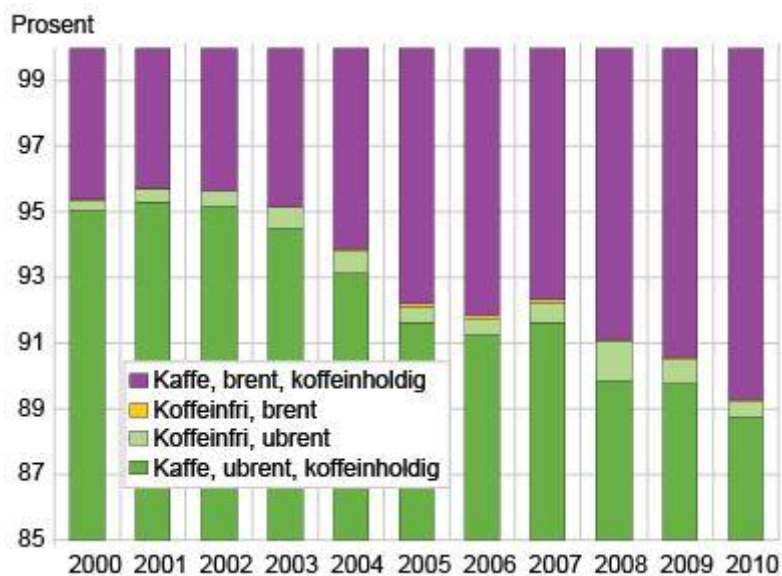
Figure 11 Current Worldwide Annual Coffee Consumption per Capita

Source: ChartsBin, 2013.



Graph 9 Norwegian coffee Import the last 10 years

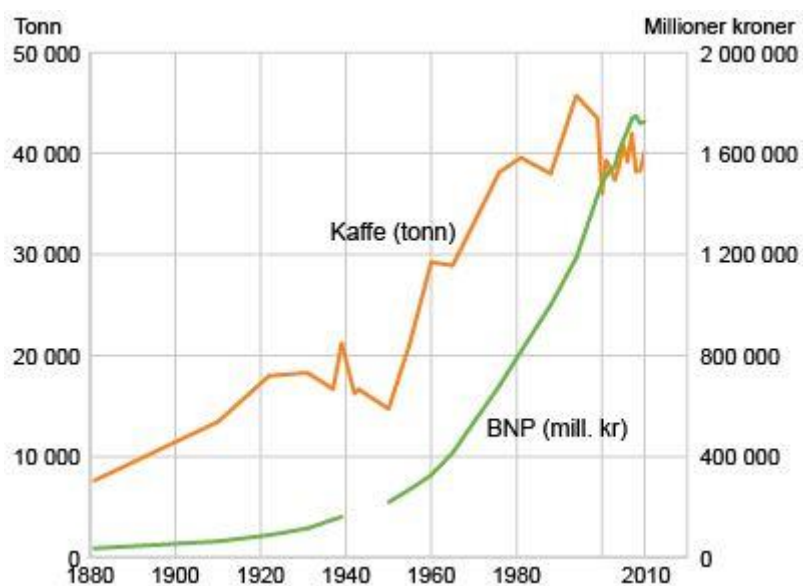
Source: Statistisk Sentralbyrå, 2011.



Graph 10 Burned and non-burned coffee in Norway the last 10 years

Source: Statistisk Sentralbyrå, 2011.

Some people might say that the amount of coffee consumed in the Scandinavian countries is related to the cold weather and the need for hot drinks. Others point to recent studies and argue that coffee has benefits for your health. A third way to look at this is related to Norwegian GDP development, which is shown in graph 2.

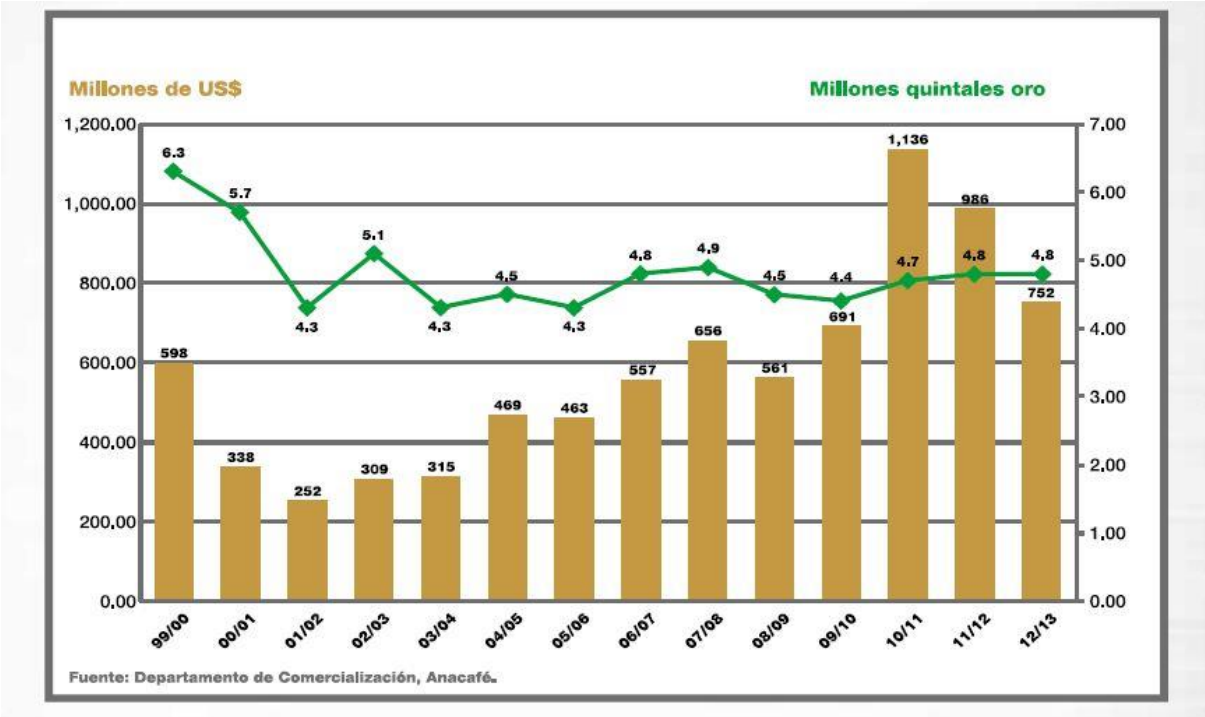


Graph 11 Development GDP and Coffee import from 1881 until today

Source: Statistisk Sentralbyrå, 2011.

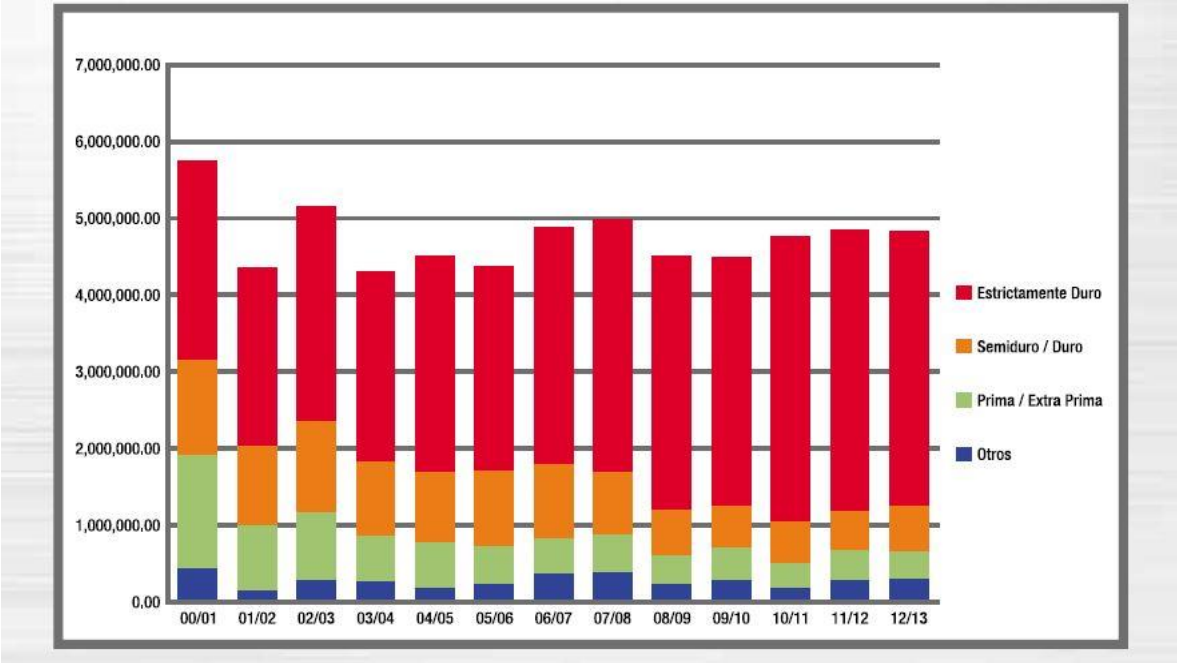
Guatemalan production and export

Relevant graphs.



Graph 12 Coffee exports from Guatemala in USD and quintales of green beans

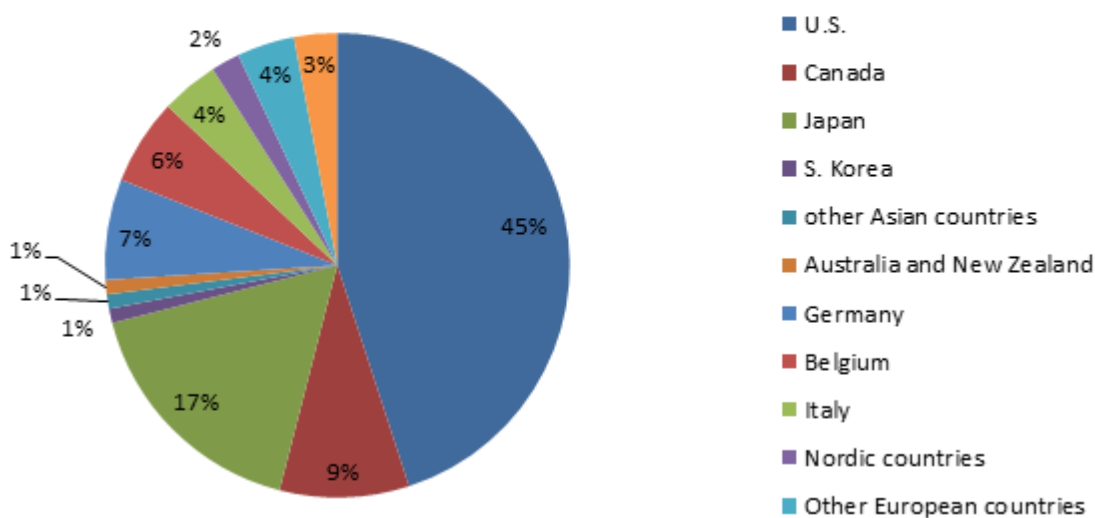
Source: Anacafé (2) (2014).



Graph 13 Guatemalan Exports by type of coffee

Source: Anacafé (2) (2014).

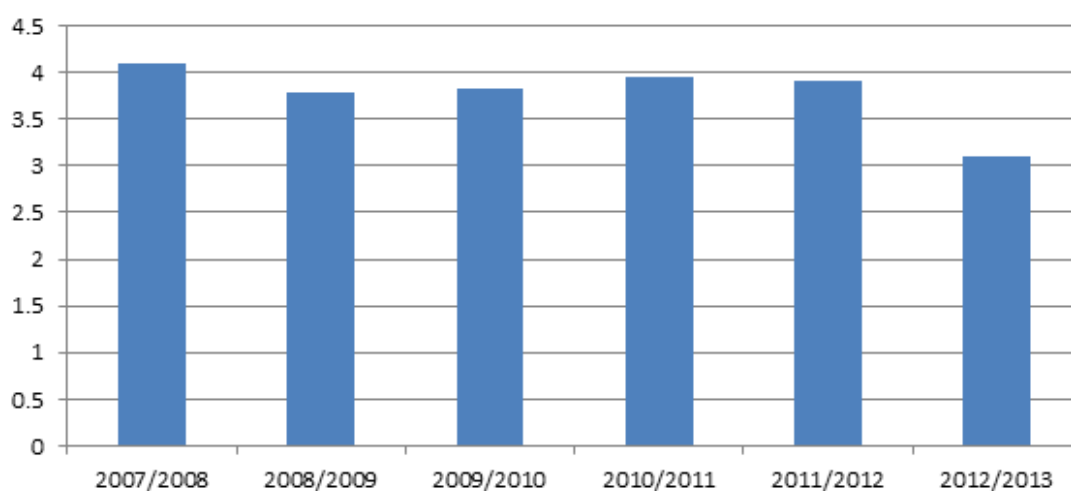
Importer countries of Guatemalan coffee 2012/2013



Graph 14 Import of Guatemalan coffee 2012/2013

Source: Anacafé (2) (2014).

Guatemala coffee production in green beans (millions of 60 kg. bags)



Graph 15 Guatemala coffee production in green beans

Source: Mazariegos (2014).

Guatemalan Coffee regions and cup profiles

Acatenango Valley: 2000 meters above sea level, volcanic soil with pumice, marked acidity, fragrant aroma, balanced body and clean lingering finish.

Antigua Coffee: 1500 to 1700 meters above sea level, volcanic soil with pumice. Elegant and well-balanced with a rich aroma and very sweet taste.

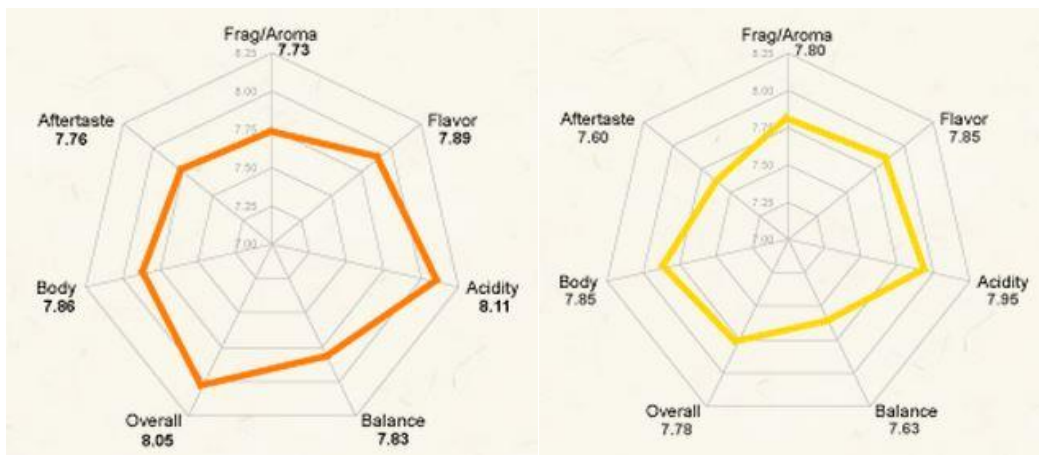


Figure 12 Acatenango Valley and Antigua Coffee

Traditional Atitlan: 1500 to 1700 meters above sea level, volcanic soil. Delightfully aromatic with a bright citrus acidity and full body.

Rainforest Coban: 1300 to 1500 meters above sea level, limestone and clay soil. Distinct fresh fruits notes; fine, well balanced body and pleasant aroma.

