

SCA Report

Equitable Value Distribution Survey Findings

January 2024



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Executive Summary

In April of 2023, the Specialty Coffee Association launched a survey on value and value distribution in order to gauge industry perceptions of these topics. This survey will serve as a baseline against which to measure the effectiveness of future activities undertaken by the association and its stakeholders to ensure the equitable distribution of value across the sector. Inspired by sense-making theory, the survey responses are supplemented with the findings from a focus group in Guatemala as well as additional, external resources to further contextualize the results and form a baseline for future iterations of the survey.

Findings indicate that the majority of respondents believe that value should be distributed differently than it currently is. Many also believe supply-side actors—especially producers—receive a proportionally low share of coffee’s total value in comparison to the value they create. Despite respondents expressing confidence in their awareness of value distribution in specialty coffee, their perceptions of value received by different actors contrasts with studies on supply chain economics.

Introduction

After the Specialty Coffee Association (SCA) concluded its year-long Price Crisis Response Initiative (PCR) in December of 2019, the association published a Summary of Work¹ that proposed a new role for specialty coffee in sustainability: to support the industry in distributing the value generated by all the contributors to specialty coffee equitably among them. The SCA committed to focusing its sustainability activities on equitable value distribution and identified the following six leverage points:

- Amplify governance models that distribute decision-making power along the value chain and within firms;
- Increase access to knowledge for disadvantaged and disenfranchised groups;
- Pursue the redistribution of risk borne by coffee producers and low-wage workers on behalf of the entire sector;
- Lead a collective mindset shift for the specialty coffee industry to recognize the value of sustainability to specialty coffee and its stakeholders;
- Explore finance and ownership models that reimagine how value is created, measured, and rewarded in pursuit of equity;
- Support other approaches to sustainability by institutions, organizations, and platforms in the coffee sector with aligned aims.

In 2023, the SCA synthesized these leverage points into a Sustainable Coffee Agenda theory of change²:

if we shape mindsets and business behaviors, and generate actionable knowledge needed to build a thriving coffee industry, then we could foster equitable value distribution as a tool to make specialty coffee a thriving, equitable, and sustainable activity for all actors in the value chain.

This statement guides SCA's approach and helps ensure that the association's efforts align with its goals. It's also a humble recognition that we, the industry, make coffee better collectively: our sustainability journey is collaborative and progressive. Meanwhile, value is an elusive concept and specialty coffee is diverse, so it is unlikely that industry actors are all in agreement about what business behaviors need to change in order to achieve the vision of sustainability described above.

To understand what mindsets are currently dominant, the SCA designed and launched the first iteration of a survey tool that will help measure perceptions of value distribution in the present and track them over time. The results and findings presented in this report are intended to encourage dialogue by expanding our collective understanding of what "equitable value distribution" means to different stakeholders. Having a pulse on these perceptions will ensure that the conversations and actions that the association proposes to the industry are relevant to participants. The first step for coffee industry actors to take in pursuit of change is to recognize that we are part of the system³ and accept that our actions will only be effective once we change our thinking⁴: as individuals, organizations, and as a global sector.

1 Specialty Coffee Association (SCA): *Price Crisis Response Initiative: Summary of Work (December 2019)*. Available digitally at <https://bit.ly/pcrsummary>

2 "A theory of change is a method that explains how a given intervention, or set of interventions, are expected to lead to a specific development change, drawing on a causal analysis based on available evidence." <https://bit.ly/UN-toc>

3 Adam Grant, *Originals: How non-conformists move the world* (New York, NY: Penguin Books, an imprint of Penguin Random House LLC, 2017).

4 Peter Senge, Hal Hamilton, John Kania, "The Dawn of Systems Leadership," *Stanford Social Innovation Review*, Winter 2015, p. 26-33.

Our Approach

Survey Methodology

Our goal for this first survey was to involve the whole coffee system, in order to create a comprehensive overview of the specialty coffee industry’s awareness of value distribution. For the tool to provide trustworthy information, especially over time, the survey itself needed to be simple and reliable, thereby allowing the SCA to gather information from the diverse and large coffee system.

The survey structure was inspired by sensemaking theory, which uses “situational awareness” to help participants understand situations of high complexity or uncertainty,⁵ and it has four sections: (1) Introduction (definitions) and demographics; (2) perception of value distribution (general); (3) perception of value distribution (specific activities); and (4) quantitative and qualitative benchmarking (for the text of the full survey, see Appendix 1).

The online survey was open and collecting responses between April 21, 2023⁶ and June 30, 2023. To supplement the survey, the SCA and ANACAFÉ convened a focus group comprised of 16 coffee producers in Guatemala during the 2023 Congreso de la Caficultura in July, which provides additional insight from producers on value distribution and complements the results of the broader online survey.

Respondent Demographics

A total of 406 responses were received in English, Spanish, and Portuguese—however, attrition occurred in all languages (i.e., not all participants answered all questions). Respondents represented a total of 58 countries and had an average of 12.5 years of professional experience. The primary occupations were in

activities in roasting and brewing, followed by traders (exporting and importing), and production (farming and processing), but every role in the supply chain that was included as an option in the survey was selected.

