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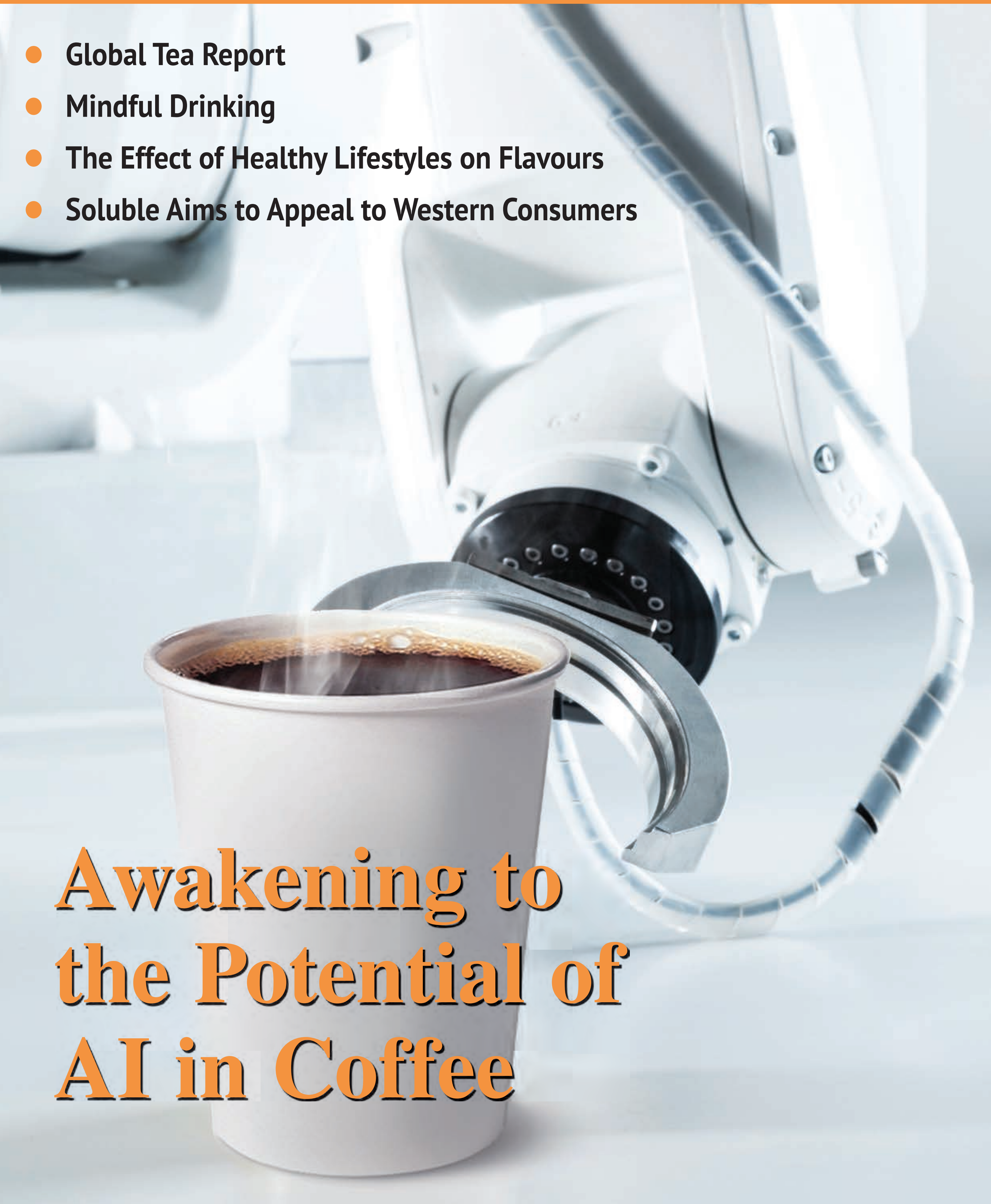
- Global Tea Report
- Mindful Drinking
- The Effect of Healthy Lifestyles on Flavours
- Soluble Aims to Appeal to Western Consumers



Awakening to the Potential of AI in Coffee

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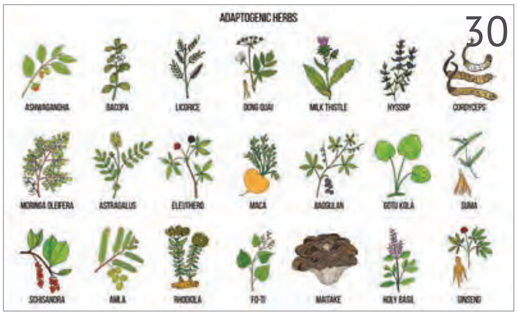