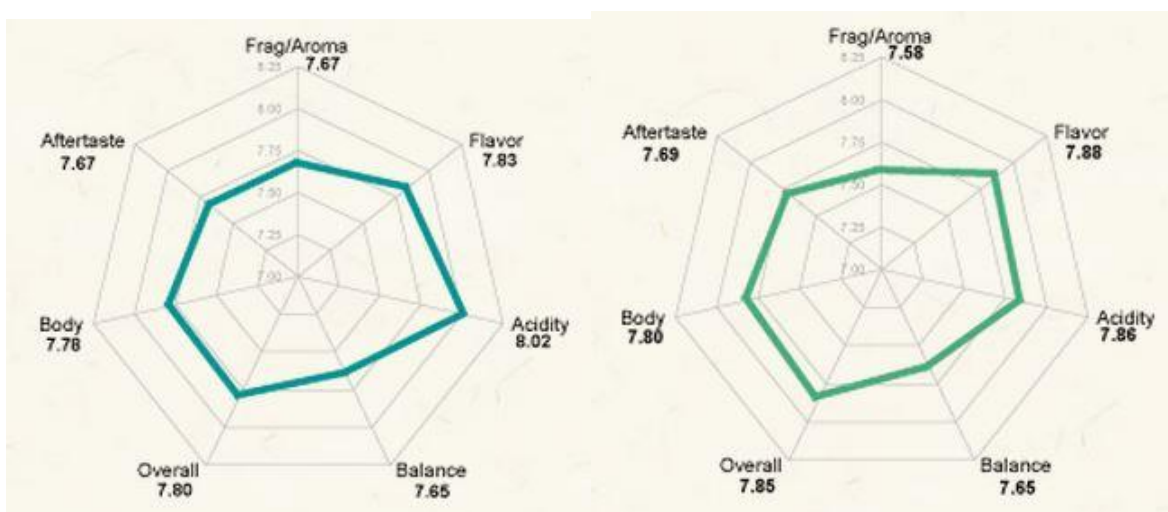


Figure 13 Traditional Atitlan and Rainforest Coban

Fraijanes Plateau: 1400 to 1800 meters above sea level, very high altitudes, volcanic with pumice. Bright and persistent acidity. Aromatic with a defined body.

Highland Huehuetenango: One of the three non-volcanic regions (limestone) 2000 meters above sea level. Fine intense acidity with a full body and pleasant wine notes.



Figure 14 Fraijanes Plateau and Highland Huehuetenango

New Orient: 1300 to 1700 meters above sea level, metamorphic and clay soil. Well balanced and full bodied with a chocolaty flavor.

Volcanic San Marcos: 1300 to 1800 meters above sea level, volcanic soil. Delicate floral notes present in aroma and taste, pronounced acidity and good body.



Figure 15 New Orient and Volcanic San Marcos

All sources: Anacafé (2011). Note: cup profiles for season 2009/2010.

Appendix 5: Ethical certifications

Sustainability

It is difficult to discuss coffee without mentioning sustainability, even if as stated by Giovannucci and Koekoek (2003), coffee is less harming to the environment than other agriculture practices and coffee is the most innovated crop. United States Environmental Protection Agency, EPA (2014) explains that sustainability is based on the simple principle that every activity humans carry out is directly or indirectly linked to our natural environment, and sustainability creates conditions in which humans and nature can exist in harmony and assures future generation the availability of resources such as water. Merriam-webster.com defines sustainable as something that can be used without being used, able to continue or last for a long time. *Brundtland Report and confirmed at the Rio Summit (1992) and the Johannesburg World Summit on Sustainable Development (2002)* (quoted in: *Giovannucci and Koekoek, 2003, page 29*) definition of sustainability is one of the preferred ones, “sustainability means meeting the needs of the present without compromising the ability of future generations to meet their environmental, social, and economic needs”.

As mentioned before coffee is important to the world economy; coffee demand keeps increasing which raises concerns on the future of natural and human resources linked to the marketability of coffee. As explained by Giovannucci (2010) sustainability works on the three pillars of economic, social and environmental.

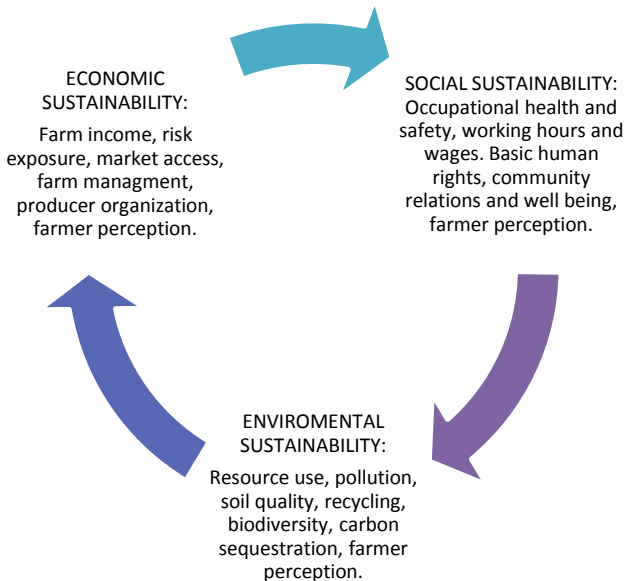


Figure 16 Circle of Sustainability

Based on: Giovannucci (2010), page 11.

But what is the link between certification and sustainability? As defined by merriam-webster.com certifying something is making it official. Certifications assure sustainability to the consumers, as explained further ahead the lack of formal means to certify coffee has caused problems in the past about the legitimacy of sustainable initiatives. Certifications have made sure to provide transparency for the different actors in the value chain, especially the consumer, especial logos, specific information about the product are usual methods certification entities assure the consumer that the product they are buying is sustainable. As expressed in Kline (2009) one of the key words in a certification is traceability and all main certifications ensure it one way or another.

Giovannucci (2012) explains how certified coffee represented only 1% of the coffee market in 2001, 4% in 2005, in 2010 it represented 9% of the market, and by 2015 it is expected to have 20% of the market. Pierrot et al (2010) states that certified coffee is no longer a “small market niche”, in 2009 more than 8% of all green coffee beans exported had some certification or a reliable source of sustainability. The Netherlands is the leader with 40% of its coffee certified, in second place is the U.S. with 16% and in the third place are the Scandinavian countries: Sweden, Denmark and Norway with more than 10%.

The international coffee organization (2) (2014) states that certification is a powerful tool to add value and to promote ethical agriculture practices. The certifications look for sustainability in the production of coffee, ICO show in its website what it is considered the most important sustainable programs:

- Fairtrade
- Organic
- Rainforest Alliance
- SMBC “Bird friendly”
- UTZ

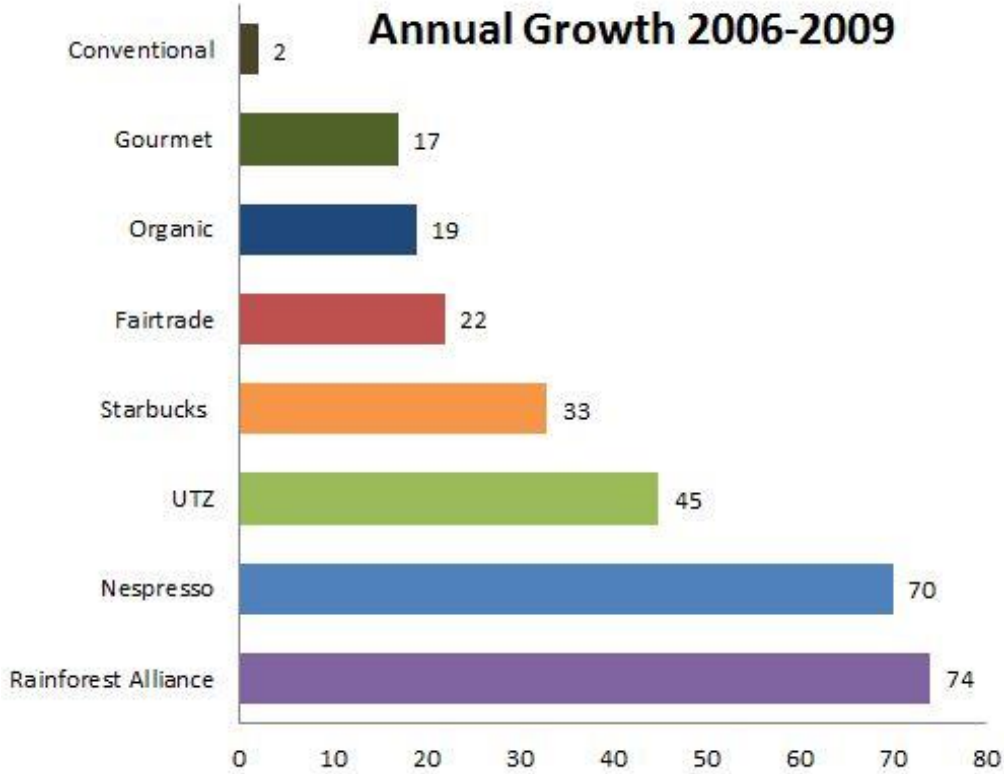
The common code for the coffee community, 4 C, is a multi-stake holder initiative that has 28 social, economic and environmental initiatives and it involves producers, farmers, traders, industry and civil society. According to 4c-coffeeassociation.org (2014), the certification purpose is of easy entry and its purpose is to eliminate 10 unacceptable practices and

promotes continues improvement. They state that the certification “makes cooperation happen” in order to look for the best ways to face sustainability challenges.

4C was born thanks to the initiative of the German Ministry for Economic Cooperation and Development, German coffee association, Swiss State Secretariat for Economic Affairs, The British Development Cooperation and the European Coffee Federation (ECF), as explained in 4c-coffeeassociation.org (2014).

In addition to the ethical certifications mentioned above there are two mayor corporate certifications mentioned in ICO (2) (2014): *Nespresso Ecolaboration* and Starbucks C.A.F.E practices, but for purposes of this thesis the main focus of research will be in: Fairtrade, Organic, Rainforest Alliance and UTZ which according to Giovannucci (2010) and Ruben and Zuniga (2011) are the most demanded in the market and well-known.

Giovannucci (2010) explains that certified coffee (corporate or ethical) growth at a faster rate than conventional coffee as seen below.



Graph 16 Differentiated coffee annual growth 2006-2009

Based on: Giovannucci (2010), p.4.

However, Pierrot et al. (2010) explain that different certifications are stronger in different countries. Organic coffee is more important in Germany, Canada, Australia, Italy and the U.S. Fairtrade dominates the market in the U.K. France and the U.S. Rainforest Alliance leads the market in Japan and in Western Europe, and UTZ holds a strong position in Northern Europe and is the leader in the Netherlands.

Organic

As observed by Kline (2009), the first coffee to be certified was organic. The movement started in the 19th century, but the first certification was until 1967, and according to Pierrot et al (2010) is the only certification to have become a law in some countries. Created to enhance biodiversity and ensure soil health, the organic certification creates a sustainable agriculture system. The Organic Trade Association (OTA) (2014) states that organic coffee is the one grown without using any toxic pesticides or fertilizers, using methods that have low impact on the environment. Giovannucci and Koekoek (2003) state that a common mistake is to think of organic agriculture as the restraint of the usage synthetic agrochemicals, however organic agriculture is more proactive, in practical terms Giovannucci and Koekoek (2003) explain some important actions as follow:

- Composting, or other methods that reuse and recycle available nutrients
- Diversify by rotating or intercropping different plants to balance the soil's requirements
- Minimizing erosion by plant covering
- Maintain biodiversity by avoiding monocropping or clear cutting.

As explained by Lewin et al. (2004) organic food has grown exponentially in the last decades, before organic food was only found in specialty stores, according to the Organic Trade Association (quoted by: Giovannucci, 2001; Giovannucci and Koekoek, 2003; Lewin et al, 2004) in the U.S. only organic coffee has reported 12% annual growth only and it's expected to continue growing. According to the OTA (2014) organic coffee sales reached 67,000 metric tons, a 56% increased from 2003 (42,000 metric tons), this expressed by OTA (Organic Trade Association) as the latest figures available.

In 2001, Western Europe consumed more than 11,000 metric tons of organic coffee. Northern Europe is the biggest consumer of organic coffee, Germany consumed more organic certified coffee than the U.S. and Denmark is the country where this coffee has the biggest market share 2.4% of the total domestic coffee market as explained by Lewin et al (2004).

Even though some setbacks that the confusion created by several regulatory agencies, organic coffee continues to show growth in Europe. Governed by regulation 2092/91 organic coffee is going through more strict validation of transaction certificates, organic coffee that fails to comply with it will be categorized as conventional coffee (Lewin et al, 2004).

Country	Volume 2001 (Green metric tons)	Average Annual Growth, % 1999 - 2001
Belgium	456	15
Denmark	1448	4
Finland	103	18
France	600	18
Germany	3502	17
Great Britain	691	18
Italy	641	60
Netherlands	978	15
Norway	230	2
Sweden	1477	28
Switzerland	431	15

Table 16 Organic coffee sales in selected European countries

Source: Based on Lewin et al. (2004).

In Japan organic coffee has suffered setbacks, due to some changes in the Japan's regulation and organic coffee has not met the requirements in terms of quality and taste that consumers have (Lewin et al, 2004).

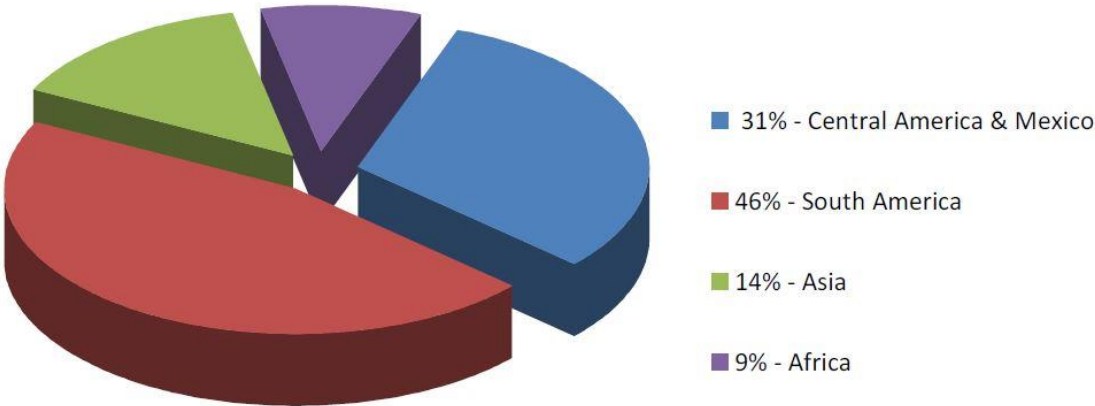
The latest figures of organic coffee expressed by ICO (3) (2014) express that between October 2007 and June 2009, Brazil was the leading export of organic coffee and U.S. and Germany the leading importer. Pierrot et al. (2010) states that Europe is the leading region in imports of organic coffee, while South America was the leading exporting region. Pay (2009) states that data regarding organic differ from one source to another, however, she states that ICO estimated worldwide imports of organic coffee at 36 821 tons in 2007-2008 coffee year, 41% more than the period of 2003-2004. However the data provided by ICO

confirms that U.S. is the country with the most imports of organic coffee with 40% of the worldwide imports, Germany in the second place with 18%, Sweden and Japan 7%, UK and Belgium 5% and finally Denmark with 2%.