Respondents’ Occupation Category

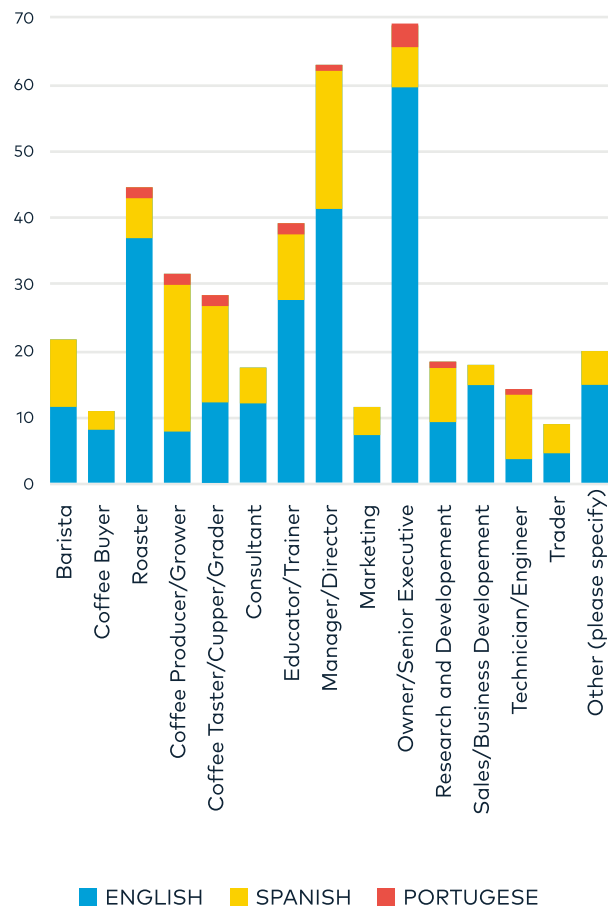


Figure 1. Respondents’ occupation category, by language.

⁵ Dave Snowden, “What is Sense-making?” The CYNEFIN Co. Published June 7, 2008; accessed November 30, 2023: <https://thecynefin.co/what-is-sense-making/>

⁶ The survey was launched in a lecture at the Specialty Coffee Expo called “Measuring What Counts: Equity, Value, and the SCA’s Sustainable Coffee Agenda” on April 21, 2023.

Data Analysis

The initial data analysis focused on conventional statistical measurements, central tendency, and dispersion. Furthermore, simple correlations were made between variables using excel pivot tables. Finally, multi-variate analysis and rough-sets analysis were used for additional assessment focused on indiscernible patterns and non-conventional correlations among data objects and datasets. The goal of the analysis was to balance conventional and non-conventional techniques to generate classic information and leverage more complex processing to shed light on previously unknown and potentially useful patterns and relationships from the same data.

Later, these findings were cross-referenced with relevant publicly available information from recognized sources working on sustainability topics in the coffee sector (these sources appear throughout the document, in the footnotes).



Findings

Implications and Emerging Connections

Following a few basic demographic questions, the first question in the survey asked respondents to self-assess their own familiarity with the concept of equitable value distribution. Most respondents (76%) reported moderate to significant familiarity, likely due to a combination of the SCA's Price Crisis Initiative and other well-known efforts to raise awareness about the root causes of repeated coffee price crises: examples from the past few years include the International Coffee Organization's Public-Private Taskforce, the Sustainable Food Lab's work on Living Income, and *the Coffee Barometer*. However, the comparatively small number of responses to the survey—the SCA survey on cupping from 2020 garnered more than 1500—combined with the attrition rate across some questions, suggest that even though these industry actors express great confidence in their knowledge of value distribution, the topic is still on the fringe of mainstream sustainability conversations.



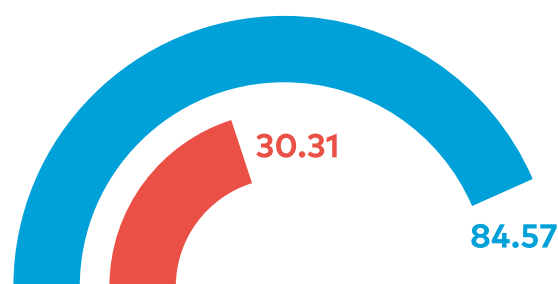
Anticipating this lack of familiarity, the introduction to the survey included three key definitions for context:

- **Coffee Sector (System):** refers to all the activities and actors involved in the production and processing of coffee (from green coffee, to milling, brewing, as well as the production and sale of coffee-based beverages, coffee concentrates, extracts, flavorings, etc.). A description of actors and activities of the coffee sector can be found in the SCA's Coffee Systems Map.⁷
- **Sustainable Coffee Sector:** A coffee sector that does not undermine its own capacity to thrive through loss of social, environmental, and economic value.
- **Equitable Value Distribution:** Equitable Value Distribution (EVD) refers to how the total value (monetary and non-monetary) created by all actors in the coffee system is distributed among them. Equitable distribution does not result in everyone receiving the same reward, but rather the right return for the value they add, the risks they take, and the costs they bear.

On Value(s): The Challenge of Moving from Knowing to Application

Two of the survey questions were designed to gauge the industry's feelings about value distribution in general, asking respondents to consider first how coffee's value **is currently** (question 7) distributed and then how it **should be** (question 8) distributed. These questions were structured on a sliding point scale, with 0 representing "totally inequitable" and 100 representing "totally equitable." The average

(mean) response when asked if coffee's value is currently equitably distributed (Q7) was 30.3, which is equivalent to "inequitably." However, the average response when asked if coffee's value **should be** equitably distributed (Q8) was 84.6, or "equitably," resulting in a gap of 54.3 points. However, when considering the median—or midpoint between the range of scores most selected in response to the questions—rather than the average, the gap becomes even more pronounced: 28 (how equitably coffee is distributed, Q7) to 92 (how equitably coffee should be distributed, Q8), for a gap of 64 points.



