# Coffee and Wine: A Comparison of the Value Chains, Ownership Structures and Sustainability Standards

**Title**
Coffee and Wine: A Comparison of the Value Chains, Ownership Structures and Sustainability Standards

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**Research Question**
The coffee sector looks up to the wine sector's long history, prestige, mystery, terminology and (sometimes) high prices. What are the similarities and differences? Can coffee imitate wine?

**Methods**
The two products and sectors are analysed through desk research and visits to organizations, research institutions, conferences, growers, producers, companies and individuals in producing and consuming countries.

**Results**
More than 60 differences between the two products and the two sectors are identified. Four significant differences between the sectors are highlighted and explained.

**Abstract**

1. **BACKGROUND**

   The coffee sector looks up to the wine sector for several reasons. Wine has a long and fascinating history, full of prestige (and sometimes hype) and some wines are sold at astronomic prices but the coffee sector cannot directly copy the wine sector since many aspects in the two sectors are fundamentally different.

   This presentation describes four differences between the coffee sector and the wine sector. The data is taken from a larger gross material compiled over several years by the presenter.

   The initial aim with the material was to advise the coffee sector on how it might possibly benefit from imitating the wine sector. Indications are currently that both sectors can learn from each other. A book on the topic is scheduled for publication in 2017 and may be the first of its kind.

2. **FOUR DIFFERENCES BETWEEN THE COFFEE SECTOR AND THE WINE SECTOR**
2.1. Structure of the value chains

One of the most significant differences between the coffee sector and the wine sector is the number of stages in the value chain. The value chain is long for coffee – with many physical transformations and shifts of ownership – whereas it is short for wine, with only few transformations, often all of them at the same location. Wine is one of the very few products still produced from A to Z in the same place.

The wine producer usually (i) grows the grapes or knows both the grower and where the grapes come from, (ii) tastes, evaluates and adapts the product during processing, (iii) puts up the final product for sale, and (iv) also knows at least some of his or her buyers and gets their feedback. The wine producer thereby gets to know his/her final product very well.

Typically (i) a coffee grower grows coffee and sells coffee cherries or green coffee beans to a domestic trader who (ii) supplies an exporter (iii) who processes the coffee and then (iv) sells it to a trading house that (v) supplies roasters who (vi) sell roasted coffee to retailers where (vii) the end consumer buys it, and eventually (viii) becomes the coffee brewer – unless the coffee is purchased in a café or restaurant. Strange as it may sound, many coffee growers have never tasted or even seen a cup of coffee.

2.2 Quality enhancement options

The quality of wine can be enhanced in many ways through use of chemical and physical methods. Enthusiasts of ‘natural-wine’ tend to call these methods manipulation. Some of the methods have been known for centuries while others have been developed in the last few decades. Among the more recent techniques are flash détente, reverse osmosis, cryogenic concentration and cone-spinning.

Only a few quality improvements of this kind are possible for coffee among which is the steam-cleaning of green (raw) Robusta beans. Otherwise focus is on preserving the intrinsic high quality and carefully avoiding deteriorations at all stages in the long value chain.

2.3 Large companies in the two sectors

Coffee trading houses import green beans and arrange the processing, storage, just-in-time delivery, financing and other services. The largest groups have more than 10% of the world market and the eight largest groups have 50% of the world market. At the subsequent level of roasters (offering branded products to retailers) the two largest groups have over 10% of the world market and the eight largest groups combined have 40%.

The wine sector is different: the leading companies in the industry may be big but even the largest of them account for less than 3% of the global production of wine and the ten largest companies combined account for 13% only.

The large wine companies are generally not known by the end-consumer, whereas many of their brands are well known – some of them worldwide.

In the US a few large companies dominate the wine industry. Three of them (E&J Gallo, Constellation Brands and The Wine Group) are the world’s biggest. Together they account for more than half of all wine traded in the US.

2.4 Sustainability standards

Over the last two decades sustainability standards have become à-la-mode in both coffee and wine for various reasons: environmentally friendly (soil, water, climate, CO2 emission, flora and fauna), worker friendly (health, remuneration and work conditions in general) and consumer friendly (health – and taste, maybe). In addition the standards create transparency and traceability, and are generally good for the image of all parties involved,
including the end-consumer.

Sustainability standards are more complex for coffee than for wine for several reasons, and that goes for development of the standards, implementation (training and introduction of new practices), certification and monitoring of compliance.

Note: ‘More complex for coffee than for wine’ is not the same as ‘simple and easy for wine’!

Here are four reasons why sustainability standards are more complex for coffee than for wine:

2.4.1 Coffee standards are global

The leading sustainability standards for coffee operate worldwide and, apart from minor deviations under very special circumstances, the conditions for all partners in a standard are the same. The most prominent standards (also called schemes or programmes) are Organic, Fairtrade, Rainforest Alliance, UTZ Certified and 4C, which cover either one or three of the sustainability dimensions: Environmental, Social and Economic. Most of these leading standards are practiced in more than half of the over 60 coffee producing countries.

Sustainability standards for wine are different. They are usually developed for one country or one region only, and are usually developed by people in that country and subsequently adapted to conditions in that country or region. Concerning wine standards, environmental issues, including carbon emissions, have been in focus for long time whereas social and economic criteria have only gradually been included. Examples of nationwide programmes are those of Austria, South Africa, Australia and New Zealand. The programmes for California and Sonoma County are examples of regional and sub-regional standards.

2.4.2 A long value chain with many participants

The value chain in coffee is longer and more complex than in wine. All parties have to be part of and comply with the standard, which means (i) many producers are involved (sometimes thousands of smallholders), (ii) many stages of physical transformation must be adapted for compliance and then monitored, and (iii) the coffee is handled by many partners, who are often unknown to each other and may live 10,000 km apart.

2.4.3 Geographical spread

There are over 60 coffee producing countries and most coffee ends up as blend based on two or five or even more coffees from around the world. Each of these coffees has to comply with the sustainability standard in place, which adds to the logistic complexity. (While wine may also be a blend the grapes usually come from the same estate or at least the same region.) This component of the complexity for coffee explains why Rainforest Alliance indicate (as an example) ‘40% or more of this coffee is RA certified’ on some coffees. The percentage typically refers to one or two of the coffees in a blend being certified.

2.4.4 Participants’ education

Around 80% of the world’s coffee is produced by smallholder growers in Honduras, Rwanda, Indonesia and more than 50 other developing countries. Participants in sustainability programmes in coffee producing countries are often not as well educated and informed as the grape growers, wine producers and other parties in the wine business.

3. SUMMARY

As of now more than 60 differences have been identified and described between coffee and wine in their products and their sectors. Four of the most significant differences are:
(i) Stages in the value chain (physical transformations and shifts of ownership).
Coffee: Many stages in different places;
Wine: Few stages – often in one place.

(ii) Options for quality enhancement during transformation and processing.
Coffee: Very few options only;
Wine: Many chemical and physical options.

(iii) Leading companies’ share of the world market.
Coffee: Some companies have over 10%;
Wine: All companies have below 3% (but may still be very large).

(iv) Complexity of sustainability standards.
Coffee: Fairly complex – and global;
Wine: Simpler than for coffee (which is not the same as simple and easy!).

The findings will be used in a book detailing the juxtaposition of the two products and the two sectors. It will include some suggestions on how the coffee sector can learn from the wine sector – and perhaps even visa-versa. The book is slated for publication in 2017.