	2001	2003	2005	2006	2007	2008	2009
Europe	187 000	220 000				725 000	754 000
N. America	171 000		316 700	511 700	612 000	672 800	703 080
Others						154 400	160 575
Japan			51 600	62 000	67 000	72 500	75 400
Total	389 000	700 000	867 000	1 117 000	1 492 000	1 625 700	1 693 055

Table 17 Worldwide imports of certified organic coffee (60 kg bags)

Source: Based on Pierrot et al. (2010), p.9.



Graph 17 Worldwide supply of Organic coffee in 2008

Source: Pierrot et al. (2010), p.10.

It is also important to notice that the imports of organic coffee to Norway were 672 bags in the first period and 1,898 bags in the second period, showing growth in the import of organic coffee (ICO (3), 2014). While Denmark went from 7,257 to 2,386 showing a significant decrease and Sweden show stability going from 13,054 to 13,072. Norway is the country with the least import of three previously mentioned, evidently this could be justified by the fact that Norway has the smaller population of the three, nevertheless not too far behind from Denmark (Norway 5 million habitants and Denmark 5.6 (Geohive, 2014). However Giovannucci and Koekoek (2003) state that in comparison with the other Scandinavian countries the positive attitude towards organic products is low (Sweden has 7% of worldwide imports and Denmark 2%). In Norway the roasters were reluctant to offer organic products, and the stores to market them. Even though the certification was clear for

the roasters (only 13% of roasters interviewed found it confusing). Giovannucci and Koekoek (2003) indicated that the market for Norwegian coffee is price driven and members of the industry did not expect the prices for organic coffee to continue its upward trend.

Pierrot et al. (2010) state that organic coffee has two subcategories: *Bird friendly and certified by the Smithsonian Migratory Bird Center (SMBC)* and *Demeter certified coffee*. Bird Friendly is also usually called shade-grown coffee; these two certifications are among the most rigorous in the market. In 2008 around 1,800 bags of Bird friendly were imported worldwide, 95% of these originated from Central and South America.

Finally Pierrot states that the organic certification is most well known and most available, it has started to slow down while other certifications have started to take its share of the market. Two possible reasons are presented by Pierrot et al. (2010):

- The economic recession related to the high prices of organic coffee in comparison with other coffee and how those premiums are not reaching producers.
- Producers are reluctant to become organic leaving fertilizers and pesticides aside and risking lower production levels and not having tools to avoid coffee diseases.

Fairtrade

Giovannucci and Koekoek (2003) claim that only 12% of the price of the average coffee in a supermarket globally, goes to the farmer or producer. Further they claim that less than 3% of the out-of-home price (coffee served at coffee shops, restaurants, workplaces and vending machine) is paid to the producers, which for them this represents the only source of income, provides for food, shelter and education. Many of them live day to day with the income they get. As stated by Giovannucci and Koekoek (2003) selling their coffee organic or Fairtrade can provide up to double the income than selling on the regular market. Diaz (2009) states that coffee is the first fair trade product to be broadly available in the market.

The World Fairtrade Organization (2009) defines Fairtrade as: *“a trading partnership, based on dialogue, transparency, and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to and securing the rights of, disadvantaged producers and workers— especially in the South”*. The last part of this definition refers to undeveloped, countries which are usually producers of most of

the food products. The Fairtrade Resource Network (2014) states that Fairtrade means different things to different people and it is not always easy to identify but its basis are economic and social justice. The Fairtrade Network also states that fair trade is not “free trade” and that its purpose is not to increase nations economic growth but to empower marginalize people, as explained by Lewin et al. (2004), Fairtrade mechanisms encourage community driven initiatives, such as education, health, etc. Making this differentiation is necessary because ambiguousness allows for some to take advantage of the term and this could lead to consumer’s lack of trust on so called “Fairtrade” products. This is why the two best recognized ways to identify Fairtrade products are certification and organization recognition, as explained by the Fairtrade Resource network. Giovannucci and Koekoek (2003) defines Fairtrade as an alternative to normal trade, in which producers are paid a “fair price” for their product, increasing their access to the market and strengthening their organizations and providing continuity on their relationships.

The Fairtrade Organization tries for the principles of Fairtrade to be consistent but for them to have a flexible implementation, hence more producers who lack of resources can achieve such recognition or certification. But this lack of resources by itself creates a challenge because most of the producers that could benefit from Fairtrade usually do not have access to the information that the certification requires (The World Fairtrade Organization, 2009). Giovannucci and Koekoek (2003) state that some of the most important Fairtrade buyers find the certification process inconvenient to report and register; the Fair Trade Labelling Organization (FLO) has improved its effort to make the process straightforward, but it still keep the promotion efforts at a national level by the independent affiliates in each country, however the logo is the same for all countries.

According to the Fairtrade organization the core principles of fair trade are:

- Market access for marginalized producers
- Sustainable and equal trading relationships
- Capacity building and empowerment
- Consumer awareness and advocacy
- Fair trade as a “ social contract”

The Fairtrade Organization sees its work as a way to give a new dimension to labor rights based on market principles (being what the consumer wants and cares about). This is why its basic principles are:

- Employment is freely chosen.
- Decent working conditions must be provided.
- There is no employment discrimination of any kind (disability, race, sexual orientation)
- Rights of children must be respected.

As referred in their website, the Fairtrade Organization also lookouts for continuous improvement of the environmental impact, production and trade and its states that compliance must be monitored and evaluated.

According to Giovannucci and Koekoek (2003) the origins of Fairtrade can be traced back to the Netherlands, Germany and the UK, each nation with initiatives to start direct trade with disadvantaged producers in the mid-1950s. In 1988 Max Havelaar label in the Netherlands started to invite roasters and importers to Fairtrade, followed by similar initiatives in other European countries (Belgium, Switzerland, Germany, and UK among others) in the early decade of the 1990s. Now the German based Fairtrade Labelling Organization (FLO) collaborates with more than twenty national branches worldwide (Kline, 2009).

Fairtrade certification

As explained by Lewin et al. (2004) and Pierrot et al. (2010) the Fairtrade Labelling Organizations International (FLO) is a separate entity based in Europe which is responsible for monitoring and registration of participants of the fair trade system. It is Fairtrade's most important service office, and it provides services for more than 70 countries.

Giovannucci and Koekoek (2003) state that Fairtrade coffee is purchased directly from cooperatives of small coffee producers, Pierrot et al. (2010) state that Fairtrade coffee is produced exclusively by small holder farms, and Lewin et al (2004) explains that Fairtrade coffee is purchased directly from certified cooperatives of small producers. They are guaranteed a fixed minimum contract price (minimum floor price for washed Arabica is 1.26 USD per pound), they can also access credits to finish the harvesting, and finally this is the

only certification in which the cost is transferred to the buyers instead of the producer. Nonetheless, according to the authors quoted above “cooperation” and “organization” are key concepts in the certification. Kline (2009) explains that the baseline of the program is continuous improvement and it applies only to cooperatives of small scale farmers.

Pierrot et al. (2010) describes the Fairtrade certification as the only mayor certification that monitors dual certification (organic and Fairtrade). Lewin et al. (2004) states that for many years the Fairtrade certification did not meet the consumers concerns on environmental issues, however, Pierrot et al. (2010) states that in 2009, 42% of sales of Fairtrade certified products also bore organic certification; the combination of Fairtrade and organic is the most popular in the market.

	Not comparable to new (green bean) data				New and comparable	
	2004	2005	2006	2007	2008	2009
Europe	279.400	352.065	429.915	521.065	767.300	855.717
North America	123.385	210.685	430.600	504.565	578.567	636.917
Australia/NZ	Na	1650	4765	7500	18500	26567
Japan	915	2165	2450	3685	5833	6533
Others						483
Total	403,700	566,565	867,730	1,036,815	1,370,200	1,526,216

Table 18 Total worldwide sales of FLO-certified coffee (60kg bags)

Based on: Pierrot et al. (2010).

According to Pay (2009) about 78% of Fairtrade certified coffee comes from Latin America: Mexico, Peru, Guatemala, Colombia and Nicaragua are the largest suppliers.

Pay (2009) states that minimum price for guaranteed by FLO (Fairtrade Labelling Organization) is 1.01 to 1.45 USD since 2008, if the coffee is premium, it has a higher price and if it’s also certified organic has a minimum 0.20 USD above the original price.

Variety	Quality	Characteristics	Fairtrade Minimum Price	Fairtrade Premium
Arabica	Conventional	Washed	1.25	0.10
		Non-washed	1.20	0.10
	Organic	Washed	1.45	0.10
		Non-washed	1.40	0.10
Robusta	Conventional	Washed	1.05	0.10
		Non-washed	1.01	0.10
	Organic	Washed	1.25	0.10
		Non-washed	1.21	0.10

Table 19 FLO Fairtrade minimum prices (per pound in USD)

Source: based on table by Pay (2009).



Source: Fairtrade Foundation (2009).

Graph 18 New York and fair-trade prices for Arabica coffee, 1989-2009 (in US cents per pound)

Source: based on graph by Pay (2009).

Giovannucci and Koekoek (2003) state that in spite of all the advancement made by the Fairtrade organization, the perception is that this one has reached a glass ceiling, first because it targets a market that is socially conscious, and secondly because of lack of awareness. Surveys carried out showed that many knew very little about Fairtrade and show skepticism if the benefits really reach the producers. In 1998 the Fairtrade association carried out a research in Germany that showed that even though 37% of the ones surveyed were willing to pay more for Fairtrade coffee, this products have only 1% of the market (Potts, 2000, quoted in: Giovannucci and Koekoek (2003)).

According to Giovannucci and Koekoek (2003) it is important for the Fairtrade organization to move forward to a different level to be able to attract new buyers and consumers.

Fairtrade in Norway

Max Havelaar started in Norway in 1997, and it has been the certifier for most Fairtrade coffees in the market, and it secured distribution with the major roasters and retailers. However the challenge remains in convincing more consumers to choose Fairtrade. Giovannucci and Koekoek (2003) state that several roasters showed interest in the concept called *relationship coffee*, which means a more direct relationship with producers, without the third party certification. Although these prices do not reach the prices paid by Fairtrade, and they depend on trust between buyer and producer. However, according to the Fairtrade Foundation (2012) Fairtrade is usually needed because farmers often lack information regarding market prices, leaving them in disadvantage with the buyers. The Fairtrade Foundation also secures that the prices of premiums are equally distributed among the farmers conforming the cooperative, and it helps them access technology needed for better productions.

According to Pay (2009) in spite of arguments that Fairtrade has reached its maximum level in markets where it has been strongly marketed, the following table, shows that places like the U.K. still have room for growth.

	Sales of Fairtrade certified coffee (latest available year)	Market share of Fairtrade certified coffee (in % of the market) (latest available year)	Market share of Fairtrade certified coffee (in % of the market) (2000)**	Year-on-year growth (latest available year)
Austria	1 000 000 kg (2008) €12.6 million (2008)	2* (2008)	0.7	20% (volume) (2008)
Belgium	1 217 614 kg (2008)	2.8 (2008)	1	10% (2008)
Denmark	€14.6 million (2007)	2 (2004)	1.8	22% (2007)
Finland	800 000 kg (2008)	0.4 (2004)	0.3	17% (2008)
France	6 630 000 kg (2007)	7 (2007)	0.1	7% (2007)
Germany	4 962 000 kg (2008)	1.5 (2007)	1	14% (2008)
Ireland	500 000 kg (2008)	3.5	0.5	n.a.
Italy	323 662 kg (2007)	0.1* (2007)	0.1	n.a.
Luxemburg	130 000 kg (2008)	3.5	3.3	19% (value) (2008)
Netherlands	3 100 000 kg (2008)	3	2.7	2% (2008)
Norway	751 072 kg (2008) NOK 59.7 million (2008)	1.4* (2007)	0.3	16% (volume) (2008) 28% (value) (2008)
Spain	346 970 kg (2007) €2.5 million (2007)	0.2* (2007)	n.a.	88% (value) (2007) 80% (volume) (2007)
Sweden	3 070 000 kg (2008) SEK 258 million (2008)	3.4 (2008)	0.8	90% (value) (2008)
Switzerland	1 530 000 kg (2007) CHF 24.7 million (2007)	5 (2007)	3	4.3% (volume) (2007) 5.6% (value) (2007)
UK	34 383 440 kg* (2008) UK£ 137.3 million (2008)	20 (2004)	1.5	17% (value) (2008)

Sources: Fairtrade Mark Ireland, Fairtrade Max Havelaar Norge (Norway), Krier (2008), Max Havelaar Belgie (Belgium), Max Havelaar France, Max Havelaar Stiftung (Switzerland), Max Havelaar - Denmark, Stichting Max Havelaar (Netherlands), Rättvisemärkt (Sweden), Reilukauppa (Finland), Rooda (2006), Schmidt (2006), SETEM (2009), TransFair Italia.

* Autor's calculations, based on latest available data from EarthTrends (per capita coffee consumption) and World Bank (population).

** Source: Krier (2008).

Table 20 Sales of Fairtrade coffee in European countries

Source: Table in Pay (2009).

Another important aspect to notice in the table 20 is that just like Organic coffee, Sweden and Denmark are above Norway in market share of Fairtrade coffee: Sweden with 3.4% of the market and Denmark with 2%, even though Denmark's figures are from 2004 and Norway's from 2007, Denmark showed a 22% year on year growth up to 2007.

Sustainable coffee in Norway

At the time of the research, Debio was the primary organic certifier while Max Havelaar was the primary Fairtrade certifier in Norway when Giovannucci and Koekoek (2003) carried out their research; they stated that other firms claimed similar ethical standards like Coop Norge Kaffe.

The study carried out by Giovannucci and Koekoek (2003) in Norwegian market showed more trust in the future of Fairtrade than in organic.

According to Giovannucci and Koekoek (2003) the Norwegian market presented a lot of challenges for sustainable coffee, primarily because of the lack of motivation or knowledge on the consumer and on the stores that sell these products to make marketing efforts. In the study made by the authors, with members of the industry, the following options were presented:

1. Quality of the cup
2. Consistency and reliability of the supply
3. Clarity between the different types of certifications
4. Awareness of consumers

They found that the two most important aspects for the industry in Norway were awareness of the consumer as the first one, and quality as the second.

Giovannucci and Koekoek (2003) notice that in northern Europe, much different from other markets, sustainable coffee is hardly found in specialty bars or coffee shops, but retailed by supermarkets. Another curious phenomenon in this region noticed by Giovannucci and Koekoek (2003) is that the market did not react to lower prices because lower quality Robusta were blended with the Arabica beans.

Rainforest Alliance

According to Pierrot et al. (2010) Rainforest coffee alliance is a standard supported and created by the Rainforest Alliance certification and the Sustainable Agriculture Network, a group of Latin American partners' organization. But a different entity is responsible of the inspection and makes the decision of which farms get the certification based on the audits

made by inspection bodies. Kline (2009) states that the certification began in 1992; however the first farm was not certified until 1996.

Pierrot et al. (2010) state that the difference between the Rainforest Alliance certification and organic is that it allows some synthetic agrochemicals based on integrated pest management (IPM). Rainforest Alliance also integrates to watch over the welfare of farmer and communities to the environment in the certification. Kline (2009) agrees by stating that *“Rainforest Alliance integrates biodiversity conservation, community development, workers’ rights and productive agricultural practices to ensure comprehensive sustainable farm management”*. Wijn (2012) state that Rainforest Alliance *“conserves biodiversity and ensures sustainable livelihoods”* (p. 1).

According to Wijn (2012) the certification is involved in different parts of the value chain to ensure that its mission is accomplished.