Perceptions of how coffee's value is vs. should be distributed

Figure 2. The gap between respondents' perception of how coffee's value should be distributed compared to how they believe it is currently distributed.

This "value distribution gap" between what is and what should be is supported by recent research on the challenges that coffee farmers (and producing countries) face in receiving recognition and reward for the value they create.⁸ In 2020, the authors of a study on the distribution of value for Colombian coffee products sold in the European market developed a "Coffee Fairness Index" (see table 1), which compares the share of (monetary) value received to the share of the population that belongs to each stakeholder group.⁹ The following year, the Columbia Center on Sustainable

7 Specialty Coffee Association, *The Coffee Systems Map* (London: SCA, 2020).

8 SzuTung Chen, "Blockchain for Social Impact: Enhancing Traceability and Economic Fairness in the Coffee Supply Chain," *Concepts, Technologies, Challenges, and the Future of Web 3*, Edited by P. Lekhi, G Kaur (IGI Global, 2023), p. 374-399.

9 Federico Miatton and Laura Amado, "Fairness, Transparency and Traceability in the Coffee Value Chain through Blockchain Innovation," Presented at the 2020 International Conference on Technology and Entrepreneurship - Virtual (ICTE-V), IEEE (San Jose, CA, USA: 2020), p. 1-6.

Investment (CCSI)¹⁰ analyzed the value chains of ten coffee-producing countries, and findings from their study mirror the Fairness Index: actors downstream and closer to the final consumer accrue more value per unit of green coffee. The results of the SCA survey confirm that this imbalance is perceived broadly, by actors across the supply chain (versus being limited to those in production roles or producing countries, where a smaller share of the total economic value accrues).

Although this work by CCSI represents rough approximations, and the numbers in the Coffee Fairness Index cannot be applied to every coffee value chain in every country, the numbers in these studies help make sense of the strong sentiments expressed by respondents to this survey. For example, question 9 (Q9) asked respondents to rate their level of agreement with the statement that "...coffee value need(s) to be more equitably distributed in the coffee sector..." On a scale of 0 (totally disagree) to 100 (totally agree), the average response was 89.4 points (totally agree).¹¹ This suggests a need for more examples, opportunities, and incentives for distributing coffee's value more equitably to be presented to consumption-side respondents who are unsatisfied with the status quo.

Stakeholders in the value chain	Share of captured value	Share of value chain population
Producers	5%	89%
Mills/Processors	2%	5%
Exporters	9%	1%
Transporters/ Shippers	7%	1%
Importers	32%	1%
Roasters	45%	3%

Table 1. Coffee Fairness Index. Share of population and captured value of stakeholders in the Colombian supply chain.

10 Kaitlin Y. Cordes, Margaret Sagan, Solina Kennedy, *Responsible Coffee Sourcing: Towards a Living Income for Producers*, Published July 2021; accessed November 30, 2023 at: https://scholarship.law.columbia.edu/sustainable_investment_staffpubs/199

11 This was confirmed with a median of 100, a mode of 100, and a quartile 1 (the bottom value under which 25% of data points are found if arranged in increasing order) of 85.

Equitable Value Distribution Survey Findings
Findings, Implications, and Emerging Connections



Figure 3. Prices and value addition at different stages of the coffee value chain. CCSI, 2021 (p.11).

Value Distribution: What We Measure Matters

Albert Einstein once said that “not everything that can be counted counts, and not everything that counts can be counted.” In an era when data has enormous financial value, what can be counted easily often seems to matter more than what can’t be, even if those hard-to-measure “things” are important—like trust, creativity, and long-term relationships, just to name a few. When it comes to sustainability, what the specialty coffee industry measures will shape our understanding of the problem(s) and of potential solutions.

Question 10 asks respondents about their perceptions of value **creation** (Q10) and question 11 focuses on value **distribution** (Q11). Comparing responses to the two questions, the same tension between what is and what should be reemerges (see Figure 4). Robert Fritz’s creative tension model is used to understand how the gaps between the current reality and an aspirational vision can take shape in a system: the higher the gap, the higher the level of tension. Applying this approach here shows that the tension between value creation and distribution in the coffee system increases at both “ends” of the value chain, with an inversion in the gap occurring at the exporting stage.

Perception on Value Creation vs. Value Distribution in the Coffee Value Chain



Stakeholders in the value chain	Share of captured value	Share of value chain population
Producers	5%	89%
Mills/Processors	2%	5%
Exporters	9%	1%

Figure 4. The point of value inversion in perceptions of value creation vs. value distribution. The blue line traces the respondents’ perception of the percentage of value each action creates, while the red line traces their perception of the distribution of value to each action.

In simple terms, respondents believe that more value is created by actors upstream (closer to and including producers), while more value is distributed to actors downstream. Figure 4 (page 12) highlights the moment of value perception inversion in the coffee system according to this survey.