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Designates a tea story
Designates a coffee story

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Vanessa L Facenda, in Pitalito, Huila, Colombia

Rise of the Robots

When I saw the image that became this month's cover, the first thought to pop into my mind was *The Terminator*. One of the final scenes in the movie is the dangling, still moving cyborg arm – the only part to not to be crushed in the machine. If I am not mistaken, the cyborg was sent back to 1984 from about 40 years in the future. Here we are 36 years after the sci-fi/fantasy hit debuted in theatres, and while we do not have cyborgs walking around among us, we do have robotic arms that can prepare and serve coffee – and this is only one type of artificial intelligence (AI). As our cover story reveals, AI comes in a variety of forms, and although many are still prototypes, AI can help to advance the coffee industry by offering solutions throughout the entire supply chain.

Wellness trends are leading consumers to become more aware of their consumption habits. Drinking less alcohol is often associated with this, but as our feature details, there are a multitude of ways to approach mindful drinking, such as healthier mixers; thus the rise in coffee and tea as foundations for drinks such as spiked cold brew and kombucha, or completely alcohol-free but mimicking an "adult beverage," like nitro cold brew.

Interestingly, as consumers adopt healthier lifestyles and search for better-for-you ingredients and beverage products, they are not willing to compromise some qualities. Our story finds that flavour is the top attribute consumers want in functional beverages.

Tea is having a bit of a rough time these days (aside from the tariff battles). Our annual global tea report reviews all the factors impacting the tea industry today, from rising tea production and demand in origin countries, to sluggish demand in the Western markets, to increasing production costs, to eroding company profits and low farm-gate prices, and of course, trends.

Stories in this issue also examine the coffee and tea market in Sweden – still skewed to coffee but tea is gaining traction, and the efforts by soluble coffee companies to find new consumers in established and "non instant coffee" markets.

In November 2019, I, along with a select group of journalists from several countries, was invited by Olam to visit coffee farms in Colombia that are participating in its sustainable sourcing program, AtSource. This month's Sustaining the Chain, which focuses on sustainability-based initiatives, explores AtSource with first-hand accounts from producers of varying farm sizes, who are taking part in the three-tiered program.

Continuing the sustainability theme, this month's Straight From The Cup discusses the new and growing interest to create transparency and traceability in tea – a sector in which these measures lag far behind that of coffee and cocoa.

Donald N Schoenholt, our specialties editor, is celebrating 40 years of writing for *T&CTJ* – quite the milestone! Congratulations Donald, and thank you for your valuable contributions to our magazine. In this issue, Donald, a founding member of the Specialty Coffee Association of America (now Specialty Coffee Association) and former president, offers his unique perspective on the coffee price volatility that has plagued the coffee industry for more than a year.

We have an eclectic melange of stories this month, but I'm certain you will find them engaging and informative.

Sorry, must run, my cyborg has finished preparing my cappuccino...

Vanessa L Facenda Editor
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CORRECTION:
The images on page 55 in the February issue were misidentified as teas from Taiwan, they are from Korea.

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NEW & NOTABLE

TEA & COFFEE REPORTS BREWING WORLDWIDE

UN Approves International Tea Day to be Celebrated Every Year on 21 May

The United Nations (UN) approved 21 May as the annual date for International Tea Day. In order to grasp the significance of this decision, it is worthwhile to remember the economic importance of these farm crops, which represent a major source of export revenue in many African and Asian countries.

Together with coffee and cocoa, these three labour-intensive and agricultural revenue providing crops have seen their consumption grow hugely during the past century. Whilst Western retailers and multinational companies have been reaping considerable profits, the supply chain is not favourable for the farmers, who struggle to get direct market access and a fair share of the consumer price.

To manage the considerable challenges generated by the ups and downs of supply and demand that continue to severely plague the global tea, coffee and cocoa market, the UN created the International Cocoa Organisation (ICCO) in 1957 and the International Coffee Organisation (ICO) in 1963. The global tea market was finally entrusted to an Intergovernmental Group (IGG) within the UN Food and Agriculture Organisation (FAO) that was established in 1975.

