Working in the coffee industry can be a labor of love but last year there was little love lost over labor disputes that disrupted West Coast coffee importers, warehouse operators and roasters.

Work slowdowns from Seattle to Long Beach delayed thousands of containers brimming with green coffee from reaching regional warehouses and roasters. Compounding those delays were ongoing agricultural inspections at some ports by the U.S. Department of Agriculture (USDA). Together, tons of coffee stalled in port.

By year’s end, most difficulties were resolved.

“I think the (2015) inventory numbers were really positive considering the way we started the year,” said Dave Weber, v.p. at The Warehouse Annex in San Leandro, Calif. “We got off to a clumsy start because of the labor challenges. Once those were resolved, we recovered very well. It was more like a nine-month sprint to get to the end of the year. That was a positive thing.”

The numbers support Weber’s evaluation. Despite the labor issues, the Port of Oakland – point of entry for The Warehouse Annex’s shipments – received slightly more coffee during the first 11 months of 2015 than it did the previous year. Here are the hard numbers, according to the Port of Oakland:

- 1,790 metric tons of coffee landed in 2014.
- 1,795 metric tons landed through November 2015.

That represents 10% of total U.S. coffee imports, a Port of Oakland spokesman said.

The once active Port of Portland, seen here during better times, is now nearly silent.

West Coast coffee industry recovers after protracted 2015 labor dispute but not before Portland loses major shippers; USDA inspections still trigger some delays

William, 6, and Jaeden Hartstrom, 9, are regulars in the Costa Oro warehouse.

Making up for Lost Time
The Northwest Seaport Alliance, representing Seattle-Tacoma, retained its rank as the 5th largest American port by volume. Continued expansion is expected to elevate the regional port to a first-tier global hub, one of 20 identified by CBRE Research.

The same cannot be said in Oregon for specialty coffee roasters. Last year’s labor delays were exacerbated by local dock disputes, causing the Port of Portland’s largest shipping partner to withdraw direct call service. Hanjin Shipping Co. of South Korea officially ended service on March 9, 2015. Since then, all imported green coffee has been unloaded in Seattle or Tacoma.

**Disputes slowed containers**

At the center of the labor strife was a nine-month work slowdown at 29 West Coast ports, including Seattle and Tacoma; Portland; and Oakland, Los Angeles, Long Beach, and San Diego. The 29 ports handle about a quarter of all U.S. international trade, including imports and exports from Asia.

Negotiations between the International Longshore and Warehouse Union and the Pacific Maritime Association that began in May 2014 became contentious later that year when both sides engaged in a blame game. At issue was an arbitration system for resolving disagreements. The Pacific Maritime Association represents port terminal operators and shipping companies. The original contract expired in July 2014.

The stalemate was broken in February 2015 with a tentative agreement on a new five-year contract that both sides ratified three months later. The new contract expired in July 2014. The new contract established a more efficient arbitration process.

Resolution of the matter could not arrive fast enough for Frank Gavina, Jr., green coffee buyer for the fourth-generation family-owned Gavina Gourmet Coffee roasters in Southern California.

“The vast majority of our coffee is coming through the ports of Los Angeles and Long Beach,” Gavina said, “and we have been an unfortunate victim of the West Coast port system.”

Gavina Gourmet Coffee receives 300,000 bags, or nearly 40 million pounds, of green coffee a year. About 40% of their roasted beans are for private label clients. McDonald’s is the company’s largest private brand, Frank Gavina said.

Asia ports and those along the West Coast of the United States will expand their roles as global logistic hubs during the next decade, according to a recently released research report.

The report, prepared by CBRE Group, Inc., highlights 20 markets that are poised to become global logistics hubs in the next decade. Among the 20 are China’s Beijing, Hangzhou, Nanjing, Suzhou ports, as well as South Korea’s port at Busan and Seattle, Wash.

Other emerging logistics hubs include Philadelphia and South Florida, USA; Santiago, Chile; Bajio, Mexico; Istanbul; Berlin, Munich and Ruhr, Germany; Madrid and Barcelona; Amsterdam and Tilburg/Eindhoven/Venlo, Netherlands; Leeds/Sheffield and Manchester/Liverpool, UK.

The recently negotiated Trans-Pacific Partnership (PPT), if ratified, will enhance the Pacific Rim’s value in the shipping of tea and coffee around the world.

“As governments continue to draft new trade agreements and amend labor laws, new trade routes are becoming more accessible and more integrally connected with existing strategic routes,” Dr. Henry Chin said in a CBRE statement. “The Trans-Pacific Partnership is a potential trade agreement that will have drastic effects on global trade routes and manufacturing demand in Asia.”

Dr. Chin is head of research for CBRE Asia Pacific.

The comprehensive Trans-Pacific Partnership includes 12 countries in the Pacific Rim – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam – and seeks to lower trade tariffs, streamline cross-border regulations, and increase market access between the member countries for a wide range of products, including coffee and tea.

“With increased market access and lower trade barriers, the amount of goods moving through this trading bloc is likely to increase,” Dr. Chin said in the statement. “For example, as manufacturing demand shifts to Southeast Asia, local ports in Vietnam may experience increased port calls, and regional hubs in Malaysia may grow in prominence. Stronger demand for agricultural land and logistics facilities, with the projected increased output of agricultural products from Australia and New Zealand, is also expected.”

**Defining a global logistics hub**

Emerging logistics hubs share characteristics, including significant investments in infrastructure, new trade policies and agreements, and more advanced supply chains and technologies, the report stated, citing a 600% growth in global trade during the past 35 years. This drives the development of more complex supply chains around the world.