The idea that more value is accrued downstream is by no means new in the coffee sector (or the broader agricultural food industry) and obeys a fundamental concept of supply chains: the closer an actor in a supply network is to the final consumer (the only source of income/revenue), the more power they have.¹²

Although the SCA's survey did not ask respondents about their perceptions of value distribution in the coffee industry of the past, other studies suggest that some of the concern about inequity might arise from changes in supply chain dynamics over the past three decades. A 2018 report from BASIC¹³ analyzed the distribution of value for coffee consumed at home in France between 1994-1997 and 2014-2017 and found that upstream actors (i.e., those working production-side) saw their share of overall value decrease from 24% in the 1990s to 16% in the 2010s. Conversely, downstream actors (i.e., those working consumption-side) increased their share of coffee's total financial value from 76% in the 1990s to 84% in the 2010s. So, if the survey responses indicate that respondents feel an acute need to examine the distribution of value, these changes may be part of the reason as to why they perceive this tension between what is and what should be. What these survey results highlight, however, is that while respondents believe that value should be distributed differently and more equitably, the specialty coffee industry has a long way to go before that becomes "the usual" way of trading or operating in the coffee system.

Producer Perspective: Increasing Knowledge and Sharing Risk

To completely understand a system, it must be observed from the margins of power as well as the center, and also examined as a whole (e.g., collective dialogue).¹⁴ In order to ensure that the SCA's value distribution baseline reflected the experiences of producers, who have been underrepresented in and excluded from conversations about value, the SCA partnered with ANACAFÉ, the Guatemalan National Coffee Association, to organize an in-person dialogue in Spanish with a group of 16 producers and representatives of producer organizations during the 32nd Congreso de la Caficultura in Guatemala City in July 2023. Because this was the only opportunity for the SCA to host discussion during the 2023 survey cycle and the format for data collection allowed for more nuance than an online survey, this report includes more detail about the insights gained from this group of stakeholders than from the much larger, more diverse pool of respondents to the online survey.

The dialogue, which was conducted in Spanish, used a semi-structured methodology: in the first half of the session, participants responded to two prompt questions using Mentimeter, an online polling tool, and a third prompt was used in the second half of the session to frame a dialogue about solutions to some of the challenges identified by participants (these prompts can be seen in Appendix 2). As participants responded to each poll question (anonymously), they were able to see their collective response change in real time, and this information shaped the group's dialogue throughout the session. One of the first topics discussed by the group was the novelty of the discussion itself—participants expressed the belief that involving producers in dialogues about the challenges facing the global coffee sector was important, and

¹² Sunil Chopra, *Supply Chain Management: Strategy, planning and operations*, 7th ed. (Harlow, England: Pearson, 2018).

¹³ Bureau for the Appraisal of Social Impacts (BASIC), *Coffee: The Hidden Crisis Behind the Success*. Edited by Max Havelaar France, The French Fair Trade Platform, the "Rethinking Value Chains" Collective, and BASIC. Published 2018; accessed November 30, 2023: https://lebasic.com/wp-content/uploads/2018/10/BASIC_Coffee-Value-Chain-Study_Research-Report_October-2018_Low-Res.pdf

¹⁴ Claus Otto Scharmer, *The Essentials of Theory U: Core Principles and Applications* (Oakland, CA: BK, Berrett-Koehler Publishers, Inc., a BK Business book, 2018).

En general para usted...

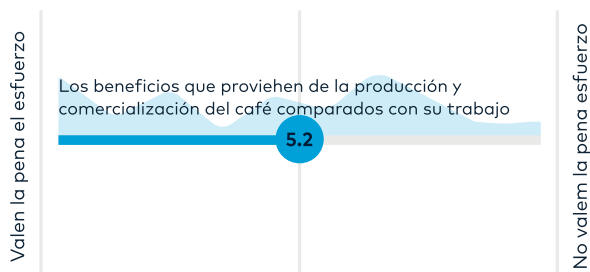


Figure 5. Distribution of responses to the first prompt, "In general for you, the benefits that come from the production and marketing of a coffee, compared to your work..."

furthermore, that the industry would benefit from involving farmers in generating solutions to these challenges. Participants also stressed their commitment to and their love for coffee and coffee production: more than half of participants were second or third generation coffee farmers (at least). These producers feel very strong emotional attachments to their work and expressed ambivalence about the tension between staying on the farm and leaving for more financially lucrative pursuits, for example in growing metropolitan areas.

Responses to the first prompt, which asked respondents to identify how worthwhile their returns were for their efforts, were broadly and evenly distributed, with an average (mean) response of 5.2 on a scale of 0 to 10, with one representing "not worth the effort" and 10 "worth the effort" (see Figure 5). While this might seem surprising when compared to the responses of the online survey respondents, who were more aligned in believing that the work of producers is not valued sufficiently, it demonstrates that producers are diverse group in their perceptions and experiences.

Participants were also diverse in their views on the importance of equitable value distribution to different groups of actors in the industry, though responses show that this group believes that producers are more interested (median 6.3) in it than any other professional group. This is unsurprising given that the focus group was

Como calificarías el interés de los actores de la industria del café en distribuir el valor del café de forma más equitativa?

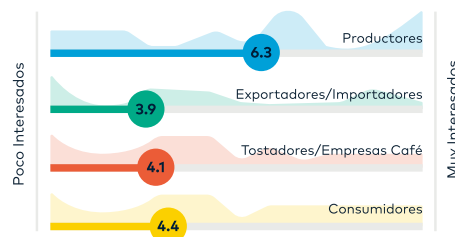


Figure 6. Responses to the second prompt, "How would you rate the coffee industry's interest in distributing the value of coffee more equitably?"

comprised of producers, but it's worth paying attention to their perceptions of other groups: the participants in this exercise believed that consumers were more interested in equitable value distribution than the actors closest to them (exporters, importers, and roasters). It would be interesting to see, in future iterations of this survey and focus group activities, if all groups perceive themselves as caring the most about equitable value distribution—including consumers—and whether or not they feel more closely aligned with actors who are further or closer to them in the value chain.

