

A Future of Coffee Industry keynote by Dr Patrick Dixon for the European Coffee Federation posed huge questions about the future of coffee as a consumer product in a world increasingly concerned about values, ethics and image.

This theme has since been taken up by influential leaders in the coffee industry such as Walter Zwald, seeking to find a better way to run the coffee industry for the good of all.

He has proposed a \$1 per 50kg tariff, which would raise \$140m a year yet only add \$0.0034 per cup of coffee. \$70m would go to improve the public image of coffee and educate people about how to drink it - much harder than you think to get a wonderful cup of coffee tasting as it should. \$70m would be used to fund community health and development programmes in the poorest areas where coffee is grown.

[Need a world-class coffee industry keynote speaker? Phone Patrick Dixon now or email .](#)

**The following is adapted from story / interview in the Financial Times 27 January 2005 by Elizabeth Rigby:**

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"Big coffee producers such as Nestle and Kraft have been pressed to introduce a voluntary levy on raw coffee beans as part of a wider move to promote sustainable development. The Worldwide Sustainable Coffee Fund, set up by leading members of the coffee industry, yesterday put forward at an International Coffee Organisation meeting in London a proposal to levy Dollars 1 on every 60kg bag of beans.

Walter Zwald, former president of the Swiss Coffee Trade Association, spearheading the proposal, said the move would raise Dollars 70m a year. "The money would be split between projects based in producing countries and the promotion of coffee consumption," he said. The ICO had agreed to explore the proposal and would meet the Coffee Fund team to present a

more detailed plan.

The plan has informal backing from 70 per cent of coffee-producing countries. The Coffee Fund first discussed the scheme in 2001 but it was rejected by ICO at that time.

However, the continued fall in coffee prices has prompted a rethink. The ICO estimates that earnings of 50-plus producer countries in Africa, Asia and Latin America have dropped from Dollars 10bn a year to Dollars 5.5bn a year since 1998. The scheme will focus on the mainstream market rather than just the fair-trade segment of the industry, which makes up only 2 per cent of coffee production.

**"This is all part of a conversation about sustainable coffee production and human justice,"** said Patrick Dixon, chairman of Global Change Limited and a speaker at the ICO conference. **"We know these issues are complex but they have to be solved. The oil industry has accepted all kinds of initiatives and global regulation. Coffee is the poor cousin, there is much less money involved but the number of individuals involved is much greater."**

The initiative is part of a wider thrust to promote sustainable coffee production. In September, coffee producers together with the world's largest coffee companies signed an agreement - the Common Code for the Coffee Community - to improve working conditions and environmental standards in the industry.

The code, adopted by Nestle, Sara Lee, Kraft Foods and Tchibo, was the most ambitious attempt to set standards in the industry. The code also applied to coffee producers in Brazil, Central America and Africa.

Separately, the ICO meeting also consulted members on moving the headquarters from London, where it has been for the past 40 years, to Madrid. The cost-saving move would be popular with Latin American coffee producing nations but less so with the UK coffee industry. A decision is expected tomorrow."

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## **PRESS RELEASE 26/9/01**

### **CALL FOR ALL COFFEE TO BE “FAIR-TRADE COFFEE”**

Chairman of Swiss Coffee Federation calls for global agreement on new ethical coffee fund to benefit growers and says he is ashamed by coffee industry exploitation of the poor

Major speech to members of the International Coffee Organisation, London – proposing a “coffee tax” of 50 cents per 50kg bag – money to be channelled back in community projects run by charities / NGOs such as Oxfam

Speaking the International Coffee Organisation, Walter Zwald, Chairman of the Swiss Coffee Federation said:

“Coffee has a bad image and it’s getting worse – one reason why coffee drinking is stable or falling in Europe. I am ashamed to be part of the coffee industry as it is today because the way we run it is unjust and exploits the poor. We have made more profits than we should.

“Coffee is the largest traded commodity in the world after oil, a huge and wealthy global industry, yet the beans are grown almost entirely by very poor people, who receive hardly anything for their labours. Coffee bean prices have fallen dramatically over the last two decades – even more so this year. Indeed prices are now so low that the quality of coffee is suffering with poor bush care and other problems.