The Tea Board of India proposed organising an International Tea Day in 2015 to promote the cup and its millions of smallholder tea growers, to attract more consumers and to raise awareness about the need to ensure that producers are paid at viable levels. After discussing the best possible timing for such an event, which should be auspicious both for the producer and the consumer markets, the proposal was further processed during the last FAO IGG plenary session that took place in Hangzhou, China in May 2018.

The official approval for the event was given during the 74th UN General Assembly, which took place in New York in September 2019. The decision was announced in late January 2020.

The FAO's newly appointed Director General, Qu Dongyu from Henan, China, who took office in August 2019, is deeply involved in promoting fair sharing of agri-food capacities, improved empowering of the farming communities, and using science to improve yields, etc. Coming from a farming village and having acquired international credit for his work in agri-science, Dongyu fully supports International Tea Day, which will be celebrated for the first time in May this year all over the world.

Joydeep Phukan, from Tocklai Tea Research in India, who is the Tea Board of India coordinator with the FAO IGG Tea, said that scheduling International Tea Day in May makes sense because in most tea-producing countries, it is the month of quality tea production. "This will help spread awareness of the goodness of tea with fresh quality tea."

There is a model to build on, given that coffee has had an International Coffee Day since March 2014 per agreement by the ICO's 77 member governments. International Coffee Day takes place every year on 1 October, which is the first day of the new coffee year.

International Tea Day invites all stakeholders to celebrate the tea sector, to enhance the cups' diversity, quality, fascination and its benefits for well-being of the body and the mind. Having a designated day to celebrate tea, will give tea lovers the opportunity to share their passion for these cups and to become fully aware of the necessity to support the millions of farmers, mostly smallholders, whose livelihoods depend on the fragrant leaves.

Barbara Dufrêne

Coronavirus Forces China International Specialty Coffee Expo 2020 to be Postponed

The 2020 China Specialty Coffee Expo, originally scheduled to be held in Pu'er City China 18 - 22 March, is being postponed to a later date because of the current coronavirus outbreak.

CHINA INTERNATIONAL SPECIALTY COFFEE EXPO 2020

Image courtesy of the Specialty Coffee Association

The organizers stated that they are first and foremost concerned about the safety of their employees, families and friends and the welfare of foreign visitors to China. Show organizers said the Expo will be rescheduled for a time in the near future, but dates have yet to be announced.

Updates will be available at: www.chinacoffeeexpo.coffee.

UK Cafés Maintain Positive Sales in a Challenging Market – But Outlet Growth Stalls

World Coffee Portal (WCP), a division of the London-based Allegra Group, has released Project Café UK 2020, its annual analysis of the coffee shop market in the United Kingdom. The study, conducted by the market researcher, reveals that the UK-branded coffee shop segment recorded £4.50 billion (around USD $5.87 billion) sales in 2019 but branded chain outlet growth slowed significantly to 0.9 percent amid challenging trading conditions.

The Project Café UK 2020 report on the £10.5 billion (USD $13.69 billion) UK coffee shop market covers 25,892 sites across branded, independent and non-specialist operators. The UK branded coffee shop segment now comprises 8,222 outlets, with significantly reduced outlet growth of 0.9 percent, indicative of restrained investment in the context of Brexit uncertainty and tough high street trading.

According to the study, despite market turbulence and a more cautious approach to outlet growth among the UK's branded coffee chains, trading at existing sites remains positive. Forty percent of industry leaders surveyed reported a five percent-plus trading uplift in 2019, up nine percent over 2018.

The cost of property, labour and the impact of Brexit were cited as the top three challenges facing coffee shops, with 56 percent believing there remains plenty of growth potential for branded café chains in the UK. One third anticipate improved trading conditions over the next 12 months – up five percent on 2018.

High operations costs and reduced footfall are compelling many branded coffee chains to raise quality, diversify menus and focus on customer retention over outlet expansion. World Coffee Portal forecasts the UK coffee shop landscape will undergo further transformation in 2020, with major brands launching new formats, including travel kiosks, drive thrus and specialised sub-brands.

Prominent examples include Costa Coffee's updated store format at some existing sites, Pret A Manger's expansion of its 'Veggie Pret' concept via the acquisition of high street rival, EAT, and Grind's travel hub partnership with SSP. Fifth Wave operators continue to blur the boundaries between cafés, casual dining, bars and retail, with Caravan launching its Vardo restaurant concept and opening a café at London's prestigious Savoy hotel.