In addition to addressing the two prompts, participants shared perspectives on coffee profitability and were aligned in seeing a need for coffee value models that exist independent of the commodity futures market. They also agreed that coffee producing regions should seek opportunities to capture additional value, for example by developing local markets for specialty coffee. A final remark summed up the spirit of the first half of the discussion: "[when we talk about] the problems of the coffee industry, in reality we are talking about the problems of coffee producers." While other actors in the coffee system may disagree with that statement, it is a reminder that the coffee industry's ability to solve its problems is contingent on involving all the relevant actors and on their awareness of the issue(s).

Gaps in perception affect both the framing of problems—are they real? Are they problems for everyone, or just for some?—and the effectiveness of any strategies that emerge for building a sustainable coffee sector.¹⁵

The third prompt¹⁶ focused on the future, which led the second half of the discussion to have a more positive and action-oriented tone. Participants collectively identified four key opportunities for more equitable distribution of value to producers:

- a. Market diversification and local consumption.
- b. Farm profitability and value creation (on and off farm).
- c. Access to information about coffee quality and market trends.
- d. Risk sharing and supply chain transparency.

Participants agreed that coffee farmers, when possible, should leverage the growth of specialty coffee consumption locally because it presents an opportunity to reduce their dependency on faraway buyers and the commodity futures market, which does not value unique coffee attributes. At the same time, they recognized that higher-value specialty coffee markets are still immature (though growing steadily). Alongside the pursuit of higher value markets, participants see an opportunity for producers to better understand their costs and profitability, and to use that data to inform price negotiations. To quote one producer, “We need [cost and profitability] information to make conversations transparent... this will also help us explore options for accessing financing that is limited and restrictive.”

In addition to understanding costs and profitability, understanding the attributes of the product (coffee) a producer is selling will also help them to close the gap between the value they create and the value they receive. Different markets value different attributes, and participants agreed that “knowledge is power” for producers who aspire to receive greater rewards in return for their investments in coffee production.

Finally, the group expressed dissatisfaction with how risk sharing currently takes place in coffee supply chains. Participants identified that the coffee trade involves significant risks—including risks associated with commodity futures markets and weather-related risks inherent to agricultural production—and believe those are disproportionately borne by producers. Climate change, they noted, compounds these risks, and all participants see a need for better communication in coffee supply chains as a first step in distributing risk more equitably. At the conclusion of the dialogue, two quotes by participants stood out for how they juxtapose the limitations of the past with the opportunities of the future: first, one producer acknowledged that “we have lacked communication: quality, quantity and a good way to activate solutions,” while another expressed the belief that “with clear data and information, we can consolidate a stronger position as a producing community, producing regions, and producers [worldwide].”

15 Carlos Carpio, Miguel Zamora, “Encuesta: Caficultores y consumidores tienen diferentes perspectivas sobre qué es ‘sostenibilidad,’” *Daily Coffee News* (2023). Published June 19, 2023; accessed November 30, 2023: <https://dailycoffeenews.com/2023/06/19/encuesta-caficultores-y-consumidores-tienen-diferentes-perspectivas-sobre-que-es-sostenibilidad/>

16 “What do you think should happen more frequently so that value generated is distributed by equitably to the producer in our coffee sector?”

If Not This, Then What?

Having already established the tension between where we are and where we would like to be as a sector in terms of equitable value distribution, one of the goals of this survey was to help the SCA sense what kind of metric would be useful in tracking our industry's progress. What is the target that the specialty coffee industry should aim for? In addition to survey responses, research conducted by other institutions and organizations in the coffee sector offer insight on the effects of different interventions and highlight opportunities for new approaches to familiar challenges.

Question 12 (Q12) asked respondents to articulate a quantifiable goal: what percentage of value *should* coffee producers and producing regions receive by 2030? The average across all respondents was 38%, which is almost four times more the 10% of market share producing countries currently receive, according to the *2020 Coffee Barometer*.¹⁷ Equating a four-fold increase in value received by a producer to an equivalent increase in the price they receive for of a pound of green coffee (assuming a producer sells green coffee, which most do not) has significant implications for the global coffee sector. The ICO composite indicator for 2017¹⁸ (the reference year used in the *2020 Coffee Barometer*) was US\$1.30 per pound of green coffee, and that number raises questions: what would a price of US\$5.20 per pound of green coffee mean for consumption worldwide? Would coffee farmers be better off if the industry focused all its sustainability efforts on increasing producer incomes? Would the coffee sector that resulted from these efforts be sustainable?