“Fair-trade coffee has become popular, with chains like Starbucks taking the moral high ground by adopting it. However very little of the extra price of fair trade coffee actually gets back to the grower, because it is all small-scale.

“I am calling on the entire coffee industry to take a small but significant step to help support

some of the poorest people in the world with a “coffee tax” of 50 cents per 50kg bag. This will be returned to benefit the community of coffee farmers by supporting education, health and other projects in partnership with well-recognised NGOs and charities.

“I have had discussions with many of the main players – whether producing nations, wholesalers or retailers and I have had very positive responses. No one wants to be the only one but I believe we could all act together.

- Walter Zwald is Chairman of the Swiss Coffee Federation, Board Member of the European Coffee Federation and Member of the International Coffee Organisation
- 4 companies buy 60% of all raw coffee beans
- Organisations already consulted: International Coffee Organisation (ICO), Worldbank, Common Fund for Commodities, Association of Coffee Producing Countries, Institute for Scientific Information on Coffee, several NGO's, several main coffee companies, European Coffee Federation, National Coffee Association of America, Specialty Coffee Association of Europe

Speech on 26 September 2001 in London 9.00am to 10.00am  
International Coffee Organisation 2nd floor, Board room  
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### **Victor Zwald's speech on the future of the coffee industry at Cintercafe 2000**

**- Raising the issue of falling coffee commodity prices, falling incomes to the poorest coffee workers, falling quality of coffee bushes (no incentive), falling quality of coffee drunk, rising coffee prices in retail stores, moral issues of injustice, image of coffee as a drink that exploits people, rising of "fair trade coffee" use in chains like Starbucks,**

**falling coffee consumption among the young in Europe - and finding a more sustainable future for the coffee industry. See slides of [original presentation on the Future of Coffee](#) by Dr Patrick Dixon**

"Ladies and Gentlemen,

All of you have already listened to several interesting speakers concerning either coffee producing and/or consuming countries. When reading my heading – I wouldn't blame you - if you came to the idea that this speaker is either working for the Red Cross or some "green" consumer organisation - not to say that these organisations have a negative image.

What goes through your mind when you see this picture?

**Picture of a woman with her child on her back picking coffee**

For us here this is a normal picture. But what do you think is going on in the consumer's head!! I don't think I have to give any hints !!

But how do you think the consumer could understand our business the right way ? It is our job to make much more educational work and give the consumer transparency of our business. Yes, I already know a few companies who do a great deal of work in this direction and in addition also many companies do a lot of sustainability work - either on the roaster - or on the trading side.

But that's not enough at all. - Why ?

I'm not only saying it, I'm completely convinced.

Now you certainly have some questions.

How do you think we could change that ? To start with, I must tell you that we have to do it together - only together will we be successful. With today's on-line Internet possibilities, we have a much better chance than ever before. But let's get back to this later on.

***With the low price period we are having now, we can't afford to wait for better times - until a natural disaster hits our coffee market!***

Even during a high price period, we think we are all experts: we fix our price on the selling side on the top only and on the buying side we fix the price at the lowest level.

Don't you agree!!!

All of us know here that even seller and buyers have fixed the price whatever level that will be that is not the farmers price.

This system we have to explain to the consumers and to the media. In particular, in the last 10 years this unfixed business has overwhelmed the entire selling and buying activity.

Why do we have to explain to our consumers how the coffee market works and the important role of the trade and it's necessity ?

e.g. Forward purchases of roasters where origin can not sell due to internal restrictions and / or huge [investments](#) of trading companies in exporting organisations at the origin.

Allow me to point out that in many coffee producing countries the export activity wouldn't function any more as they do today without the trade!

This is also sustainability support. But this engagement of the trading companies must be under the umbrella of economic efficiency, as this sustainability support bears also enormous risks.

Economic efficiency is a good way of illustrating today's price situation with regards to the actual oversupply.

At the moment there is an intensive discussion going on in the Ivory Coast about burning 250'000 tons of cocoa. Isn't this thought completely shocking - even hair-raising – with the country now being at unrest and unable to pay back their enormous debts?

### **Chart Cocoa**

On this chart you can see the price development of cocoa of last years. If the price decrease continuous like this there will be not much left from this fruit.