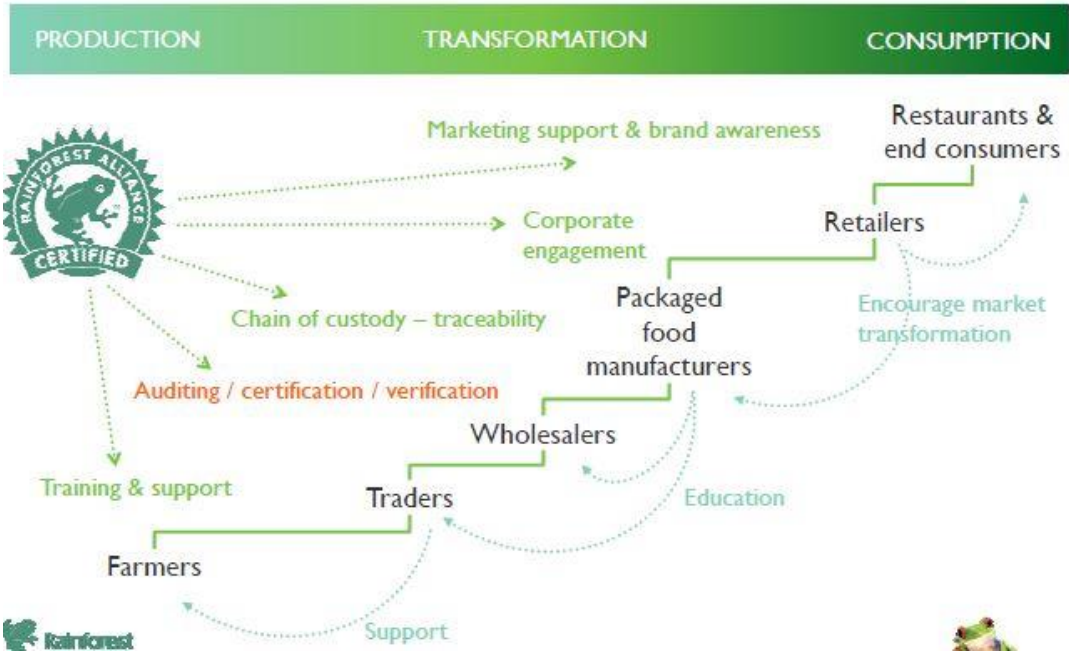


Figure 17 Rainforest Alliance value chain

Source: from Wijn (2012).

The Rainforest Alliance Organization (2014) states that their comprehensive approach rely on the following principles:

- Keeping trees standing
- Protecting workers and children
- Reducing agrochemicals
- Quality and adaptability, given farmers the knowledge to improve quality and adapt given new challenges.
- Safeguarding the water supplies
- Land management
- Shielding wildlife
- Empowering women
- Increasing yield and income

Even though it is a holistic certification, the Rainforest Alliance certification recognizes the need to change and adapt to include improvements based on research and feedback from stakeholders.

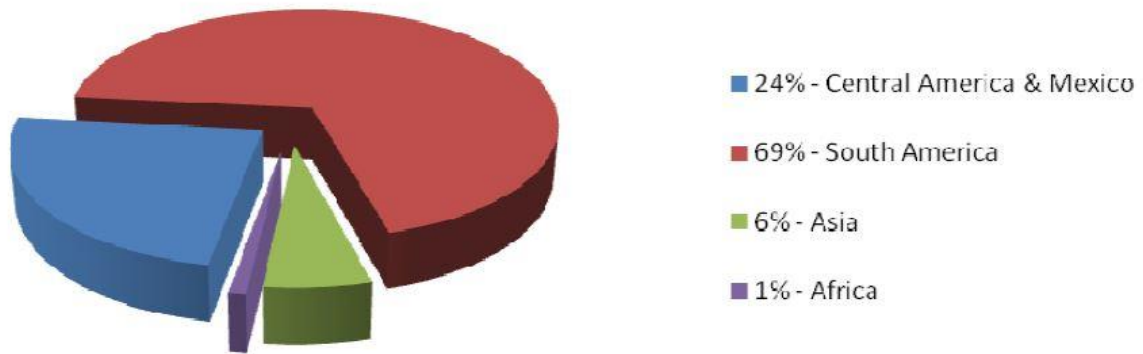
Like Fairtrade and Organic, Rainforest Alliance certification comprehends a variety of agriculture products as well as tourism, as stated by Giovannucci (2010) graph 16 shows that Rainforest Alliance certification has shown the most growth in the years of 2006 and 2009. Pierrot et al. (2010) state that the volumes of rainforest certified coffee have increased in 50% per year in the last years, and it is expected to grow even more rapidly, Nespresso has had increasing sales around the world and it has committed itself to certified 80% of its coffee “Rainforest Alliance” by 2013.

	2003	2004	2005	2006	2007	2008	2009
Europe	36,000	73,000	89,715	188,785	331,115	577,500	801,415
North America	15,000	40,000	95,035	193,850	265,115	335,900	432,035
Japan	2000	10,000	25,000	69,900	95,335	124,850	226,265
Total	53,000	123,000	209,750	452,535	691,565	1,038,250	1,459,715

Table 21 Worldwide imports of Rainforest Alliance certified coffee (60kg bags)

Source: Pierrot et al. (2010).

As stated by Pierrot et al. (2010) most of the rainforest Alliance certified coffee comes from Latin America where it had its origins.



Graph 19 Worldwide supply of Rainforest Alliance coffee in 2009

Source: Pierrot et al. (2010).

UTZ

Kline (2009) describes the mission of UTZ as achieving sustainable supply chains by making producers professionals that use better practices and improve their livelihood, also making the food industry responsible of demanding and rewarding sustainable produced goods as well as meeting the standards of the consumers in terms of social and environmental responsibility. Pierrot et al (2010) state that the focus of UTZ is better business practices, it incorporates a full set of environmental and social criteria that agrees with the Global GAP standard. Global GAP (Good Agriculture Practices) is a worldwide certification that as stated by Global GAP (2014) is the “*world’s leading farm assurance program, translating consumer requirements into Good Agriculture Practices*” [Online].

UTZ (2014) claim that the only way to make production truly sustainable is to take the “big picture approach”. Pierrot et al. (2010) states that this is the only certification, besides organic, that is completely traceable and has online monitoring.

Pierrot et al. (2010) state that UTZ is the newest of all the major certification, it was born in 2003 to serve major clients that were reluctant to participate in the other certifications. Kline (2009) traces back the beginning of the certification to 1997 in Guatemala, as an initiative between farmers and the industry; in 2000 it became an NGO (non-governmental organization) named UTZ-Kapeh an later changed its name to UTZ certified – Good inside.

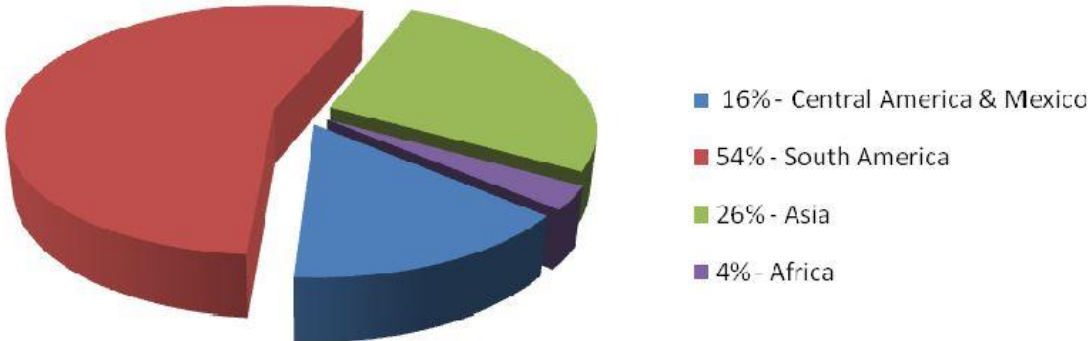
According to Pierrot et al. (2010) 30% of all the coffee in The Netherlands is UTZ certified, it also has a dominant position in some Nordic countries, Belgium and Switzerland. According to UTZ certified (2014) almost 50% of all certified coffee is UTZ certified.

	2005	2006	2007	2008	2009
Europe	437,650	505,800	676,135	1,027,985	1,155,000
North America	9700	14,685	53,570	79,335	85,000
Japan	2835	25,000	38,670	72,985	75,000
Rest of the World	28,815	54,515	73,625	110,695	115,000
Total	479,000	600,000	842,000	1,291,000	1,430,000

Table 22 Worldwide imports of UTZ Certified coffee (60kg bags)

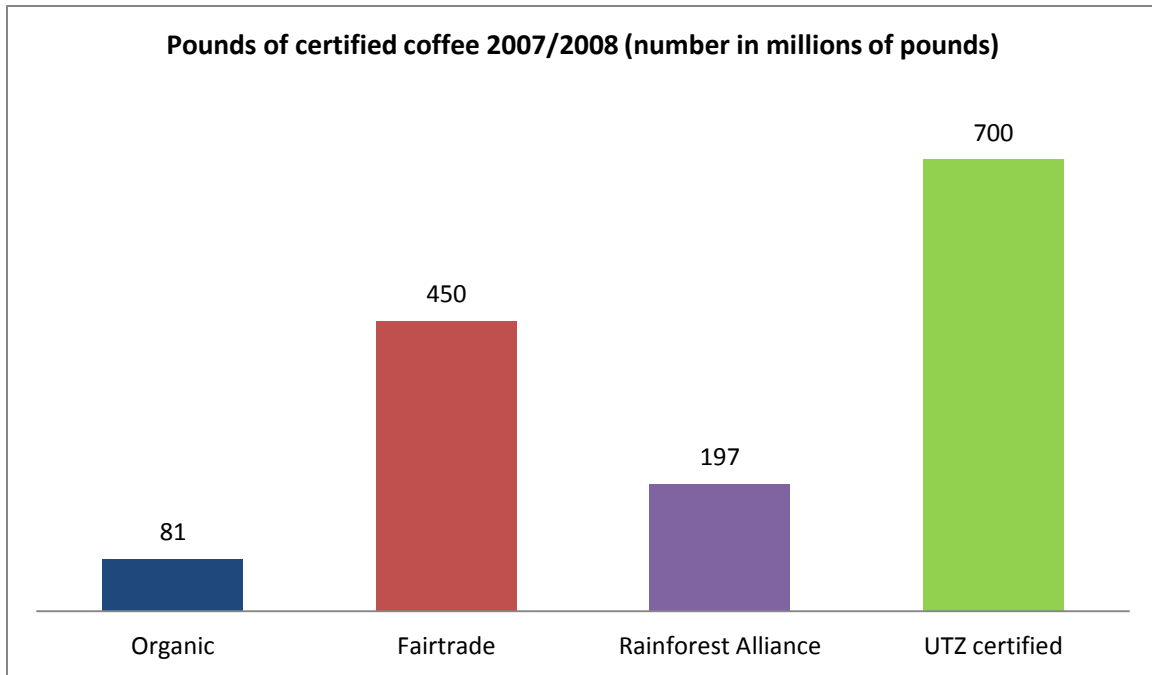
Source: Based on Pierrot et al. (2010).

Pierrot et al. (2010) states that in 2009 the three main exporters of UTZ certified were: Brazil 38%, Vietnam 22% and Honduras 8%.



Graph 20 World supply of UTZ certified coffee in 2009

Source: Pierrot et al. (2010).



Graph 21 Pounds of certified coffee 2007/2008 (numbers in millions)

Source: based on Kline (2009).

One of the main challenges of all certifications is to reach the consumer and increase its awareness and motivation to choose sustainable products as stated by Giovannucci and Koekoek (2003). Even though it is claimed that quality is the way for farmers to increase income, it seems the market does not always appreciate quality, and coffee is usually mix in bulks with other coffees and specific differentiation are lost. However, the Rainforest Alliance (2013) state that the motivation of the public to be aware of the social responsibility of the products they choose is high. In a global survey 87% of the participants expressed considering the social and environmental responsibility of the company when choosing a product in the supermarket, while 90% of the participants responded they will boycott a company that behaves irresponsibly towards the environment or the communities, and 55% stated that they have refused to purchase a product on the last year based on that premise.

Appendix 6: Primary Data

This appendix presents all primary data collected during the research. The data is presented in a logical order, following the value chain, and is marked with the same Group indicators (G1, G2 and G3). Please see appendix 1 for information related to the different informants. The following is a summary of the transcriptions of the interviews carried out.

The Coffee Farmers (G1)

Quality and coffee process

The coffee plants they have are caturra, catuaí and pache which are Arabica varieties.

The farmers do not have specific information about their coffee in terms of quality, body, acidity because they sell their coffee in cherry; they just know it is altitude coffee. They only process the coffee for their own consumption in handcraft way. They know that their coffee is strictly hard; the altitude of the coffee plantations is at 1750 meters above sea level, however that area is yet not typified into the Guatemalan regions because producers do not process the coffee, but this coffee is compared to Huehuetenango region in terms of quality.

They harvest coffee once a year, harvest season starts in December/January to March/April, the best coffee is picked in January due to the weather and maturing process of the beans and they make agreement of selling the coffee around September or October, at least a third part of the coffee production so the advance helps them buy more fertilizer and pay the pickers. The buyers always respect the agreed price, and that is a risk, if the coffee prices go up during the period from September and when they start harvesting.

Some buyers grade their coffee in A, B, C classification on terms of quality but they rarely get more money for better quality, there is a place where they do get GTQ5 (Guatemalan Quetzals, GTQ, hereafter referred to as Q) more for better quality, but they have found out that they mix the three qualities in a bulk.

Price and buyers

They have several buyers; most of them are exporters, intermediaries. Buyers change, some of them are constant. Price per quintal is around 250Q, at the moment but when the harvest season began it was at 150Q. Altitude coffee is harvested later, because the coffee beans ripe later, they start picking beans in December or January. The price from when the harvest started and at the moment of the interview (March 2014) increased due to the international coffee prices and the leaf rust that is affecting the availability of coffee at a national and Central American level. There is a company called agro-comercial (exporter) that buys coffee from them but they also buy coffee from Brazil.

3 to 4 years ago they were selling their coffee at similar prices than today. The highest price they have sold their coffee is 300Q per quintal.

Price changes a lot, very volatile, and it affects them because they make a budget to produce expecting to sell at a specific price. Their breakeven price per quintal is 200Q producing the same amount, when prices were at a 100Q they use half of the fertilizer they usually use but that affected the production. Production also varies a lot based on climate factors and diseases like leaf rust. As an example one of the farmers production last year was 5000 quintales and this year was 2000, leaf rust has affected even though it does not affect as much as low land coffee.

They don't always sell to the buyer who pays the most; they sell to the one who finances them to be able to finish the coffee production. In winter (rainy season) is where they spend more money, most of their budget is spent in fertilizers and due to leaf rust that budget has increased. The only difficulty of selling their product is prize, because they always have buyers. During the time they have been producing coffee there was only one time they had difficulties selling coffee and they believe that was a political initiative to lower prices. The government has some finance initiatives but they do not give enough money and they ask them to put a mortgage on their coffee farms that they could sell for a lot more.

They do not usually have new buyers, when occasionally there is a new buyer they have given their word to certain buyers so they do not break that promise. They do not have any written contracts with buyers, they honor the agreement they make with them. The farmers

expressed that they do not understand why in some places the cup of coffee does not vary for the consumer, but the price they sell their coffee for is very volatile. The only international buyer they know is Starbucks, and they buy to big farms.