Environmental concerns rose significantly in 2019 and were cited by industry leaders as the most important consumer trend affecting the UK coffee shop market – rising from third place in 2018. Reducing reliance on plastic packaging, ensuring proper recycling and greater supply chain transparency were cited as the top three initiatives UK coffee shops should widely adopt.

The report further finds that major UK coffee chains are introducing a growing number of vegan menu items. Nearly one fifth of UK consumers surveyed frequently request a dairy-alternative milk with their coffee shop beverage. This trend is reflected in Costa Coffee's and Pret A Manger's removal of plant-based milk surcharges, and the growth in popularity of oat milk. Both chains significantly expanded their vegan food menus in 2020.

WCP forecasts the UK branded coffee shop segment will exceed 9,400 outlets by the end of 2024, displaying five-year growth of 2.7 percent CAGR. The coffee-focused sub-segment, which includes market leaders Costa Coffee, Starbucks and Caffè Nero, is predicted to exceed 6,000 outlets by the end of 2024, displaying growth of 2.4 percent CAGR.

The food-focused sub-segment, which is led by Greggs, Pret A Manger and Krispy Kreme, is anticipated to exceed 3,300 outlets, growing at 3.4 percent CAGR.

Commenting on the research, Allegra Group CEO and founder, Jeffrey Young, said, "Following two years of tough trading, the UK coffee shop market has held up well against significant headwinds. We expect outlet growth to regain momentum during the next two to three years and forecast better times ahead for those operators that can readily capitalise on the opportunities and adapt to the challenges in what will remain a highly competitive market."

Aubrye McDonagh Leigh

Allegra PROJECT CAFE UK 2020

(Top) 200 Degrees and (Bottom) RPUK coffee shops in London.

GTI's 5th Annual Tea Colloquium Reveals Similar Traits Between Tea and Wine

"In the United States, tea is now where wine was 50 years ago," declared Katharine Burnett, PhD, founding director, Global Tea Initiative (GTI) for the Study of Tea Culture and Science; associate professor, Art History, University of California (UC) at Davis, quoting Darrell Corti, an internationally acclaimed food and wine expert, as she opened the GTI 5th Annual Tea Colloquium.

The theme for this year's Colloquium, which took place at UC Davis, 16-17 January, was "The Great Debate: Discussions on Tea and Wine," and was co-organized with UC Davis's Robert Mondavi Institute for Wine and Food Science. The Colloquium is highly academic in nature. The speakers are scholars, professors, scientists, and researchers from universities around the world.

The Colloquium was broken into segments such as Aesthetics and Collecting; Site, Terroir and Appelations; Sensory Aspects: Aroma; Sensory Aspects: Flavor; and Growing a Market. Within each segment there was a wine expert and a tea expert who presented separately. There was one panel discussion – New Products and Trends – on the final day that featured representatives from ITO EN, Rishi Tea and Botanicals, and Plata Wine Partners.

Within the Aesthetics and Collecting segment, Jim Gordon, editor at large, *Wine Business Monthly* and contributing editor, *Wine Enthusiast*, offered advice on wine collecting and storing wine.

Fitrio Ashardiono, PhD and senior researcher from the Asia-Japan Research Institute, Ritsumeikan University and visiting scholar at UC Davis, discussed tea growing specifically in Uji City, Kyoto Prefecture and the effects of climate change on tea cultivation, in his presentation, "Tea Cultivation and Terroir Framework: Developing the Terroir Concept for the Tea Industry." Uji Tea has been trademarked and has a specific cultivation area and processing method. Uji produces two types: matcha and gyokuro, and unlike most tea in Japan, it is manually harvested.

In his presentation, "Plant-Climate Interaction Effects on the Nutritional and Sensory Quality of Tea," Al Robbat, PhD, director/professor, Chemistry, Sensory and Science Center for Field Analytical Studies & Technology at Tufts University, explained his study, which collected samples over a three-year period in spring (pre-monsoon) and summer (post-monsoon) and at high and low elevations on farms in China (Yunnan and Fujian) and the United States (South Carolina). The purpose of the study was to examine the rainfall over a set period of time and how the plant/climate interactions are changing compounds in tea, thereby affecting tea quality.

Within the Sensory Aspects: Flavor segment, Nikolai Kuhnert, PhD, professor, Analytical Chemistry, Jacobs University Bremen, Germany, analysed black tea and green tea. His study found that epidemiology and clinical trial data tell us that green tea and black tea are similar. However, "in green tea research authentic standards are available, but in black tea research no standards are available," said Dr Kuhnert. "Consequently, black tea science lags behind."