But let's come back to coffee. As we all know we have also an overproduction - mainly in the Robusta field. As long as we see production increase as these figures show.

### **Chart "Vietnam"**

We must not ask ourselves why the market is at such a low level. Therefore all of us should undertake every possible step and opportunity to draw the attention to this development. This can be either done by trade organizations, like export organisations - at government level – world bank - or at diplomatic level.

As a German proverb says: "Constant dripping hollows (out) the stone".

I know what you want to say. Every country can do what they like. Yes, but this liberty ends where someone else starts to suffer. So in this case, less would be more for everyone.

We have now touched a part of the production side.

But do not think we are better in marketing our product because the consumption figures don't show a brilliant picture. That is expressed very diplomatically. The recent published figures for the U.S. consumption over the past 40 years show the lowest coffee consumption in the USA - despite the many new boutique roasters starting their businesses.

The activity of these boutique/specialty roasters have certainly addressed a new group of consumers. What does this mean to the so called normal coffee drinker – I call them cardboard coffee drinkers – who have consumed even less coffee than in the past.

Without going into details the consumption picture in Europe is not any better.

Why do you think it is so?

- Is it the quality?
- Is it our dull marketing strategy?
- Is it the price war particularly in the retail sector?
- Is it because we are just brewing our coffee, without any story or identification to the product?
- Is it the image of coffee?

Each of these points are in some way responsible for the decline in consumption figures in traditional coffee consuming countries.

I think we have to forget about serving coffee the way it is still being done today in many German highway restaurants. With such products we cannot promote consumption. We reduce it instead !

The reason is: The consumer has a lasting bad aftertaste from such a cup of coffee! Also the acidity in a number of blends which you come across around the world, is sometimes just shocking. (A lot of experts – only think in terms of Arabicas in the blends - and in addition - only highly grown Arabicas coffees, because they are the best. I do not need to explain you more.

Why can you drink 4 to 5 Espressos a day in Italy without any problems. That's exactly the answer.

Now you would like to hear how “we” could improve this situation.

1. First of all it is to start with an acceptable blend – not too acid.
2. The whole chain from the roaster to the consumer has to be monitored in all aspects much more than today. There I mean grinding, water temperature, pressure and the most important point how we go to serve the coffee.

I would like to show you that also with two examples.

Chart “Which cup is easier to sell”  
Which cup of coffee is easier to sell?

This one picture of the bad cup

Or

This one picture of the better cup

Coffee is such an appreciated product in the marketing sector, as we can make a lot of stories around our product coffee. We have just to do it!

As mentioned earlier I am aware that good efforts are on the way looking at different areas of the coffee market. Even today in the new ICO agreement we have clauses like sustainability and social clauses.

I should not say it, but I have to say it !!

Not much success can be achieved for example under the heading of the Private Sector Consultative Board.

The task force “Good news on coffee” has only a budget of \$ 20'000.- to \$ 30'000.- per year. But even though, it is a start. Wherever you intend to reach a target, we need forerunners – people who lead the way. Usually they have a hard time to start up and they are laughed at.

More or less the same story applies to the PSCB task force;Sustainability;.

Most of the members of these “task forces” are only working on a voluntary basis besides their normal jobs.

But we can only change something if we do it together. It is absolutely necessary that we can fulfill today's consumer conditions and also those of the future.

Let me quote Dr. P. Dixon – who was holding an impressive speech during [the last European Coffee Conference in Bremen](#) last June.

Chart proverbs by Dr. P. Dixon

“Either we take hold of the future or the future will take hold of us”

or

“Eat or be eaten”

In order to monitor and support our business in a proper and real professional way – as the commodity coffee is respected for - we have to work in the direction of an export and import levy.

Allow me to make a calculation:

If we had 60 Mio bags of coffee on the export side and 60 Mio bags on the import side– under the heading of the ICO members – and we would add US\$ 1.-- on each side per 50 kg – this would amount to

US\$ 144'000'000.--.

What does this mean to the consumer per cup.

Calculated at 7 grams per “real” cup of coffee – that is - prepared with pistons - it would amount to US-Dollar 0,000329 per cup.

In other words – an extremely low amount – difficult to pay in any currency!!