Sustainability and certifications

The farmers have no knowledge of international certifications, they have no association, they have the same buyers, and they are just friendly competitors. At the moment there is no organization promoting certifications and buyers are not interested in farmers getting organized because this might increase the prices of the coffee for the main buyers, some farmers also exposed that they have seen attempts of other farmers organizing themselves that were not encouraged by the buyers. Big producers of coffee are not interested in them getting associated either. They make little research and get reference on how environmental friendly are the products they use but price and results are the main factors they use to determine what to use on their plantations.

They would be willing to learn more about certifications if they knew that they will find market place that will appreciate the certifications, and they can get better prices for their coffee. Farmers expressed that they work isolated and they maintain friendly competition.

Institutions for support and export (G1)

Anacafé, Agexport and Crecer. See appendix 1.

World coffee demand and production/ macro-economic factors

According to Sergio Mazariegos from Agexport, the coffee prices fluctuate too much, in the N.Y. stock market they can go from 200 USD To 100 USD per bag the next year. This makes it hard for producers, sometimes prices can change in the middle of the coffee season when the farmers have already invested, and it can drop to half the price, “no business can survive with those prices”. For small producers to be competitive, they have to be focused on quality.

Ileana Cordon from Crecer explains that Leaf Rust (Roya) is a big problem right now in Central America. Colombia had this problem 4 or 5 years ago and during this time they decided to change 75% of their coffee plants for more leaf rust resistant plants, during the

last four or five years their coffee production went down. They went from being the third world producer to the 5th. Next harvest is when they will start producing with the new plants and that will affect the offer and demand of coffee worldwide.

Cordon explains how small producers had low production, and now with leaf rust it will be even lower, and it won't affect prices because the production of Guatemala does not affect prices not even for differentiated coffee. The price of coffee is still set by commercial coffee supply and demand. There are other countries that can supply differentiated coffee demand like Peru and Colombia.

Cordon explains that 80% of world supply of coffee comes from Brazil, Vietnam, Indonesia and Colombia. Brazil expected one of their record productions before the drought-out.

According to Mazariegos, coffee is the second most traded commodity and coffee demand is expected to grow in the following years. Ileana Cordon states that the world demand of coffee is expected to grow 2%, traditional markets have an established demand and it is highly due to emergent markets like Eastern Europe and producing countries, actually Brazil is the second coffee consumer in the world now.

Coffee from Guatemala and production

According to Sergio Mazariegos from Agexport "*Guatemala produces Arabica coffee*", 3.5 million quintales (1 quintal = 100 lbs.) per year, a bag of coffee is around 69 Kg. 50% of the Guatemalan coffee production goes to the U.S.; second place is Europe with 30% and 20% to Asia and Australia. Guatemala exports coffee in green bean, roasted and grinded even though 90% is exported as green beans.

Mazariegos explains that this year's production in Guatemala is being affected by Roya (coffee disease) and weather conditions. Coffee of Guatemala has category of hard and strictly hard which are among the best coffee classification in the world. Mazariegos further explains about the differentiation of Guatemalan coffee; quality, tradition for more than 100 years, diversity on the micro-climates (360 micro-climates in the country), and the high mineral content of the lands. Guatemala only plants Arabica and it has a manual system of picking coffee, unlike Brazil that produces both Arabica and Robusta and has machine

system of picking coffee. *“The strength of Guatemala’s coffee is the variety of the microclimates that produce different regions. For me the different regions are to be drunk in different occasions, Antigua is a friendly elegant coffee that can be drunk while talking to friends, while San Marcos is a coffee I will advise people to drink alone to really enjoy the flavor, body and aftertaste”*. Carlos Roberto Muñoz Garcia, Anacafé.

At the moment of the interview the entire team of cuppers were carrying out the contest of the coffees per region, Carlos Roberto Muñoz Garcia explained the following: they have to choose three coffees per region (8 regions) that were high quality but also that represented the region where they came from. Coffees with superior quality, but that did not clearly show the characteristics of their regions, would not be considered. The best three coffees of each region would be promoted worldwide during the year 2014. The regions have been defined on based of cup profile, climate, soil and altitude.

All regions have different coffee “cup-profiles”, which can be found in appendix 4.

The eight regions produce strictly hard beans (SHB), and the classification in the region is based on specific micro-climates. They use the international cup profile, plus one that specifies the characteristics of the regions. Just like wine, weather conditions and environmental factors change each harvest a little from year to year, so the characteristics might vary a little.

The coffee types: prime, extra prime, semi hard, hard and strictly hard beans are classified based on the altitude where they are grown.

- Prime and extra prime coffees are grown from 762- 1066 meters above sea level.
- Semi-hard and hard coffees are grown from 1066-1370 meters above sea level.
- Strictly hard bean (SHB) above 1370 meters above sea level.

The higher the altitude increases the levels of acidity in the coffee beans and the maturing process is slower in higher lands. Strictly hard beans (SHB) are considered best quality coffees. 98% of Guatemalan coffee is shade grown. Shade is not only ecological because the trees used for shadow also produce oxygen, but shade allows coffee beans to mature slowly,

but also avoids direct rainfall into the coffee plant improving the attributes of body and acidity.

Other factors that contribute on the quality of the coffee besides, shade, type of soil, altitude are the temperature and the amount of rainfall. Guatemala soils are classified andisol and inceptisoil. Andisols are young soils in less than 0.75% of the earth non-polar areas, formed from volcanic ash and lava which contains high levels of phosphorus and minerals. Inceptisols are young, finely texture clay-rich soils, that includes water and they are exceptional to retain humidity. Guatemala used to have low land coffee farms but this have been changing as the production increases also the strategy of cultivating high altitude coffee as explained by Carlos Roberto Muñoz Garcia.

Garcia from Anacafé continues to explain how altitude heightens a coffee's ability to develop and create a bigger variety of nuance and complexity. The end result is a complex picture which is greatly affected by the soil the coffee plant grows in, the amount of rain during the growth-period and how much direct sunlight the coffee plants receive. Higher altitude coffee usually takes longer to grow, and the harvesting period is therefore later than the lower grown coffees. The lower amount of available oxygen at higher altitudes results in the plants growing slower, which again leads to a more concentrated flavor in the coffee beans.

Due to the advanced complexity of *strictly hard beans*, coffee grown above 4500 feet (1370 meters) are highly demanded. They are well known throughout the world especially for its quality. The process of picking these beans is done carefully by hand to ensure that only the ripe beans are picked at the right time. If the beans are too green they will leave a "grassy" taste on the coffee, and if they are too ripe the complex taste fades away. The harvesting process continues until all the ripe beans have been collected, and they are usually sold and transferred within "the next day". Acatenango Valley and Highland Huehuetenango are typically strictly hard beans growing up to 6500 feet (2000 meters) above sea-level.

Differentiated coffee definition and classifications

According to Sergio Mazariegos from Agexport the difference between differentiated or specialty coffee and regular coffee is that regular coffee is commercial. Specialty coffee is more difficult to produce due to traceability; specialty coffee has something similar to a “bar code”, where you can find all the information about the coffee: characteristics, altitude, agriculture inputs used, weather conditions, etc. Of course the quality of the coffee is different too, specialty coffee ranks higher in the cup system in the lab. Good coffee is ranked with 80 points, 80 points and up is considered specialty coffee, according to Agexport, graded in terms of: after taste, body, aroma, uniformity, sugar levels, etc. (find the cup system format in appendix 4). Another difference of specialty coffee is the certifications like: organic, UTZ, Fairtrade etc. However, only 8% of the coffee production in the world is certified. The committee merchandises coffees of origin, of certified production and corporate certifications.

According to Agexport, *Coffee of origin* or coffee with *denomination of origin* is those of fine quality, cultivated on farms with family traditions that transcend generations, they can be regional or from plantations. The estate or from plantations are from other regions that are also ideal to produce high quality grains, but it has to be traceable.

According to Agexport, *Certified coffee* is: Fairtrade, Organic or ecological. Organic are produce on a unified manner, making adequate use of natural resources (water, earth, soil, biodiversity and energy) they don't make use of contaminants. Ecological coffee balances coffee production with environmental protection, growing the production. Fairtrade is coffee that is focused on economic and social development; it attempts to improve the life of the producer.

According to Agexport, coffees with corporate certifications are those that complied with certain standards of specific corporations based on ecological and social responsibility.

Differentiated coffee prices and commercial coffee price

“Guatemala holds the record of the best paid coffee harvest 550 USD per bag of green bean and it was paid by Japan”, Sergio Mazariegos. Guatemala does not compete with price with other countries because Guatemala does not produce great quantities, so the focus is on the quality. Guatemala has special characteristics like the altitude, volcanic earth and 360 micro-climates which produces very special coffee and gives us 8 different regions of coffee denominations. Mocca coffee has the record of the best paid coffee in the world and is considered one of the 10 best varieties of coffee in the world, and one of the rarest too. 550 USD for a pound of coffee, and it was sold in micro lots. “The cup profile of this coffee is almost perfect”, as explained by Carlos Roberto Muñoz Garcia.

According to Mazariegos in most of Asian countries like Japan, Korean and Taiwan to mention some, the price is not established by the market, but by agreements between producers in Guatemala and buyers in these countries. These are around 10 year agreement. Most of these relationships are long term.

Cordon explains that small producers usually work in a very isolated way. Other actors like the Catholic Church and organizations like Crecer try to organize several small producers to get them certified. The problem is not demand, there is not one single producer in Guatemala that doesn't sell their coffee, and there is an impressive system of intermediaries that come even to the farmer's house to buy their coffee. Most farmers will say the problem is price, and in a way it is. In January of 2012 the coffee price was around 200 USD and in January 2013 price was at 165 USD, January of this year 105 USD, however productivity is also a big factor.

“The problem is not market, there is plenty market for coffee. The problem is how we improve capacities, how we improve the living conditions of the producers and how we improve productivity especially now that leaf Rust (roya) is affecting more than 40% of the production”, Ileana Cordon.

Carlos Roberto Muñoz Garcia explained the following: Guatemalan coffees are differentiated coffees they are not sold on the N.Y. stock market; it is used as a reference but not sold at that price.

Quality

According to Agexport coffee is classified by quality and defects (lack of defects). The first classification done is by defects, the coffee with more defects remains in Guatemala for national consumption. Different markets demand different quality coffee, on the cup system analysis for example U.S requires 75 points on the cup system, Europe demands 80 points and Asian countries require 85 for coffee to be considered specialty coffee. Japan is the country that demands the higher quality of coffee and they are ones who pay the best too.

“I also think that is important that quality goes hand in hand with certifications” Ileana Cordon.

Differentiated coffee Market and niches

Ileana Cordon explains differentiated coffee market niches are relatively small markets compared to the masses in the commercial coffee markets that are not interested in ethical production, certification and high quality, and are not willing to pay more for these aspects. Traceability is also an important aspect of differentiated coffee and their niches are very much interested in it.

According Mazariegos the preference of Guatemalan coffee is number 1 in Asia, in Europe is number 10, and in the U.S. is in the 5th place. Europe is a very conservative region when it comes to demand coffee, so demand is established. They prefer Robusta due to the price and they blend it with Arabica to increase taste, they use around 20% of Arabica on their blends. From Europe the most demanding countries are the Nordic countries, the Netherlands, and Switzerland, they buy little but they demand quality. We are trying to increase business relationships with the Nordic countries, because we do not have strong relationship with these countries, of Guatemala’s coffee production 3% goes to the Nordic countries. “Specialty coffee is mainly bought by roasters and specialty boutiques in Europe; they are not the same buyers every year”, Mazariegos.

To the following question “*How do you think is the Norwegian market for specialty coffee?*” Sergio Mazariegos responded: “*It is a market with great potential because its population has high income per capita and weather conditions increase the coffee consumption so we think it’s a population willing to pay more for fine coffee*”.

He continue saying that most of the Asian buyers make their own agreements with coffee producers. They have even introduced a new way of packing the coffee to be exported that keeps better the quality of the coffee. They are the ones who pay the best for Guatemalan coffee. They are the most demanding too when it comes to quality in terms of cup scoring and the level of residues in the coffee (pesticides usage and chlorite) their demand is 0.001 parts per million of this which is basically nothing.

Ileana Cordon explains that the most demanding market on quality at the moment is Japan, followed by Europe and then U.S. although U.S. depends on the buyer, the same way in Europe. Nespresso is a very demanding buyer, even if Nestle goes from low quality coffee for their instant coffee, Nespresso demands high quality Arabica.

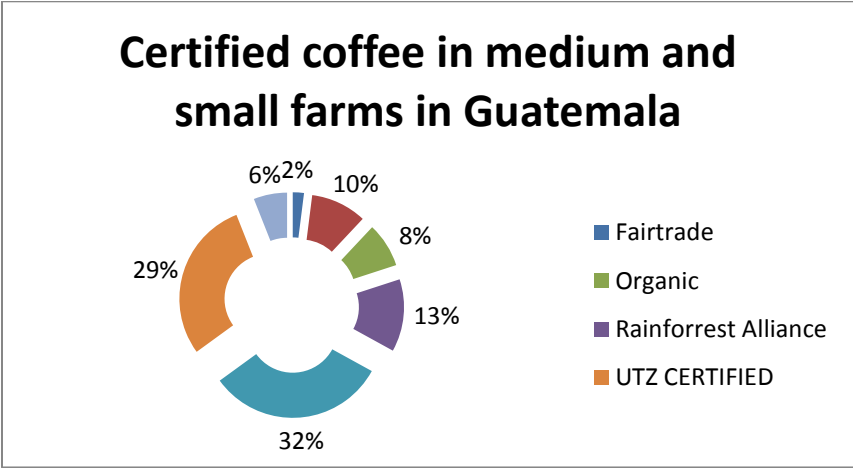
“Green mountain coffee is the biggest specialty coffee in the U.S market and they sell in the stock market, they sell one part about quality and the other about certified coffee”, Ileana Cordon.

One of the cuppers, Juan Antonio Silvestre who has been working with Anacafé for 20 years, has been in Norway visiting coffee shops and has a special professional relationship with Robert from KAFFA AS, which exemplifies the importance of the Norwegian market for differentiated, specialty coffee in specific niches.

Certifications

According to Sergio Mazariegos the Fairtrade situation is difficult because the focus is not on the farmer, which should be the main focus of the certification. However the main focus should be to promote quality, not certification, because the price differential for certified coffee is not much and people is willing to pay more for quality than certification. The best combination should be quality + certification.

The certifications coffee sales of Guatemala go as follow:



Graph 22 Certifications in Guatemala

Source: AGEXPORT

Mazariegos stated that Starbucks practices concentrates on the conditions of the workers in the farms. Most certifications have ethical conditions for farmers in different proportion as well as environmental conditions. The most important certifications nowadays are: coffee practices of Starbucks, Rainforest Alliance and UTZ, which was born in Guatemala through a Belgium alliance. Organic is one of the most difficult certifications because of the plant diseases. Guatemala decreased the organic production in 10% the last years due to Roya diseases and organic also decreases production by not maximizing the plants potential. There is some other certification from specific companies like Illy coffee which is trying to get their own certification just like Starbucks. Ileana Cordon from Crecer explains that Starbucks and Nespresso have their own certifications to ensure the quality and the process their coffee requires. Cordon explains that worldwide certified coffee represents around 13%.

“Certifications will always be important for different market, but in the future quality will always be the competitive advantage, certification might be only the entry mechanism to a market”, Sergio Mazariegos.