In her presentation, "Relationships Between the Aroma Chemistry of Tea and Wine," by Susan E Ebeler, PhD, Dept of Viticulture & Enology, UC Davis, explained the differences between aroma and flavour, the complexities of each, and how tea and wine aromas are similar.

Caroline Frank, PhD, professor of American Studies at Brown University and co-director Greene Farm Archaeology Project, in her presentation, "I Cannot Trust the Private Virtue of My Countrymen in Refraining from the Use of It: Tea in Historical Perspective," gave an engaging history of tea in the United States and offered an explanation as to why more Americans prefer coffee to tea. "Tea was a way of England enslaving America," said Dr Frank, noting the tea-related taxes Britain forced on the colonies prior to the Revolutionary War and the colonies could not argue against the taxes as they had no representation in Parliament. (For more information see *Why Do Americans Prefer Coffee to Tea* under Editor's Blog at www.teaandcoffee.net.)

As the Colloquium was held on the UC Davis campus and students were present, there was a session on tea internships and careers (UC Davis does not yet offer a full tea education program as it does with wine or nearly as many courses as it does in coffee), and there was a special exhibit showcasing books on the science and culture of tea and wine.

Dr Burnett also announced that the GTI is launching an international consortium of global tea scholars, so they are "looking to partner with like universities/researchers to collaborate on research and grants, etc." While the level of expertise and professionalism was high, a number of attendees were unhappy about the Colloquium's content – they felt many of the presentations were too scientific and were expecting more overlap or comparison between wine and tea.

Exhibitors/sponsors included Bitaco, Finlays, Harney & Sons, International Tea Importers (ITI), ITO EN, Mighty Leaf, Q Trade, Rishi Tea and Botanicals, and Sugimoto, all which offered tea samples at their tables. The GTI 6th Annual Tea Colloquium is scheduled for 28-29 January 2021 at UC Davis. The theme is "The Stories We Tell: Legends, Myths and Anecdotes About Tea."

Vanessa L Facenda

Working to Achieve True Sustainability at Origin

Olam's AtSource program was developed to help farmers effect real change on their farms while also meeting the three pillars of sustainability: social, environmental and economic change.

Farmers have learned the importance of diversifying their crops. Lemons are just one additional crop San Roque farmers grow aside from coffee.

All images courtesy of Vanessa L Facenda

Achieving true sustainability is not just words for Olam, it is inherent in the company's business philosophy. As such, Olam made a corporate commitment to "re-imagine global agriculture and food systems" so that "farmers prosper, communities thrive, and our world is re-generated." Lofty ambitions, but Olam is attempting to realise these goals through its AtSource program.

A business-to-business sustainable sourcing platform, AtSource connects coffee companies to the source of their supply by enabling them to track the social and environmental footprint of their coffee beans from the farms to their door. Launched in April 2018, AtSource is designed to help producers effect real change on their farms while hitting multiple social, economic and environmental targets, thus increasing resilience and transparency throughout the supply chain — and improving farmers' livelihoods in the process.

AtSource addresses three sectors – people, planet and farmer livelihoods – across 12 sustainability sectors: health and safety; food safety and quality; labour practices, diversity and inclusion; climate change; water use; forest protection and ecosystems; soil health; economic viability; education; health and well being; and nutrition and safety.

The AtSource program has three tiers that offer increasingly enhanced levels of information/data, insights and impact from environmental reporting and risk mitigation to transformational change: AtSource (entry tier – information and reassurance), AtSource+ (tier two – measurable impact) and AtSource Infinity (tier three – transformational change). Customers can choose which of the tiers best meets their needs (they may start with AtSource and then advance to AtSource+ or start with AtSource+, etc).

Any company (such as roasters) buying ingredients from Olam can have access to AtSource, and the sustainability metrics can be customised for them. There is no standard premium agreed with customers. The complexity of engagement under AtSource Plus and Infinity will determine the cost to customers.

AtSource in Action

In November 2019, Olam invited a select group of journalists from multiple countries to Colombia to see AtSource at work on coffee farms first-hand. Coffee, of course, is big business in Colombia:

- it is the world's largest Arabica producer, known for its diversity of cup profiles,
- it has year-round production,
- there are 500,000+ coffee-growing families
- approximately two million Colombians depend on coffee for their livelihoods,
- coffee accounts for 25 percent of all agricultural employment,
- 850,000 hectares are designated for coffee cultivation
- average farm size: <5 hectares
- 2018-19 crop yield: circa 14 million bags.