While farmer income is a critical factor to consider in every coffee value chain individually, as well as the industry collectively, quadrupling the C market price is not a simple solution to the complex equitable value distribution equation. According to researchers from Rainforest Alliance,¹⁹ high prices received by producers do not always compensate for low yields from their coffee plants. In some cases, price premiums for coffee might inadvertently incentivize monocrop approaches that contribute to deforestation, biodiversity loss, soil deterioration, and poor water quality where coffee is grown. Supply chain structures—including higher costs for shipping, storage, and packaging specialty products—might also erode price premiums, which minimizes their impact on the producers they're meant to reach. Finally, looking at coffee trading at the macro level, higher green coffee prices could incentivize the establishment of new plantations, thereby increasing the environmental burden in coffee regions, exacerbating social issues (e.g., the availability of farmworkers), and oversupplying the market—a full cycle that would bring coffee prices back down.²⁰

Returning to the gap between perceptions of what is and what should be, additional strategies emerge for closing it, including a clearer articulation of the role of each actor in the coffee value chain and the value they create. While survey respondents express confidence in their understanding of value distribution in coffee (Q1), their perceptions of the value received by different supply chain actors contrast with studies that quantify coffee supply chain costs and margins.²¹ For example, respondents believe that importers receive comparatively large rewards, which is easy to understand in the context of the stories told over the past two decades about the benefits of direct relationships and "cutting

17 Sjoerd Panhuysen and Joost Pierrot, *The Coffee Barometer 2020* (Ethos Agriculture, 2020). Published January 2021; accessed November 30, 2023: <https://hivos.org/assets/2021/01/Coffee-Barometer-2020.pdf>

18 ICO composite indicator, monthly average from January to December 2017. The simple average reference is not intended to be a real representation for achieving a 38% market share of coffee sector's value for producing/exporting countries, just a proxy explanation to imagine what that could represent

19 Aviela Hochber and Matthew Bare, *Strategies to enhance coffee farmers income: Rainforest Alliance experience and research* (The Rainforest Alliance, 2021)

20 Stefano Ponte, "Behind the Coffee Crisis." *Economic and Political Weekly* 36, no. 46/47 (2001): 4410–17. <http://www.jstor.org/stable/4411387>

21 Specialty Coffee Association, *Economics of the Coffee Supply Chain: An Illustrative Outlook* (November 2019). <https://static1.squarespace.com/static/584f6bbef5e23149e5522201/t/5de8e9f9cf364a1186f55638/1575545339465/Web-English.png>

out the middle man,"²² but a forthcoming study on value distribution in German supermarket supply chains shows that their margins are low.²³ Even with more information, some stakeholders will continue to believe that traders receive too great a reward for the value they create, but transparent sharing of information would assist specialty coffee actors in understanding the actual costs and profits of coffee trading (and the same goes for other roles in the value chain).

Sharing information is not only important for building trust—it can also add to the value of the coffee being sold. A working paper published by the World Intellectual Property Organization in 2017,²⁴ which is the basis for the 2020 Coffee Barometer's estimate that 10% of the economic value of coffee is received by producing countries, notes that intangible assets²⁵ are increasingly important to the modern economy. This offers another area of potential opportunity, and the Extrinsic Assessment section of the SCA's Coffee Value Assessment is one tool that can be used to begin to catalogue those "intangible" attributes that, along with flavor attributes, differentiate specialty coffee from commodity coffee. Although more research is needed to quantify the value of different types of extrinsic attributes like certifications and post-harvest processing techniques, the idea that this information is part of what makes a coffee (or coffee experience) worth more has been repeatedly proven to be true by studies of preferences like the one conducted every year since 1950 by the National Coffee Association of the USA.²⁶ This suggests that there is untapped potential both for additional value creation and for consumers to recognize and reward producers for the intangible assets that contribute to the value of the (tangible) coffee product, especially if information about consuming markets is accessible to and actionable for producers.

Following a few basic demographic questions, the first question in the survey asked respondents to self-assess their own familiarity with the concept of equitable value distribution. Most respondents (76%) reported moderate to significant familiarity, likely due to a combination of the SCA's Price Crisis Initiative and other well-known efforts to raise awareness about the root causes of repeated coffee price crises: examples from the past few years include the International Coffee Organization's Public-Private Taskforce, the Sustainable Food Lab's work on Living Income, and *the Coffee Barometer*.

22 Alex Leff, *Central American farmers cut out the middle man*, Reuters Online. Published July 30, 2011; accessed November 11, 2023. <https://www.reuters.com/article/centam-coffee-idAFN1E76S16D20110729/>

23 BASIC, IDH, Global Coffee Platform, and Solidaridad, "How is value distributed in the Germany coffee supply chain?", a webinar offered November 30, 2023. https://www.linkedin.com/posts/idh-the-sustainable-trade-initiative_coffeeindustry-valuechaindistribution-activity-7133371111047618560-WO1k

24 Luis F. Samper, Daniele Giovanucci, Luciana Marques Vieira. "The powerful role of intangibles in the coffee value chain," Economic research working paper No. 19, World Intellectual Property Organization-WIPO (November, 2017).