Ileana Cordon explains that *“the most important roots of Fairtrade are in Europe because the movement there has more than 30 years. EFTA, were the founders of Crecer”*. She continues explaining that when you are working for small producers, Fairtrade is an important topic. Fairtrade is working specially with small producers, and the premium is the minimum price

other certification do not have. Fairtrade's main objective is the price premium, minimum price and how the organizations can be more competitive while others focus on the environment and transparency. Fairtrade's system works because the end-consumer is the one that has the power of buying, so they need to be able to demand Fairtrade products. Cordon states that Fairtrade is also the only certification that certifies all the actors in the value chain. In order to get bird friendly certification, organic certification is needed first. Further, there is a certification for coffee produced for women, which is a very small certification for very small and specific niches.

Cordon explains that the country where you want to export has different requirements of certification, the U.S. might require Rainforest Alliance or UTZ, and Japan requires different certification. Europe has the European norm that goes in hand with organic certification. Nowadays, even if there a lot of very small producers, Crecer are trying to implement certifications. Fairtrade is an easy certification to get if the coffee farmers are organized. The bottle neck is to keep the certification, it does not take long but the farmers have to comply. Farms need to be very organized and have accounting books because they get audits. Not all criteria needs to be fulfilled on the entry level, they have criteria of level zero, and criteria level 3, which is 3 years later. There are development criteria, in order to be able to sell at the minimum price that Fairtrade is sold for, and of course there is a cost, the cost of getting audit by Fairtrade has a cost of around 4,000 euros for producer. Organic and Fairtrade certification has a cost of 4USD per quintal, but they sell it more expensive.

"Getting certified it's a matter of economy of scales, if you are a small producer working in an isolated way, and it is also market issue if you want to entry a market that does not care about the certification, it's not worth it. The price is an agreement, although you can sell your coffee around 15USD higher than the normal market. Quality is linked to certifications, in order to certify you need at least 80 points on the quality of the cup", Ileana Cordon.

She also states that Organic is not very well managed; Organic is more a tendency of leaving the plantations behind of abandonment, not an active organic practice. And due to coffee diseases like roya, many organic coffee plantations owner are moving away from organic plantations.

“The future seems to be in a green line, ecological production instead of pure organic, which is more emphasis on soil analysis, nutrition and avoidance of pesticides and heavy metals.”

Ileana Cordon. Everyone is talking of diversification nowadays, but diversification is a long term project. Rainforest Alliance has good practices but it's too robust.

“If you wanted to export Fairtrade to the U.S., 3 years ago they will not take it if it was not organic, but nowadays that is not a requirement anymore”, Ileana Cordon.

Quality vs. certification

According to Sergio Mazariegos from Agexport quality is more important than certifications; the consumer is not focusing on complicated certifications.

Ileana Cordon from Crecer explains that the most important is quality, if a buyer will pay 20 USD for a Fairtrade coffee but it does not meet the quality aspects that will be rejected. So it goes hand in hand.

The future for differentiated coffee

According to Mazariegos the future of differentiated coffee on terms of competitively is quality.

“In about 10 years Europe will demand a global gap certification in order to export to Europe; this is a work in progress”, Sergio Mazariegos.

Ileana Cordon from Crecer explains that due to the Roya, the supply of differentiated coffee is threatened because it's mainly produced by Mexico and Central America, however there are new countries offering differentiated coffee that might not change. There is high increase in demand so someone has to supply it and there is actually a Starbucks project to grow coffee in China foreseeing this demand. Like in every market when demand increases new players come around, but the future might be in the small producer hands due to labor costs.

Cordon stated that the future of differentiated coffee is in the small producers and not the big producers. Producers with economies of scale will always be there but as the world is more globalized and more aware of social aspects the small producers have an advantage.

The Importers/ Roasters (G2)

Information about the Importers/roasters in appendix 1.

Differentiated Coffee - definition

Neither of the roaster had heard the term “differentiated coffee” been used in relation to marketing or technical terms, but they are familiar with the term “specialty coffee”.

“I have heard about the term specialty coffee. The world of “specialty coffee” has its own definitions. What that term mean to me is closely related to the way we work, for example having a direct relation with the farmer or the exporter, having control over what is going on in all parts of the value chain from the farmer to the roaster, and of course the way it is roasted in the end – even how it is used”, Bjørnar Hafslund.

Tim Wendelboe, on the other hand, refuses to use the term “specialty coffee” because it is so vague. *“The term doesn’t tell the customer anything because so many on world bases refer to them self as “specialty coffee”. There is so many that are members of SCAA and refer to their own coffee as “specialty coffee” but quality is still very bad”.*

Hafslund explains the importance of characteristic, especially in relation with where the coffee is from. What kind of coffee has a big impact since there are so many different types, of for example Arabica coffee. The mass produced coffee doesn’t focus much on these aspects, but they have their own way of making blends.

Both companies agree and state that their business is a niche in the Norwegian coffee market. *“I am not trying to make coffee for everyone. We are running a very small company that is only focusing on coffee”...“I have competitors that are doing similar things, but many of them are trying to please a bigger market. They have different products to different consumers groups. I am only focusing on the best in terms of quality, so we could agree that my share of the market within the coffee industry is a niche”, Tim Wendelboe.*

Quality

Wendelboe explains how different actors in the value chain perceives quality in different ways, and he argues for factors such as size of the company, agenda, focus and precision plays important roles. He further stresses the importance of relativeness, both subjective and objective: *“Quality is relative, it is a very vague term because there is so many opinions about quality”...“But quality can also be seen in an objective way, for example if the coffee gets old it is regarded as lower quality”.*

“I am trying to get the quality of coffee as good as possible, it’s what I have been known for, it is my niche. That is also the reason why it is difficult to grow while still doing the same focus on high quality, but I still have some potential since I am very small at the moment”, Tim Wendelboe.

Hafslund from KAFFA explains how they measure the quality on the coffee they buy: *“We measure taste, physical evaluation of the coffee beans and also the level of moisture of the final product. But the taste, sensory evaluation, is the most important for to check quality. We can use standardized cupping schemes, but the more you work with it the more you learn to judge quality from tasting. We use the 100 points scale. Our requirement to buy coffee is minimum 86 points on that scale”.*

Wendelboe also explains how he measures quality in three different steps. First, a visit to the producers where the coffee is examined and tasted for the first time. He also teaches and control that the farmers do everything correct with harvesting, sorting, washing, cleaning, drying and storing. The second step is a physical evaluation of the coffee for defects. The third step is sensory evaluation where the coffee is roasted and “cupped” many times, over many different days to ensure complete quality. For the cupping Wendelboe uses the 100 point scale, the same as KAFFA and SCAA. *“I always use the scheme to keep scores. I also send a copy to the farmers so they can see how their coffee did in testing, also for them to know how the different types of coffee located in different parts of their plantation scored”,* Tim Wendelboe.

Wendelboe points out that the cupping process is also subjective, but both roasters claim to be as objective as possible when ranking and measuring coffee quality. Hafslund states that

it is very individual how long time it takes for a taster to be skilled. *“Some can make it after a year while other use many years. You will never be completely trained, you will always learn and change, it could be everything from 1 to 5 years to be skilled enough to judge quality of coffee”*. Hafslund further states that *The Cup of Excellence* can work as a good reference, since all professional cuppers follow standardized methods. *“It is challenging to measure accuracy of these measures, but we are always trying to be as objective as possible. In the end it is all about experience, to be able to judge a coffee correctly or not”*, Bjørnar Hafslund. Both Tim Wendelboe and KAFFA have been judges in *The Cup of Excellence*.

“For me, quality is alpha and omega; it’s what I care about”, Tim Wendelboe.

“Quality is everything for us! 100% focus on quality”, Bjørnar Hafslund.

Denomination of Origin

“Well, if you care about quality it is essential”, Tim Wendelboe.

Wendelboe further explain and gives examples: if you want wine, and you go to Vinmonopolet, if all the bottles are without etiquettes, only marked with the country, let say France or Italy, it is not very interesting because there are so many different wines from France or Italy. It is the same for coffee. It is important because of quality and for the customers because they should know what expectations to have when they drink a coffee from a specific area or a specific farm. It is also important if you want to double-check that we pay more for the coffee, as we state we’re doing, then the customers have to know where the coffee is from. It is all about transparency, you can’t hide behind other words and expressions that don’t say anything about which coffee you sell or where it comes from. If I for example state *“this coffee is from Kenya”*, it is impossible to know where I bought it, who sold it to me, and how much I paid for it. It is what I refer to as traceability.

Can your coffee be trace back to the original coffee farm?

“Yes, in principal terms, yes. But for example in Kenya and Ethiopia I buy from cooperatives. Those coffees are put together of all the coffee the farmers have delivered to the cooperative the one day. It is possible to trace back who delivered that exact coffee to that specific batch/lot, that specific day, to the specific batch/lot I bought. But it is a lot of work to locate

each and every farmer in that area. All my coffee is traceable to the cooperatives, but in most cases I buy directly from the farmers” Tim Wendelboe.

KAFFA states that they always know which cooperative they buy from, or more importantly the washing station the coffee has been through. In Kenya there are usually 3 or 4 washing stations which are organized underneath the cooperative, and KAFFA know where the coffee have been washed. *“It can be between 800-1000 smaller farmers that deliver coffee, which makes it more difficult to have control over all of them. But for example in Honduras, and in most other countries, we have a direct relation with the farmer” Bjørnar Hafslund.*

KAFFA explains how apart from taste, which is the most important end result, denomination of origin is very important to quality, and therefore also important for KAFFA. *“We have strict demands when it comes to quality of the coffee we buy. We always give credit to the farmer, the type of coffee (type of Arabica) and the region where it is grown (microclimate). Honduras has been well known for a small region called Santa Barbara. These usually win a lot of prices like for example the cup of excellence”, Bjørnar Hafslund.*

Tim Wendelboe	KAFFA AS
Honduras	Brazil
El Salvador	Colombia
Brazil	Costa Rica
Colombia	Guatemala
Kenya	Honduras
Ethiopia	El Salvador
	Panama
	Kenya
	Ethiopia
	Indonesia
	Burundi

Table 23 Coffee countries Norwegian Importers/Roasters

Wendelboe states that only Kenya and Ethiopia coffees are from cooperatives, the other countries are directly from specific farmers.

Hafslund explains that they have a big demand for Kenyan coffees, mostly because of taste. *“We have chosen to focus extra on Ethiopian coffees, even the name of our company is reflected to the old Ethiopian province. The demand from our customers also related of what we chose to sell. For example, coffee from Brazil has high demand because of its taste and a*

lower price in general. If the customers are price-sensitive, they often choose coffee from Brazil", Bjørnar Hafslund.

Ethical certifications

Wendelboe and KAFFA had heard about every certification mentioned in this thesis, and both have knowledge about the different types. They would both rank their knowledge around 5-6, in a scale on 10. Both companies import coffee from cooperatives that are certified with Fairtrade, UTZ or Organic, and both companies state that they don't focus on ethical certifications.

"The demand for ethically certified coffee in Norway is very low, but when it comes to ecological there is some demand", Bjørnar Hafslund. This is also confirmed by Wendelboe.

Both companies explain how you need to be certified yourself to be able to use the name of the ethical certification. If you import organic coffee, you have to be certified with Debio to be able to sell the coffee as organic. This cost over 6000 NOK yearly, and they put a "question mark" to how to coffee becomes more ecologically by paying that fee.

Wendelboe explains how many of the cooperatives that are certified can utilize the certifications since today's world is more about transparency for the members and for the consumers. They are often organized very good, and they reach a market where they can get somehow more money for their coffee. *"But the prices I pay for my coffee, and as other importers looking for exceptionally high quality also pay, we are much higher than the Fairtrade minimum price anyways. Therefore it seems irrelevant to pay extra for the Fairtrade brand name"*, Tim Wendelboe.

KAFFA follow a similar strategy as Wendelboe, and focuses on why and where the coffee they have chosen instead of "certified coffee", and both roasters point towards transparency in the market.

Relationship coffee

Wendelboe explains how relationship coffee must be seen in relative terms since there are many different practices in the world market.

“I know some people that are very superficial and that don’t take relationships seriously. I know other that buys coffee from the same place every year and they visit the farmers more frequently. They also meet the farmers in other settings like in events, some farmers visit them, and having dinners with the farmers, you develop personal relationships to them. Personally I can’t work with anyone I don’t have good chemistry with them”, Tim Wendelboe.

KAFFA states how they have a direct relation with coffee farmers, but in many cases there will be an exporter in between, who takes care of paperwork, money transaction etc.

According to Wendelboe, relationship coffee is a relative new trend. He explains how the “specialty coffee market” was around 2004, when he competed and won World Championship in Barista coffee: *“Relationship coffees were not common. I had 2 coffees, 1 mix and 1 pure, and I was almost the only one with a pure coffee. The same in Norway around this time, I only knew about 1 actor who did relationship coffees at that time”.*

Nowadays, it’s all about relationship coffees, at least in the niche I work within, both in Norway and internationally, as stated by Wendelboe and Hafslund.

Relationship coffee – social and environmental aspects

Both companies state the importance of social and environments aspects in terms of relationship coffee, and they both claim to be focusing on these aspects to a certain degree, and they explain how things work in the big picture. Many macro-economic factors play important roles in this sense. They both agree that in the end, no matter what they (or anyone else) pay to the coffee farmers, it is up to the farmer himself to spend his money. This makes it challenging and difficult to control social and environmental aspects, such as choice of fertilizers, payment for workers, different investments etc. Again, both companies state that they are only willing to work with people that take “the coffee business” seriously,

and that they work with people they can trust, which set some demand to the farmers. Wendelboe explains how he sees tendencies where the farmers really care about their product and want to become better, their also care about their workers and the environment. Most of them are much focused on stability, both in terms of workers and working conditions and in terms of the environment, especially since they are owners of the land and they are depending on that land to continue production next year. Hafslund from KAFFA explains *“When we do business we do business with people. It is important for us that they are good people and that they focus on their family and environment”*. Both companies state that they have no record or database to keep track of social and environmental aspects, but they have close relationship with the farmers, visiting them 2-3 times a year, were they get a good impression of the complete picture, including social and environmental aspects.

Wendelboe explains how the focus on environment in a world perspective often is on the producers, in this case, the farmers. *“There is no rules saying how CO2-neutral we have to be. In a way, we are putting all that work on the farmer who has the least amount of resources and who actually do the best job in the value chain. They are depending on keeping a balance in their country to do a sustainable business in the future; they do not want to destroy this. The farmer doesn’t want to use pesticides if they don’t have to. They use fertilizers to get a bigger production. In ecological farms, production is often cut in half, and costs are doubled because it is a lot more work to be ecological. For many farmers this is not sustainable since everyone is comparing prices to New York C-Price anyways”*, Tim Wendelboe.

Both companies explain the situation in Ethiopia were ecological production is normal. They don’t use any fertilizers or pesticides based on cultural believe. This is reflected in production, especially in production per coffee tree which is low.

Coffee prices

See appendix 7 to compare with world price development, stock price.

Both companies are updated on the coffee world price and the development the last decade. They both state they have price agreements with many of the farmers, which is

based on the farmers actual costs, the quality of the coffee they produce and the changes in the world price in the stock market, which works as a reference. They explain it is different types of “price agreements”, but it is normal to have a minimum price and then an extra price premium for quality. These agreements are often different from time to time, depending on the situation and the market. In some countries it is easier to deal directly with the farmers, while in others, they have to deal with cooperatives.

“In Honduras for example, we have made a price agreement for several years in advance. There are some requirements to quality related to this. The good thing, for us and the farmer, is that the price volatility in the stock market doesn’t affect any of us”, Bjørnar Hafslund.