Singapore-based Olam sources from 8,000 smallholder farmers, cooperatives and intermediaries in all the main growing regions in Colombia, including Antoquia, Caldas, Huila, Quindío, and Tolima.

Through the AtSource program, farmers are given training in agronomy, data keeping, quality management and good labour practices to help improve their livelihoods. They are also educated on climate-smart and environmentally friendly practices such as conservation, agroforestry, soil improvement methods (organic compost and correct fertilizer applications) and coffee waste-water management.

While in Colombia, the group visited five farms, and when asked what they felt was the best thing they learned from the program, almost every producer said record-keeping. Most producers, it turns out, do not keep proper records (when trees were planted, when pruned/renovated, when they were fertilized, crop yield, how many pickers were used, etc) — not because of laziness, but because they lacked the know-how. Through the AtSource training, they learned valuable record-keeping techniques.

Left: Head agronomist for Colombia, Andrés Valencia, shows proper plant spacing, pruning and renovation methods, something many farmers did not understand or previously do.

AtSource provides information across nine sustainability topics, covering 99 metrics for coffee, which ask producers such questions as: how much water was used for irrigation, how much electricity, how much were pickers/workers paid, crop yield, etc. Olam validates all data. The producers have access to this data, but getting answers to these questions often requires time and trust.

"You have to build a relationship with the producer first, which can be challenging because they may be hesitant to share information," said head agronomist for Colombia, Andrés Valencia, one of the 47 procurement and agronomy experts Olam has in Colombia. He noted that producers might not admit their full yield for fear of being taxed, so cultivating a relationship and building trust with a producer takes time.

"Before [joining the AtSource program] the farm was disorganized. Working with Andrés [Rodriguez, Olam's lead agronomist in Huila], I've learned better processes, practices and methods, which I appreciate," said Jhon Alejandro Papamija, age 22, who has been running his family's farm, San Roque, in the Huila region, since taking over from his parents when he was 19. He is part of the AtSource+ program.

"I've learned record-keeping to control finance and labour, and when to fertilize rather than doing it by seasons, which is really useful," Papamija shared. He added that the farm previously used 200 litres of water per kilo of parchment. Now because of their wet milling process (waterless depulping, waterless fermentation, wash and selection with tub tank), it's two to three litres per kilo of parchment.

On the 25 hectare (ha) farm, 22 ha is allocated for coffee growing (three ha are protected areas for

Below: Coffee plant with cherries and flowers at El Mirador farm in Huila.

Right: Working with an agronomist, producer Jhon Alejandro Papamija has improved his drying methods.

Below: Julio César Cortés built his own coffee waste-water treatment system. The treated water is used to irrigate his farm.

conservation/forest) and is divided between Caturra (8 ha), Bourbon (5 ha), Colombia (4 ha) and F6 (4 ha).

The teaching and training are ongoing. For example, Gonzalez recommended that Papamija improve the drying process, which would help with the production of specialty coffee, which in turn, could lead to garnering higher prices for his beans (depending of course, on the score).

Similar to Papamija, producer Jhon Freddy Vargas, 33, who runs El Mirador, a 10 hectare farm in Huila, and also part of the AtSource+ program, was appreciative of the record-keeping skills and payment procedures he was taught, and especially for the better labour and farming practices he learned. "I now know not to employ anyone below [the age of] 18 unless they have legal documentation [showing emancipation]. I also learned better picking protocols and how to create compost with the cherry pulp, which can then be turned into organic fertilizer." Fertilizer is an expensive commodity for farmers, so anything to help keep costs down benefits them. Vargas currently grows Caturra and Colombia but is considering diversifying his varieties.

Not Training, Tweaking Skills

José Norbey Sánchez, circa age 40, is a fourth-generation producer, whose farm, La Esperanza in the Quindio region (1,800 meters above sea level), has been in his family for 110 years. On the eight hectare farm, he grows Castillo, Colombia and Tabi (a good quality cup but not commonly grown in many regions in Colombia) and plantains (for shade and income). Sánchez was, and still is, part of S&D Coffee & Tea's Raiz Program before joining AtSource+.