A viable logistics hub connects a variety of transportation modes. (continued pg. 27)
Portland remains a viable market for green coffee storage, Costa Oro founder and c.e.o Arianna Hartstrom says.

"We were not getting much coffee (during the labor problems),” he said. “We ran a buffer inventory that gave us some breathing room but when the strikes were really going on you couldn’t get coffee in from the port.”

Fortunately, he said, coffee is a product that suffers minimal damage during long delays. “Perishable goods suffered.”

Inspections slow shipments

Gavina cites a second concern affecting coffee imports.

“Los Angeles falls victims to two issues,” he said. “In addition to the labor problems, we seem to have a high instance of customs exams. We don’t do any importation ourselves. That’s handled by our suppliers. But these inspections slow things down for us. We have to compete with the delays in getting the coffee. That can be a significant problem.”

U.S. Department of Agriculture (USDA) is charged with protecting American crops from dangerous pathogens, any disease-producing agent. And, while Gavina doesn’t consider green coffee a likely carrier, the USDA is keeping a close eye on shipments.

“I understand that this is to protect domestic agriculture but it doesn’t always make sense. There could be a certain level of misunderstanding by officials on the likelihood of problems,” said Gavina.

He said suppliers and trade organizations are working with government officials to reduce the frequency of these inspections slow shipments

Comparing Green Coffee Imports Landed at West Coast Ports 2014-2015

(US Maritime Bills of Lading in 60 kg bags)

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<tr>
<th>Port US</th>
<th>2014</th>
<th>2015</th>
<th>% change</th>
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<td>3,055,834</td>
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<td>Los Angeles</td>
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<td>Tacoma</td>
<td>587,625</td>
<td>860,634</td>
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<tr>
<td>Seattle</td>
<td>580,673</td>
<td>449,892</td>
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<tr>
<td>Long Beach</td>
<td>219,276</td>
<td>462,679</td>
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<tr>
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<td>214,559</td>
<td>21,662</td>
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<tr>
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Source: Datamyne Inc.

Comparing Green Coffee Imports Landed at West Coast Ports 2014-15 (US Maritime Bills of Lading in 60 kg bags)

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Source: Datamyne Inc.
exams but “we sometimes can’t afford to wait as much as two weeks for customs exams.”

Weber sees the same problem at the Port of Oakland.

“The increase in inspected coffee containers is creating some delays and additional cost,” Weber said. “In the last couple of years, I’ve seen more containers getting inspected but I can’t say it’s going to happen this year.”

Traffic stops in Portland

While other West Coast ports bounced back from the labor slowdowns, the Port of Portland’s cargo ships left with the outgoing tide. Hanjin Shipping Co., which represented nearly 80% of all container business in the Rose City, stopped deliveries Feb. 10. Two months later, German carrier Hapag-Lloyd stopped scheduling shipments as well.

The two shipping lines’ decisions left Portland high and dry. It seriously affected the state’s strong specialty coffee market and Portland warehouse Costa Oro International.

“Oregon has three times more exports than imports so it’s really hurting the shippers going outbound,” said Arianna Hartstrom, Costa Oro founder and c.e.o. “They have to truck the product and it’s adding transit time and costs.”

Despite the loss, Portland remains a viable market for green coffee storage, she said. Door-to-door costs have only increased marginally and Hartstrom remains bullish about the Oregon market.

The nearest ports are 150 miles north at the Port of Tacoma or 30 miles farther at the Port of Seattle. All green coffee coming into Costa Oro must be trucked south. The effect on Hartstrom’s business is still unknown.

Costa Oro handles everything from micro lot to commodity grade shipments and serves as the go-between for producers, importers and roasters. “We pretty much handle the entire range and deal with all the players that react with each other,” she said. “We’ve become the neutral party for storage handling and transportation. There’s a high level of confidentiality in the green coffee importing.”

That totaled about 600 containers a year – until now.

“I anticipate a decrease (in shipments) but because it’s only been a few months I can’t gauge it yet,” she said. “There will be a
Fading into obscurity. San Francisco and Oakland were once the leading coffee destinations on the West Coast. Portland now looks like it will suffer the same fate. The regional hubs in Long Beach, Los Angeles and Seattle-Tacoma now handle the majority of green coffee imports.

contraction in labor. My labor costs will go down relative to the volume.” “Raising my rates is not an option,” she stressed. “We all pretty much operate on a level playing field. You have to make business decisions according to changes in the environment. You never know what’s coming,” she said.

Hartstrom emphasized the “higher level of customer service” that quality coffee warehousers provide and said importers value that service.

“Each importer has a unique set of expectations on how they want to work with their customer. You’re their advocate with the customer. You want to provide the best possible service,” she said.

Pacific Coast Coffee Association

Keep Roasters in the Know

Last year when labor disputes disrupted the West Coast coffee trade the Pacific Coast Coffee Association’s transportation committee, chaired by Dave Weber of Annex Warehousing, kept association members up to date with timely postings during the most critical times of the negotiations.

PCCA has been actively involved in resolving coffee industry issues for decades. Front St. in San Francisco, where PCCA was headquartered, was once the center of West Coast coffee trading. Today most green coffee is offloaded at hub ports in Oakland, L.A., and Seattle-Tacoma.

PCCA continues to offer guidance on legislative and regulatory challenges along the coffee supply chain.

The association provides numerous opportunities during the year for members to socialize, network, and learn about the business, said Johnny Hornung, PCCA president and v.p. purchasing and sales at Incasa Instant Coffees in Berkeley, Calif. Annual conventions, holiday parties, cupping competitions, as well as webinars and other ad-hoc events keep members engaged with the coffee industry in the western US, he said.

Learn more at www.paccoffee.com