“The average yearly price has been around USD1.3 last year, which is very low; historically speaking it is between 1-2 USD. Last year my average price was USD4.5, and the year before that my average price was between 4-4.5 USD”, Tim Wendelboe.

“Coffee prices are very interesting. We pay more for our coffee than the New York C Price in all cases. In some cases it can be 4 times the stock price”, Bjørnar Hafslund.

“Price and quality is linked together like hand and glove”, Bjørnar Hafslund.

Price volatility

Wendelboe provides an example from Colombia, where the average cost of the farmer is between USD1.4 and USD1.5, just to produce the coffee. If the price is lower they have to rely on subsidies from the government, but when the price is higher all the farmers want to sell their coffee right away.

In Norway, both companies state they are little affected by price volatility, based on the way they set their prices. All costs related to travel, testing, buying, importing, transportation, exchange rate, manufacturing, packing and selling are put together, and they include an extra margin to cover rent, electricity and salary etc.

“When we buy coffee from a specific country, we buy in harvesting season which is once per year; this also means that the coffee we buy is lasting for almost a year. Further that means

that the price on that specific coffee is stable during the whole year when we sell it, at least until we buy more coffee next harvesting season”, Bjørnar Hafslund.

“Quality is also essential, if quality is high we pay extra for that, and even in some cases where quality have been exceptionally high, we have paid even more because we can sell it for a higher price as well” Tim Wendelboe.

The Norwegian market for specialty coffee

Wendelboe states that it is difficult to value the Norwegian market because it is much diversified. The market for coffee is different in different cities. Oslo is more developed in terms of knowledge and interests and there are a higher percentage of people that are able to discuss coffee on a higher level than the average consumer. The cities that are more developed in terms of coffee knowledge are Oslo, Trondheim, Bergen and Tromsø. But there is still a long way to go, there is a lot of potential market and a lot of customers to reach and educate. In the end, everyone will benefit of knowing more about coffee, me as a roaster and seller, the end consumers and even the coffee farmer for higher demand. *“That is why I have written a book about coffee, and why I enjoy participating and speeches and series like the one in Aftenposten. This will also help developing the niche I work within”,* Tim Wendelboe.

“As previously stated, we work within the specialty coffee niche. We have a small share of the Norwegian market for coffee. The industrialized actors have the biggest share. But I see a potential for the future, the specialty coffee niche can grow a lot. The consumers focus more about traceability than before. We also see a growing demand for quality compared to the cheapest coffee in the market”, Bjørnar Hafslund, KAFFA.

The Retailer, the coffee shop (G3)

See appendix 1 for additional information about the coffee shop.

Concept of differentiated coffee

There is a difference in taste, in black coffee. *“If I am at someone’s home I can clearly taste the difference between mass produced coffees from my special selected coffee. I have learned to taste the difference. I have heard people say coffee is like wine, but like wine is a matter of taste, you can buy the most expensive wine and not like it”.*

Traceability

Christensen states that she knows where the coffee comes from; it is traceable back to the farm. They have something called today’s coffee which it is a favorite among customers according to the Christensen, these coffees come from: *Kenya, Colombia, Guatemala, Honduras, Costa Rica, Panama* and they vary from day to day.

When customers buy the coffee beans to take home the bag comes with information of the farm. Christensen thinks is very important to know where coffee comes from, and this gives her a sense of tranquility that the farmers are being paid a fair price. *“Kaffa provides me with the information I need. They travel the world to find the best coffee. They are really good and knowledgeable with their business. I am very happy with them”.*

Christensen states that she never mixes coffee *“it is like mixing wine”.*

The market for differentiated coffee

Christensen states like everything else coffee is about consumers taste and preferences but it is the retailer responsibility to educate the consumer about where the coffee comes from, but this knowledge is increasing in Bodø, and she gets more returning customers and even what she called “coffee nerds”, and there is a lot of consumers that ask where the coffee is from, and some ask for Fairtrade but they are very few.

“Most of the customers want something with their coffee that is why we sell the baked goods; there are not enough people that come just for the coffee to make the business profitable, not yet”.

Customer are young people around 14 and 15 that want mainly flavored or milk based coffee drinks (latte, mocha) and up to 90 years old who want their coffee black, according to Christensen. She also states that her business is a place for meeting or to have breakfast and lunch, they are also catering to some business. The milk based coffee drinks are very popular (cappuccino, latte, mocha etc.). They sell the same amount of warm coffee in the winter that during the summer however, cold coffee is mostly sold during summer.

Price

They sell their big coffee at 30 NOK, and 27NOK for the small one, the objective is to keep competitive prices.

Quality

“We always have fresh coffee” Christensen states, also quality is a very important key of the business. Quality to Christensen is correct measurements/proportions of coffee and water. She states the importance of grinding the beans just before use. *“Hand crafted coffee, made with the V60 device, gives by far the best quality. Many people ask for their coffee to be made this way. We grind the exact amount of beans and we make it in the V60, so the coffee is made right away and it is as fresh as possible. Much more fresh than the filter coffee. The taste is so clean, you can really taste all the different parts of the coffee. This is the most special product we have”*. They also sell homemade fresh baked products.

Ethical certifications

Christensen claimed to know nothing about any certification, and beside some occasional customer asking for Fairtrade, there is no environments/market for ethical certified coffee. However as mentioned before, Christensen, stated that she believed that her provider Kaffa paid a fair price to farmers and the fact that she knew where the coffee came from gave her that impression, even if she did not check it herself.

The future

“There are more and more people that are interested in good coffee. There are more and more coffee places around. But I believe it is very important that we tell the customers where the coffee is from and some of the most important characteristics about these coffees. The

customers need knowledge". Christensen believes there is a growing trend in high quality, differentiated coffee.

The Consumers (G3)

Summary of the most important finding related to consumers

100% (40/40) of the consumers have never heard about the term "differentiated coffee".

5% (2/40) have heard the term "specialty coffee", but they cannot say anything more about it.

97,5% (39/40) have heard about Fairtrade when asked.

97,5% (39/40) have heard about organic certification when asked.

7,5% (3/40) have heard about more than 2 different ethical certifications, and knew a little about them.

35% (14/40) claim they would be willing to pay 10% or more for a cup of ethical certified coffee, compared to a non-ethical coffee.

90% (36/40) would be willing to pay extra, a price premium, for high quality.

10% (4/40) knew where their coffee they drink comes from. Only half of these got that information from coffee shops, the rest from supermarkets.

What is most important to you when you choose where to buy a cup of coffee?

"The taste is definitely the most important factor! I can clearly distinct a good taste from a cheap taste!"

"I would have to state that quality is the most important when I want a cup of coffee".

"Quality is everything! After you have tasted really good coffee, you can never go back to regular mainstream coffee like Coop, Ali or Friele. It is like switching out your Ferrari to a Toyota, it's cheaper but it doesn't really satisfy you".

“When I buy a cup of coffee from a coffee shop I look for the ambience, sure good coffee is a factor that makes me come back to a place but so it’s the ambience”.

“When I go to a coffee shop it’s about the coffee and the location, but when I buy the coffee to use at home I go to this specialty coffee store and I look for not too strong type of coffee. I choose the coffee I like. At the office we have the Nespresso capsules”.

“I like to test new types of coffee. It is always exciting to try something new”.

“For me it is very important that I buy from someone that knows their business. When I buy specialty coffee it is important to know about the taste, where it comes from, and even be able to compare it with other coffees. Three key words: Quality, service and knowledge. I only go to places I know fulfil this criteria and where I can get the help I need”.

Are you willing to pay extra to get a higher quality coffee?

“Yes. I would rather pay 30 kroner for a cup that tastes really well, than paying 20 kroner for something that I could have made at home for 5 kroner or less”.

“I am sick of the coffee we have at work! It tastes just as crappy as I remember university coffee tasted. Nowadays I get my coffee from Tim Wendelboe”.

Ethical certifications

“Well, I guess it should be important, but I am not sure if I would choose a Fairtrade product based on my consciousness”.

“Fairtrade is good, but for me quality is more important”.

“Ethical certification does not affect my decision to buy something I usually pick what I want”.

“I don’t mind paying extra for ethical certified coffee. In reality everything is relative, and it is a combination of how much extra I would have to pay for ethical certified coffee, and how often I am buying the coffee”.

Appendix 7: World Prices

US cents per pound
(lb.)

Annual/ monthly averages	ICO Composite price	Colombian Mild Arabicas			Other Mild Arabicas			Brazilian Natural Arabicas			Robustas		
		Market		Daily weighted average	Market		Daily weighted average	Market		Daily weighted average	Market		Daily weighted average
		New York	Germany		New York	Germany		New York	Germany		New York	France	
1998	108.95	142.83	145.58	142.83	132.25	144.09	135.23	121.81	130.8	121.81	83.93	80.81	82.67
1999	85.71	116.45	114.17	116.45	101.54	110.87	103.9	88.84	94.17	88.84	67.64	67.23	67.53
2000	64.24	102.6	99.8	102.6	85.09	92.89	87.07	79.86	83.67	79.86	42.12	40.36	41.41
2001	45.59	72.22	68.24	72.05	61.94	63.14	62.28	50.52	52.42	50.7	27.3	27.49	27.54
2002	47.74	65.26	64.78	64.9	60.43	62.31	61.52	45.09	45.92	45.23	30.83	29.76	30.01
2003	51.9	67.31	64.34	65.33	64.08	64.3	64.2	50.82	50.16	50.31	38.39	36.5	36.95
2004	62.15	84.15	79.49	81.44	80.15	80.64	80.47	68.18	69.11	68.97	37.28	35.65	35.99
2005	89.36	117.02	114.67	115.73	114.3	115.22	114.86	101.36	102.49	102.29	53.37	49.87	50.55
2006	95.75	118.36	115.7	116.8	113.95	114.8	114.4	102.89	104.19	103.92	70.28	66.98	67.55
2007	107.68	126.74	124.7	125.57	123.2	123.81	123.55	110.72	112.06	111.79	88.29	86.29	86.6
2008	124.25	145.85	143.12	144.32	138.32	140.86	139.78	122.51	127.86	126.59	106.31	105.03	105.28
2009	115.67	180.87	174.58	177.43	141.65	145.48	143.84	111.39	116.55	115.33	77.16	74.02	74.58
2010	147.24	223.76	226.22	225.46	194.4	196.63	195.96	145.71	155.93	153.68	84.09	77.63	78.74
2011	210.39	283.82	283.67	283.84	273.2	269.55	271.07	243.67	248.72	247.62	115.99	107.91	109.21
2012	156.34	203.88	200.47	202.08	187.52	185.7	186.47	171.3	176.07	174.97	110.64	101.36	102.82
2013	119.51	148.25	147.53	147.87	141.08	138.42	139.53	117.95	123.56	122.23	100.5	92.95	94.16

Source: <http://www.ico.org/prices/p2.htm>

Downloaded: 31.01.2014

Appendix 8: World Production

EXPORTING COUNTRIES: TOTAL PRODUCTION

CROP YEARS COMMENCING: 2008 TO 2013

(000 bags)

		Crop year	2008	2009	2010	2011	2012	2013
<u>WORLD TOTAL</u>			<u>128 636</u>	<u>122 953</u>	<u>132 983</u>	<u>132 304</u>	<u>145 116</u>	<u>145 775</u>
Member countries			120 638	115 907	125 102	123 053	137 191	137 977
Angola	(R)	Apr/Mar	38	13	35	29	33	50
Bolivia	(A)	Apr/Mar	135	142	130	143	115	100
Brazil	(A/R)	Apr/Mar	45 992	39 470	48 095	43 484	50 826	49 152
Burundi	(A)	Apr/Mar	412	112	353	204	406	167
Cameroon	(R/A)	Oct/Sep	725	902	503	574	366	400
Central African Republic	(R)	Oct/Sep	60	93	95	86	55	25
Colombia	(A)	Oct/Sep	8 664	8 098	8 523	7 653	10 371	10 900
Costa Rica	(A)	Oct/Sep	1 287	1 304	1 392	1 462	1 618	1 396
Côte d'Ivoire	(R)	Oct/Sep	2 397	1 795	982	1 886	2 041	2 100
Cuba	(A)	Jul/Jun	12	22	26	38	235	150
Ecuador	(A/R)	Apr/Mar	771	813	854	825	828	676
El Salvador	(A)	Oct/Sep	1 410	1 065	1 814	1 152	1 360	844
Ethiopia	(A)	Oct/Sep	4 949	6 931	7 500	6 798	6 366	6 600
Gabon	(R)	Oct/Sep	1	1	1	0	0	1
Ghana	(R)	Oct/Sep	27	33	60	74	50	60
Guatemala	(A/R)	Oct/Sep	3 785	3 835	3 950	3 840	3 703	3 130
Honduras	(A)	Oct/Sep	3 450	3 603	4 331	5 903	4 537	4 200
India	(R/A)	Oct/Sep	3 950	4 806	4 728	5 117	5 303	5 192
Indonesia	(R/A)	Apr/Mar	9 612	11 380	9 129	7 287	12 730	11 667
Kenya	(A)	Oct/Sep	541	630	641	757	875	850
Liberia	(R)	Oct/Sep	12	13	10	10	11	10
Malawi	(A)	Apr/Mar	21	17	17	26	22	30
Mexico	(A)	Oct/Sep	4 651	4 109	4 001	4 563	4 327	3 900
Nicaragua	(A)	Oct/Sep	1 445	1 871	1 634	2 210	1 872	1 500
Panama	(A)	Oct/Sep	149	138	114	106	112	100
Papua New Guinea	(A/R)	Apr/Mar	1 028	1 038	870	1 414	717	1 000
Paraguay	(A)	Apr/Mar	21	20	20	21	22	30
Philippines	(R/A)	Jul/Jun	587	730	189	180	200	500
Rwanda	(A)	Apr/Mar	369	259	323	251	258	300
Sierra Leone	(R)	Oct/Sep	86	91	33	78	56	70
Tanzania	(A/R)	Jul/Jun	1 186	675	846	534	1 109	750
Thailand	(R)	Oct/Sep	675	795	828	831	608	638
Timor-Leste	(A)	Apr/Mar	48	47	60	49	55	70
Togo	(R)	Oct/Sep	138	202	160	162	78	100

Uganda	(R/A)	Oct/Sep	3 290	2 845	3 203	2 817	3 698	3 600
Vietnam	(R/A)	Oct/Sep	18 438	17 825	19 467	22 289	22 030	27 500
Yemen	(A)	Oct/Sep	220	135	161	182	183	200
Zambia	(A)	Jul/Jun	35	28	13	11	5	10
Zimbabwe	(A)	Apr/Mar	24	21	10	9	7	10
Non-member countries			7 998	7 046	7 881	9 251	7 925	7 798
Congo, Dem. Rep. of	(R/A)	Oct/Sep	422	346	305	357	327	350
Dominican Republic	(A)	Jul/Jun	645	352	378	641	391	450
Guinea	(R)	Oct/Sep	505	499	386	393	319	400
Haiti	(A)	Jul/Jun	359	351	350	349	349	350
Lao, People's Dem. Rep. of	(R)	Oct/Sep	406	434	544	510	497	525
Madagascar	(R)	Apr/Mar	728	457	530	602	522	500
Peru	(A)	Apr/Mar	3 872	3 286	4 069	5 373	4 450	4 200
Venezuela	(A)	Oct/Sep	932	1 214	1 202	902	953	900
Others			130	107	117	124	116	123