Both Olam's Valencia and Estaban Jaramillo, S&D's Raiz coordinator in Colombia, agreed that Sánchez was already a good farmer so he did not have to be taught basic farming practices. It was more about training in record keeping, more sustainable processing methods, fair labour practices and environmentally friendly practices.

Sánchez said that he learned that small things make a big difference such as record keeping, creating buffer areas for water sources, making sure coffee plants are spaced far enough apart from each other, not mixing the varieties, and better pruning/renovation/renewal methods, which he admitted was something his parents did not pay attention to when they ran the farm.

Before working with an AtSource agronomist, coffee seedlings were planted 1.3 to 1.6 meters apart, which Sánchez learned was too close. Now, he plants the trees 1.8 to 2.0 meters apart. "We also used to mix all the varieties together in the fields. Now we have separate lots and microlots, and we are receiving better prices for our coffee."

Julio César Cortés, 48, who took over his father's farm, El Descanso in Quindio, is also an experienced farmer. Part of the AtSource entry tier, his training was similar to Sánchez — record keeping, good labour practices, shade tree management, pruning/renovation, and waste-water management. He was able to build his own waste-water treatment system, something he is quite proud of.

He constructed the system in tiers on a hill on his farm to capture the waste water and filter out polluting particles and sediment as it flows down through each tier. The treated water can now be used to irrigate the farm.

Driving Measurable Impact

All AtSource suppliers commit to conditions under the Olam Supplier Code (OSC) that was developed for responsible sourcing. Suppliers are re-engaged and must resign the OSC on an annual basis.

Ongoing insights support more effective and efficient interventions via continuous improvement plans. This data is collected by Olam's agronomists and enumerators who work with coffee farmers across their 17 origins year round. The data collected for AtSource+ reveals what is working and what may not be, which then informs what interventions are required.

Collaboration on the part of the producer is key.

When the data is then updated the following year, Olam can start measuring progress and the impact of the AtSource sustainability programs, and where further efforts are required.

Vanessa L Facenda

Olam in Coffee

Olam launched its coffee business in 1994 in India, and at its start was a Robusta company. It entered the specialty coffee business (Washed Arabica) in 2004 in Brazil. The specialty division launched in the United States in 2010. Currently, Olam:

- owns or manages 40 mills/warehouses
- has 100-plus buying units across growing areas in 17 origins
- has planted 6,500 hectares across four Olam-owned Arabica estates in Brazil, Laos, Tanzania and Zambia (all with RA/UTZ certification and 4C verification)
- has 56,000 coffee farmers in existing sustainability programs
- has 28,000 coffee producers registered in the Olam Farmer Information System
- generated 140,000 metric tonnes of sustainable coffee in 2018

For more information on Olam's AtSource program, visit: www.atsource.io.

Pictured left: At La Esperanza, plantains provide shade for coffee plants but are also an incremental revenue source.

New Varieties & Expanding Retail Channels Aid RTD Tea Growth

The bottled/RTD tea marketplace has remained dynamic due to altering consumer preferences and beverage manufacturers' efforts to meet the evolving demands. New releases in terms of flavour, authenticity and packaging in the tea market, as well as expanding channels of distribution, have all contributed to the category's continued growth.

Global consumption of bottled/ready-to-drink (RTD) tea is expected to surpass 41million litres, growing at a YOY rate of 3.4 percent in 2018 over 2017, according to a November 2019 report from FactMR.

The report, which covers all the vital aspects that hold significant influence on the future progress of the bottled tea market, offers an analysis of the bottled tea market for the period of 2013-2017 and forecast period of 2018-2027.

According to FactMR's report, *Bottled Tea Market Forecast, Trend Analysis & Competition Tracking – Global Market Insights 2018 to 2027*, the bottled tea market is projected to grow at nearly four percent CAGR through 2027. Overall growth of the bottled tea market can be attributed to:

- increasing appetite for specialty teas and their easier availability;
- health conscious consumers' preference for healthful tea beverages;
- millennials' developing palate for different RTD bottled tea flavours;
- accessibility of bottled tea across various sales channels.

The study found that while the demand for non-carbonated bottled teas will witness more than 35 million litres in consumption globally in 2018, sparkling tea revenues grew at six percent YOY in 2018 over 2017.

This rapid expansion can be attributed to growing demand among millennials and Generation Z for sparkling iced tea. The bottled tea marketplace is witnessing manufacturer investments in new varieties of sparkling iced tea.