25 In IAS 38, the International Standards Organization defines "intangible assets" as "an identifiable non-monetary asset without physical substance." <https://www.ifrs.org/issued-standards/list-of-standards/ias-38-intangible-assets/>

26 National Coffee Association, *National Data Trends Study*. <https://www.ncausa.org/Research-Trends/Market-Research/NCDT>

Conclusion

Sensing, Networks, and the (New) Future Specialty Coffee Landscape

Equitable value distribution matters because a thriving and sustainable coffee industry relies on the effort of millions of people. The estimated billions (between 1.37-2.25 billion, depending on the source) of cups of coffee consumed globally every day rely on 12.5-25 million coffee farming families, whose efforts underpin the livelihoods of at least 60 million people worldwide.²⁷ The decrease in the share of coffee value received by these farming families over the past 30 years, combined with inflation and cost of living increases, suggests that not only is the coffee industry not progressing toward improving their livelihoods, but in fact, we are regressing—something the ICO confirmed in a survey of 13 coffee-exporting countries, which tracked an increase in the proportion of farmers living below the extreme poverty line (US\$1.90/day).²⁸ This trend must be reversed—especially if coffee industry actors continue to claim to be committed to sustainability, as “No Poverty” is the first of the United Nations’ 17 Sustainable Development Goals.²⁹ And while it’s impossible to know the future, all signs point to higher demand for coffee, and whether patterns follow low or high consumption predictions, coping with increased demand will put additional pressure on producing regions worldwide.³⁰

27 Jeffrey Sachs, et al. 2019. Op. cit.

28 International Coffee Organization, “Survey on the impact of low coffee prices on exporting countries,” International Coffee Council 124th session, Nairobi, Kenya: March 25-29, 2019

29 United Nations, Department of Economic and Social Affairs, *The 17 Goals: Sustainable Development*, Accessed November 30, 2023: <https://sdgs.un.org/goals>.

30 Timothy J. Killen, Grady Harper, “Coffee in the 21st century, will climate change and increased demand lead to new deforestation?” Conservation International (April, 2016).



But what if the pressure facing producing regions could be distributed across global value chains? The specialty coffee industry has a host of tools to help downstream actors mitigate risk, from widespread practices like forward contracting to rarer commitments by roasting companies to sharing profits with their suppliers,³¹ and opportunities abound to develop and test other approaches. Businesses that share value intentionally, using inclusive business and sourcing models, can create value and innovate while supporting all supply chain actors. That will require a mindset shift, but examples of alternative value distribution exist around us: look at Pachamama Coffee, a roasting company founded by a consortium of coffee farmer cooperatives in 2006, Equal Exchange, or Gimme Coffee, which all employ cooperative-based business models.

Returning to the theory of change:

if we shape mindsets and business behaviors, and generate actionable knowledge needed to build a thriving coffee industry, then we could foster equitable value distribution as a tool to make specialty coffee a thriving, equitable, and sustainable activity for all actors in the value chain.

The results of this survey inform the SCA's efforts by enabling the association (and anyone working to distribute value more equitably in specialty coffee) to understand how the industry currently views the distribution of value and the change to be made.

Understanding the current thinking of the specialty coffee industry is a necessary first step to evolving business models and trading systems in an inclusive way. In this global, diverse industry, it's more dangerous than ever to make assumptions that everyone agrees about something without first asking for their input: complex sustainability problems require complex solutions. Sustainability in the

coffee sector should be thought of in terms of a trajectory rather than an absolute state: an infinite game, without losers and winners, for the prize of making coffee better for all. Its scope may be vast and daunting, but the rules and systems we live by were created by people—once we accept this, we can find courage to contemplate how we, the specialty coffee industry of the present, can change them.³²

31 Read more from Drs. Janina Grabs and Elizabeth Bennett in Issue 14 of 25 (<https://sca.coffee/sca-news/25/issue-14/profit-sharing-towards-a-just-and-stable-future-for-coffee-growers>) or through their academic work: "Rethinking the 'Necessary' Trade-offs of Distributing Value to Suppliers: An Analysis of the Profit Sharing Model," published in the Harvard Kennedy School Working Paper Series, July 2021.

32 Adam Grant, *Originals: How non-conformist move the world*, Penguin Books, 2016.

Appendices



Appendix 1: Overview of Survey Questions and Responses

Question Number (Q#)	Respondents (attrition)	Potential Responses	Responses
Q1: Please select the category that best describes your business type:	406 (0%)	Single response: Retailer; Roaster Retailer; Roaster Wholesaler; Trader; Importer; Exporter; Producer; Picker/harvester; Cooperative; Processor; Education; Consultant; Non-profit; Association; Media; Manufacturer/supplier; Other.	Retailer – 24 Roaster Retailer – 70 Roaster Wholesaler – 59 Trader – 12 Importer – 20 Exporter – 16 Producer – 46 Picker/harvester – 0 Cooperative – 10 Processor – 2 Education – 33 Consultant – 37 Non-profit – 19 Association – 12 Media – 6 Manufacturer/supplier – 13 Other – 28
Q2: Please select the category that best describes your primary occupation:	406 (0%)	Single response: Barista; Coffee Buyers; Roaster; Coffee Producer/Grower; Coffee Taster/ Cupper/Grader; Consultant; Educator/Trainer; Manager/ Director; Marketing; Owner/ Senior Executive; Research and Development; Sales/Business Development; Technician/ Engineer; Trader; Other.	Barista – 12 Coffee Buyer – 9 Roaster – 38 Coffee Producer/Grower – 28 Coffee Taster/Cupper/Grader – 15 Consultant – 14 Educator/Trainer – 30 Manager/Director – 43 Marketing – 8 Owner/Senior Executive – 64 Research and Development – 9 Sales/Business Development – 13 Technician/Engineer – 5 Trader – 4 Other (please specify) – 17
Q3: How many years have you worked in the coffee sector?	406 (0%)	Slider: 0 to 20+	5,033 Years total 406 Responses English (mean): 12.1 years Spanish (mean): 13 years Portuguese (mean) 12.1 years