0.72 Lit calculation as per annexe 1

I think if we published these figures to the consumers, they would accept both Dollars right away, here I mean the US-Dollar 1.-- per 50 kg at the export side and

the US-Dollar 1.-- at the import side  
for the commodity coffee.

This could be done with the slogan: [“Drink](#) coffee for a better world”

I can let you know that a few big roasters would support this idea and we would reach two points:

- a real official sustainability for coffee

- and an answer to “the increasing number of questions by end consumers” We would be the first commodity who would create a sustainability fund.

Let's assume we would get the

US Dollars 144'000'000.-- .

50 % is export levy – 50 % is import levy.

With that amount of money a group of top professionals in all coffee fields – here I mean roasting – trading and origin knowledge – and an experience with the different long term supply agreements - could really change the situation. My idea is that the amount of the export levy has to go back/invested into origin and the import levy has to be invested in projects on the consuming side.

Where now should the money be spent under the umbrella of economic efficiency?

Let's first look at the consuming countries –which is probably easier.

Chart “The consuming side”

- Coffee campaigns
- Coffee Education – Consumer evenings – coffee clubs
- Coffee Promotion
- Mould prevention – moisture management
- Establishing professional links between the already existing coffee organisations like

- European Coffee Federation – CECA/EUCA/ECF  
- (support to all different task forces under this heading)

- Association of the Coffee Producing Countries ACPC

- Consumer Organisations

- European Union regarding food regulations (prevention work)

- Private- or industry coffee promoting organisations like “Viva Café Forever”.

Before I finish, let me briefly mention the origin side and then I let you go for lunch and you can discuss my extraordinary ideas !

On the origin side – after all it is an other 77'000'000-- US. Dollars.

Chart "The origine side"

- Infrastructure support in the shipment ports.
- Giving financial support to road construction for better inland transport.
- Mould prevention – Moisture management – I don't like to go into details here, but this item, Ladies and Gentleman, is actually one of the most important subject we have to handle. Believe me, it is so. Here we have to do prevention and our job before the bomb blows off!
- Growing and picking instruction in absolutely underdeveloped producing countries
- To promote international cooperation in all coffee matters

Ladies and gentlemen,

Some of you might think the guy in front of you is a dreamer - BUT I AM NOT. I have been working now for nearly 30 years in the coffee business – in the trading sector – in central buying office activity, on the roasting side and active in different official functions for many years.

Some of you might think the idea is good and could be considered. What I would appreciate is that both parties could give me a feedback - whether positive or negative.

I am pleased to answer you any question you might have.

Thank you for your attention!

**- Meggen, November 2000 Walter Zwald, Coffee Buying & Consulting, CH-6045 Meggen, Switzerland, e-mail: [wzcbc@tic.ch](mailto:wzcbc@tic.ch)**

## **Profile of Walter Zwald**

Walter Zwald started his career with a commercial apprenticeship in an international coffee, cocoa and sugar trading company from 1965 - 1968.

For 4 years after the apprenticeship different education steps in the banking sector - such as stock exchange assistend trader - currency trading - documents handling - bond trading - options trading - have been attend.

From 1972 - 1979 he moved on to becoming an international trader in green coffee. In 1979 he became member of the board of the Kraft Jacobs Suchard Central green coffee buying office in Switzerland (Taloca). Among other responsibilities he was responsible for establishing relationships with different government-orientated selling organisations in the origin countries and concluding long-term supply agreements.

In 1987 he became general manager for an international trading company for coffee, sugar and cocoa (Fritz Kopp AG, Lucerne). From 1991 he worked as general manager of a medium sized roasting company in the roast and ground business (Rost AG, Sursee).

Since 1996 Mr. Zwald has been and is still doing different consulting jobs in New Zealand and Australia.

Since 1989 Mr. Zwald is president of the Swiss Coffee Trade Association. Also since 1989 he is member of the "Contract Commission" of the European Coffee Federation for the European Contracts for Coffee - green coffee trade rules. Since 1998 he is a member of the new existing Liaison Group between coffee producers and consumers. In June 2000 he has been elected as member of the board of CECA -Committee of European Coffee Associations. In August 2000 he has been elected as member of the Private Sector Consultive Board of the International Coffee

Organisation (ICO). In September 2000 he has been invited to be observer of the Council of the International Coffee Organisation (ICO).

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