Source:
<http://www.ico.org/prices/po.htm>

Downloaded:
04.04.2014

Appendix 9: World Export

EXPORTS OF ALL FORMS OF COFFEE BY EXPORTING COUNTRIES TO ALL DESTINATIONS

Feb-14

(60-kilo bags)

			Oct-13 to Feb-14	Mar-13 to Feb-14		Oct-12 to Feb-13	Mar-12 to Feb-13
TOTAL		9 002	42 676	108 820 737	8 629	45 703	110 640
		706	705		277	759	328
<i>Colombian Milds</i>		<i>1 113</i>	<i>5 374 738</i>	<i>11 453 962</i>	<i>859 135</i>	<i>4 098 646</i>	<i>8 818 471</i>
		<i>524</i>					
<i>Other Milds</i>		<i>2 003</i>	<i>8 167 107</i>	<i>24 663 551</i>	<i>2 235</i>	<i>9 458 232</i>	<i>27 154 702</i>
		<i>657</i>			<i>916</i>		
<i>Brazilian Naturals</i>		<i>2 630</i>	<i>14 290</i>	<i>32 610 953</i>	<i>2 367</i>	<i>14 795</i>	<i>31 858 557</i>
		<i>937</i>	<i>259</i>		<i>273</i>	<i>310</i>	
<i>Robustas</i>		<i>3 254</i>	<i>14 844</i>	<i>40 092 272</i>	<i>3 166</i>	<i>17 351</i>	<i>42 808 598</i>
		<i>587</i>	<i>601</i>		<i>954</i>	<i>572</i>	
Sub-total: All exporting Members		8 868	40 570	103 862 045	8 483	43 665	105 513
		791	124		017	274	526
Angola	R	0	2 085	5 520	0	2 010	6 935
Bolivia	A	7 700	43 322	68 185	2 955	28 910	56 743
Brazil	A/R	2 745	14 376	32 231 119	2 210	13 460	28 725 026
		589	184		594	365	
Burundi	A	25 000	139 109	203 429	13 309	201 726	403 985
Cameroon	R/A	14 783	34 880	286 207	6 500	72 370	491 076
Central African Republic	R	2 000	2 000	42 217	6 850	7 150	71 777
Colombia	A	989 295	4 890 043	10 169 312	714 578	3 562 811	7 526 545
Costa Rica	A	97 233	314 809	1 264 574	147 414	430 331	1 348 689
Côte d'Ivoire	R	45 000	626 491	1 938 451	54 235	426 826	1 781 435

Cuba	A	1 000	3 000	10 163	2 420	4 860	16 532
Ecuador	A/R	90 000	493 290	1 239 146	116 460	616 287	1 569 557
El Salvador	A	45 000	165 456	931 921	137 834	378 910	1 006 260
Ethiopia	A	155 126	760 588	2 780 666	152 803	1 145 928	3 350 320
Gabon	R	0	0	0	0	0	0
Ghana	R	1 500	8 506	38 140	1 529	11 989	48 793
Guatemala	A	326 704	829 974	3 516 115	344 311	1 020 792	3 746 925
Honduras	A	523 363	1 365 388	3 995 138	581 548	1 710 614	5 514 259
India	A/R	567 891	2 043 948	5 467 370	595 286	1 737 435	5 296 901
Indonesia	R/A	230 000	3 165 522	10 024 146	714 284	4 928 538	10 956 938
Kenya	A	40 000	249 983	774 077	72 964	295 351	824 989
Liberia	R	0	238	3 539	0	1 820	2 811
Malawi	A	1 000	6 858	22 487	2 592	10 697	22 010
Mexico	A	260 000	928 039	3 018 379	354 689	1 262 602	3 627 434
Nicaragua	A	152 000	353 000	1 668 320	121 497	661 028	1 970 332
Panama	A	2 000	8 373	46 669	1 969	9 682	49 043
Papua New Guinea	A/R	44 233	330 025	824 740	30 905	248 472	769 762
Paraguay	A	0	1	34	0	2 067	2 071
Philippines	R	1 099	6 367	7 582	154	1 071	3 295
Rwanda	A	18 000	134 660	248 778	20 465	150 853	255 231
Sierra Leone	R	4 000	19 324	61 567	4 509	16 804	64 387
Tanzania	A/R	105 788	379 537	841 739	138 328	583 391	899 140
Thailand	R	2 000	8 657	43 458	3 997	78 294	256 769
Timor-Leste	A	3 000	24 499	61 383	4 971	33 234	53 259
Togo	R	10 000	29 167	86 788	14 507	24 666	124 895
Uganda	R/A	354 837	1 477 600	3 728 654	344 040	1 332 205	2 903 610
Vietnam	R	2 000 000	7 325 000	18 145 000	1 559 504	9 177 470	21 697 157
Yemen	A	3 000	20 497	54 561	4 576	24 155	58 692
Zambia	A	500	2 585	9 644	276	2 155	6 467

Zimbabwe	A	150	1 119	2 827	166	1 405	3 476
Sub-total: Exporting non-members							
		133 914	2 106 580	4 958 691	146 260	2 038 485	5 126 803
Dominican Republic	A	8 000	30 527	80 898	3 259	54 294	132 783
Jamaica	A	1 114	2 977	15 145	973	2 548	15 467
Peru	A	60 000	1 774 936	3 984 106	77 903	1 659 022	4 035 991
Others		64 800	298 141	878 542	64 126	322 621	942 561

Source:

<http://www.ico.org/prices/m1.htm>

Downloaded:

04.04.2014

Appendix 10: World Imports

IMPORTS OF ALL FORMS OF COFFEE BY SELECTED IMPORTING COUNTRIES FROM ALL SOURCES

Dec-13

(60-kilo bags)

		Oct-13 to Dec-13	Jan-13 to Dec-13		Oct-12 to Dec-12	Jan-12 to Dec-12
TOTAL	8 249 083	26 579 158	112 072 221	7 981 533	26 923 752	109 700 566
European Union	5 142 965	17 527 873	72 048 851	5 046 564	18 183 878	72 243 869
Austria	146 271	431 321	1 555 168	129 755	418 793	1 558 609
Belgium	475 487	1 420 316	5 502 144	472 632	1 419 743	5 668 232
Bulgaria	52 705	150 225	609 487	34 916	141 917	559 825
Croatia	35 952	101 758	412 849	30 897	99 673	384 490
Cyprus	9 417	26 508	94 224	7 654	24 887	83 877
Czech Republic	99 172	298 067	1 183 882	89 899	320 910	1 126 623
Denmark	71 596	251 477	938 530	67 312	220 497	913 099
Estonia	10 286	40 455	156 214	13 042	49 243	157 235
Finland	106 439	330 515	1 275 468	143 605	368 493	1 237 833
France	456 689	1 617 823	6 536 214	456 118	1 680 839	6 841 136
Germany	1 426 668	4 856 644	21 174 307	1 475 901	5 402 011	21 816 212
Greece	103 142	307 317	1 269 094	86 676	325 530	1 243 663
Hungary	33 337	125 110	549 342	46 200	182 924	747 928
Ireland	23 282	59 568	232 745	16 402	61 558	252 005
Italy	526 233	2 114 031	8 834 255	463 667	2 087 533	8 690 870
Latvia	12 679	45 400	161 289	14 506	41 521	156 986
Lithuania	30 118	95 784	362 186	25 371	93 295	336 676
Luxembourg	38 702	109 468	378 173	32 468	99 225	322 753
Malta	2 671	6 777	21 897	878	5 668	21 299
Netherlands	250 000	863 024	3 372 399	198 874	668 368	2 729 761
Poland	241 510	880 449	3 244 768	230 524	874 091	3 542 746
Portugal	81 582	264 065	1 103 976	96 826	283 064	1 056 806
Romania	83 148	268 833	971 477	66 849	254 467	902 873
Slovakia	71 135	200 731	798 425	50 269	208 725	771 630
Slovenia	20 384	72 317	257 915	17 288	66 552	220 895
Spain	316 012	1 105 177	5 136 943	392 201	1 329 736	5 094 020
Sweden	113 755	428 107	1 709 389	98 616	435 051	1 679 735
United Kingdom	304 591	1 056 606	4 206 091	287 219	1 019 564	4 126 054

Japan	569 587	1 789 496	8 381 263	557 068	1 684 811	7 024 860
Norway	62 442	202 424	781 484	56 016	168 646	735 443
Switzerland	174 550	639 814	2 666 751	177 021	598 370	2 477 957
Tunisia	14 229	44 078	335 203	36 577	109 731	438 924
Turkey	61 952	182 697	841 975	67 465	206 781	723 350
USA	2 223 358	6 192 777	27 016 694	2 040 822	5 971 535	26 056 163

Source:
<http://www.ico.org/prices/m4.htm>

Downloaded:
04.04.2014

Appendix 11 a – Scorecard Anacafé

3 Flight Cupping Form

Date _____ Name _____

1 _____ 2 _____ 3 _____

Scoring Scale

GOOD	VERY GOOD	EXCELLENT	OUTSTANDING
6.00	7.00	8.00	9.00
6.25	7.25	8.25	9.25
6.50	7.50	8.50	9.50
6.75	7.75	8.75	9.75

Date Cupped		Cup No.		Roast Level		Fragrance		Aroma		Adj. Crust		Fragrance Intensity		Aroma Intensity		Adj. Aroma Adj. Flavor		Adj. Alternaste		Flavor		Acidity		Body		Uniformity		Clean Cup		Overall		Total		Final Score			



La Asociación de cafés especiales de América Formulario de catación

Nombre: _____
 Fecha: _____

Clasificación:		8.00 - Excelente	9.00 - Extraordinario
6.00 - Bueno	7.00 - Muy Bueno	8.25	9.25
6.25	7.25	8.50	9.50
6.50	7.50	8.75	9.75
6.75	7.75		

Muestra # _____ El Nivel de prueba _____

Fragancia/Aroma Total: _____ Seco: _____ Cualidades: Espuma _____	Sabor Total: _____ Sabor Residual: _____	Acidez Total: _____ Intensidad: Alto _____ Bajo _____	Cuerpo Total: _____ Intensidad: Alto _____ Bajo _____	Uniformidad Total: _____ Balance: _____	Taza Limpia Total: _____ Dulzor: _____	Puntaje Catador Total: _____ Defectos (sustray): _____ Ligero=2 # Tazas Intensidad _____ Rechazo=4 # X _____ = _____	Suma _____
---	---	--	--	--	---	---	----------------------

Aroma

1 Bajo 2 suave 3 Moderado 4 Intenso

1 Citricos 1.1 Naranja 1.2 Limón 1.3 Toronja

2 Frutal 2.1 Melocotón 2.2 Bayas 2.3 Frutas Secas 2.4 Manzana

3 Floral 3.1 Hierbabuena 3.2 Vegetales 3.3 Te de limón

4 Complejo 5 Especiales

Sabor

6 Caramelizados y dulces 6.1 Chocolate 6.2 Caramelo 6.3 Miel

7 Almendrado 7.1 Almendra 7.2 Limón 7.3 Toronja

8 Vegetal 8.1 Hierbabuena 8.2 Vegetales 8.3 Te de limón

Acidez

9 Avinadado 9.1 Vino rojo 9.2 Vino blanco

Pastisqueo

1 Corto 2 Medio 3 Prolongado

Acidez

1 Baje 2 Suave 3 Moderada 4 Intensa

5 Brillante 6 Aguda 7 Cítrica

8 Malico 8.1 Manzana roja 8.2 Manzana verde 8.3 Toronja

9 Tartalico 9.1 Acidez seca

Cuerpo

1 Desechado 2 Medio 3 Completo 4 Redondo

5 Mantecquilloso 6 Cremoso 7 Avenoso 8 Consistente

Notas adicionales

Puntaje Final _____

Muestra # _____ El Nivel de prueba _____

Fragancia/Aroma Total: _____ Seco: _____ Cualidades: Espuma _____	Sabor Total: _____ Sabor Residual: _____	Acidez Total: _____ Intensidad: Alto _____ Bajo _____	Cuerpo Total: _____ Intensidad: Alto _____ Bajo _____	Uniformidad Total: _____ Balance: _____	Taza Limpia Total: _____ Dulzor: _____	Puntaje Catador Total: _____ Defectos (sustray): _____ Ligero=2 # Tazas Intensidad _____ Rechazo=4 # X _____ = _____	Suma _____
---	---	--	--	--	---	---	----------------------

Aroma

1 Bajo 2 suave 3 Moderado 4 Intenso

1 Citricos 1.1 Naranja 1.2 Limón 1.3 Toronja

2 Frutal 2.1 Melocotón 2.2 Bayas 2.3 Frutas Secas 2.4 Manzana

3 Floral 3.1 Hierbabuena 3.2 Vegetales 3.3 Te de limón

4 Complejo 5 Especiales

Sabor

6 Caramelizados y dulces 6.1 Chocolate 6.2 Caramelo 6.3 Miel

7 Almendrado 7.1 Almendra 7.2 Limón 7.3 Toronja

8 Vegetal 8.1 Hierbabuena 8.2 Vegetales 8.3 Te de limón

Acidez

9 Avinadado 9.1 Vino rojo 9.2 Vino blanco

Pastisqueo

1 Corto 2 Medio 3 Prolongado

Acidez

1 Baje 2 Suave 3 Moderada 4 Intensa

5 Brillante 6 Aguda 7 Cítrica

8 Malico 8.1 Manzana roja 8.2 Manzana verde 8.3 Toronja

9 Tartalico 9.1 Acidez seca

Cuerpo

1 Desechado 2 Medio 3 Completo 4 Redondo

5 Mantecquilloso 6 Cremoso 7 Avenoso 8 Consistente

Notas adicionales

Puntaje Final _____

Appendix 11 b – Scorecard SCAA

Appendix 12: The interview guide

Coffee importer/roaster edition - English version

I am a student from University of Nordland, Bodø. I am currently working on my Master Thesis within the specialization International Business. The topic for my thesis is:

How do quality, ethical certification and macro-economic aspects influence the different actors in the value chain of differentiated coffee, in Guatemala as a producing country and Norway as a consumer country

I have also chosen the following research objectives:

- Understand the characteristics of *differentiated coffee* in comparison with “commercial/ mainstream coffee”
- Identify the most important actors of the value chain for *differentiated coffee*
- Define how the major actors in the value chain conceptualize the term differentiated coffee
- Understand and define the macro-economic frame for *differentiated coffee*
- Understand the general attitude towards *differentiated coffee* and *ethical certifications* of consumers and importers in Norway

About the company, general:

Name of company:

Number of employees:

Location of company:

The company's business area/purpose:

Name on the interview respondent:

The interview subjects role in the company:

Date for the interview:

Interview guide

1. Have you heard about differentiated coffee? What is differentiated coffee for you?
2. Which factors makes a coffee differentiated?
3. Which types of ethical certifications do you know?
4. What do you know about them?
5. Do you import any certified coffees? Why?
6. What do you know about denomination of origin?
7. How important is that? (traceability)
8. How do you relate origin and quality?
9. How do you measure quality on coffee?
10. What is more important of quality or ethical aspects?
11. What do you know about relationship coffee? Social sustainability?
12. How is the price you pay compared to world coffee prices in the stock market?
13. How much does the price level of the coffee you buy fluctuate?
14. How do you relate price and quality?
15. Do you buy coffee from Guatemala? (Percentage)
16. How does ecological sustainability fits with your long terms perspectives? Does this aspect affect your choice of coffee farmers/origin?
17. How would you consider the market for differentiated coffee?
18. What is the size of the coffee farms you buy coffee from?