Equitable Value Distribution Survey Findings

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Question Number (Q#)	Respondents (attrition)	Potential Responses	Responses
Q4: In what country do you currently work?	406 (0%)	Single Select Dropdown	Argentina – 5; Australia – 3 Austria – 2 Belgium – 3 Bolivia – 2 Brazil – 12 Canada – 9 China – 9 Colombia – 30 Costa Rica – 9 Dominican Republic – 1 Ecuador – 4 El Salvador – 10 Ethiopia – 3 Finland – 1 France – 5 Germany – 11 Greece – 7 Guatemala – 28 Honduras – 6 India – 2 Ireland – 1 Italy – 11 Jamaica – 1 Japan – 2 Kazakhstan – 1 Kenya – 2 Lebanon – 1 Malaysia – 1 Mexico – 20 Morocco – 1 Nicaragua – 1 Nepal – 1 Netherlands – 2 Oman – 2 Peru – 15 Philippines – 1 Poland – 1 Portugal – 2 South Korea – 3 Rwanda – 1 Saudi Arabia – 1 Singapore – 2 Slovakia – 1 South Africa – 4 Spain – 11 Sweden – 1 Switzerland – 8 Thailand – 2 Turkey – 3 Uganda – 4 United Arab Emirates – 1 UK – 13 Tanzania – 1 USA – 114 Venezuela – 3

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Question Number (Q#)	Respondents (attrition)	Potential Responses	Responses
Q5: In what regions have you worked?	406 (0%)	Check-all-that-apply Boxes: Australia and Oceania; Caribbean; Central & South Asia; Central Africa; Eastern Europe; Middle East; North America; Northeastern Asia; Northern Africa; South America; Southeastern Asia; Southern Africa; Southern Europe; Western Africa; Western Europe.	Australia and Oceania – 22 Caribbean – 18 Central & South Asia – 27 Central Africa – 7 Central America – 67 Eastern Africa – 44 Eastern Europe – 28 Middle East – 20 North America – 142 Northeastern Asia – 14 Northern Africa – 8 Northern Europe – 30 South America – 74 Southeastern Asia – 41 Southern Africa – 8 Southern Europe – 28 Western Africa – 6 Western Europe – 62
Q6: In your opinion, how much do you know about inequity and value distribution in the coffee sector?	361 (11.1%)	Multiple choice: I know a lot about it I know a moderate amount I know a little bit I have never heard of it	A lot – 97 Moderate – 176 A little bit – 78 Never heard – 10
Q7: According to your opinion, value distribution in the coffee sector is...	371 (8.6%)	Slider: Totally inequitable (1) Totally equitable (10)	Mean: 30.3% Median: 28 Mode: 0 (0)
Q8: According to your opinion, value distribution in the coffee sector should be...	371 (8.6%)	Slider: Totally inequitable (1) Totally equitable (10)	Mean: 84.6% Median: 92 Mode: 100 (0)
Q9: According to your opinion, coffee value needs to be more equitably distributed in the coffee sector...	371 (8.6%)	Slider: Totally disagree (1) Totally agree (10)	Mean: 89.4% Median: 100 Mode: 100
Q10: According to your opinion, what percentage of the coffee sector's total value (100%) is created by each of the following activities in the value chain?	282 (30.5%)	Fill in the blank for each activity (all entries should add up to 100): Farming, Processing, Exporting, Importing, Roasting, Retailing	Negative linear trend Average for each: Farming: 36.6 Processing: 19.3 Exporting: 14.9 Importing: 12.9 Roasting: 21.0 Retailing: 19.2

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Question Number (Q#)	Respondents (attrition)	Potential Responses	Responses
<p>Q11: According to your opinion, what percentage of the coffee sector's total value (100%) is distributed to each of the following activities in the chain?</p>	<p>178 (50.6%)</p>	<p>Fill in the blank for each activity (all entries should add up to 100):</p> <p>Farming, Processing, Exporting, Importing, Roasting, Retailing</p>	<p>Positive linear trend Average for each:</p> <p>Farming: 19.2 Processing: 14.6 Exporting: 21.1 Importing: 18.5 Roasting: 24.2 Retailing: 27.6</p>
<p>Q12: What do you believe would be a reasonable market share target for coffee producing countries by the end of 2030?</p>	<p>267 (34.2%)</p>	<p>Slider: 0% to 100%</p>	<p>Mean: 38.03% Median: 35% Mode: 30% Min: 8% Max: 100% Standard Deviation: 15.69%</p>
<p>Q13: What do you think would need to happen in order for our coffee sector to distribute value generated more equitably?</p>	<p>267% (34.2%)</p>	<p>Open-ended response, up to 300 words</p>	<p>8,471 words 5,632 in English 2,618 in Spanish 221 in Portuguese</p>

Appendix 2: Semi-structured Interview Survey Prompts

Prompt No. 1: En general para usted, los beneficios que provienen de la producción y comercialización del café comparados con su trabajo... (In general for you, the benefits that come from the production and marketing of coffee, compared to your work...)

Prompt No. 2: Como calificarías el interés de la industria del café en distribuir el valor del café de forma más equitativa? (How would you rate the coffee industry's interest in distributing the value of coffee more equitably?)

Prompt No. 3: ¿Qué cree que debería suceder con más frecuencia para que en nuestro sector café se distribuya el valor generado de manera más equitativa hacia el productor? (What do you think should happen more frequently so that the value generated is distributed more equitably to the producer in our coffee sector?)



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