Conventional bottled tea has remained the primary choice among tea lovers until the arrival of organic teas. FactMR's report finds that conventional variants held over 80 percent of the total bottled tea consumption in 2018. However, demand for organic variants is growing rapidly wherein consumption increased over four million litres in 2018 over 2017.

Food Service Growth

The study found that 30 percent of bottled tea consumed in 2018 was black tea, and it continues to remain highly popular.

However, green tea occupied 25 percent of global bottled tea consumption in 2017. Traditional recognition of green tea as a medicine and its higher concentration of antioxidants, particularly epigallocatechin gallate (EGCG) continue to encourage green tea consumption globally.

The foodservice industry (HoReCa) continues to present a significant demand for bottled tea. The consumer packaged goods (CPG) industry is significantly investing in HoReCa on the back of growing consumer sentiments such as eating outside home and preference for ready-to-eat foods.

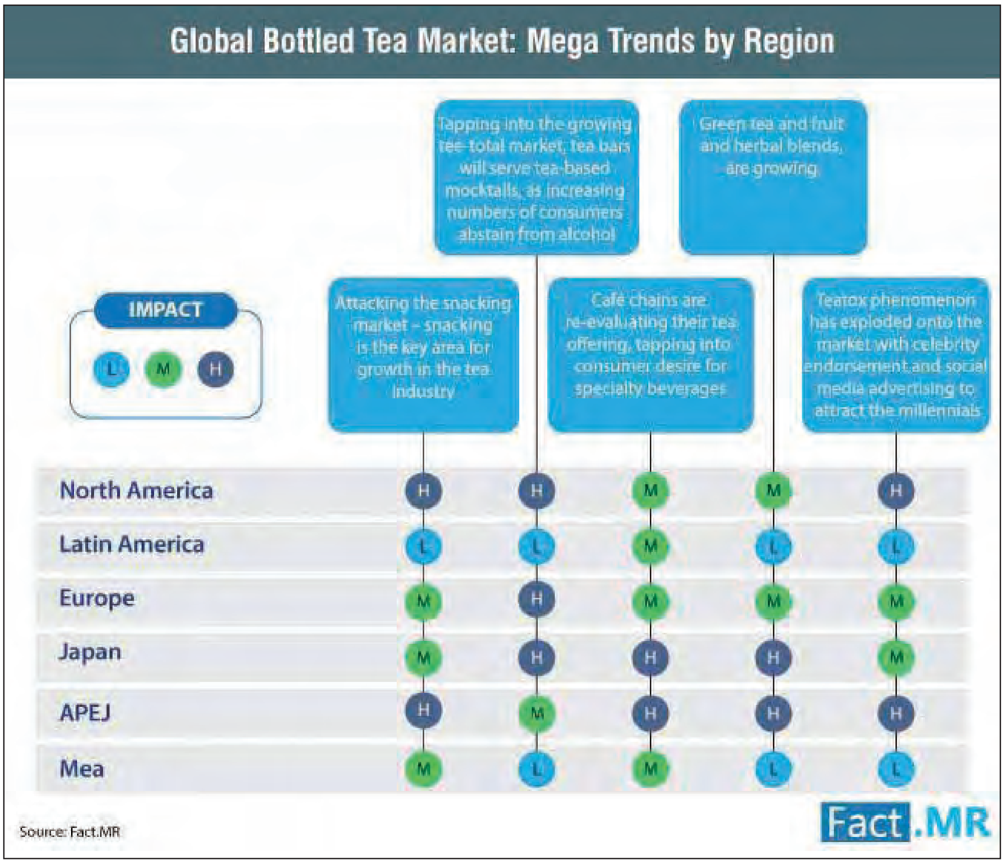
Although bottled tea has successfully entered the online sales channel, in an attempt to explore new modes of distribution beyond conventional supply chain, online retailers are also entering the food service sector to further revenue generation.

Furthermore, new trends in the hospitality industry such as pop-up restaurants, fast-casual dining experiences, here-to-stay café and all-day breakfast are advocating the supply chain penetration of the bottled tea market in HoReCa.

Globally, bottled tea consumption remains concentrated in Asia Pacific. With the region's populous nature and its significant millennial population, Asia Pacific accounted for 40 percent of global bottled tea consumption in 2017.

The report estimates that Greater China consumed nearly 43 percent of the Asia Pacific bottled tea consumption. The popularity of black tea in the region has significantly contributed to the steady rising bottled tea consumption.

The bottled tea market growth will continue its steady upward trend on the back of increasing preference for ready-to-drink beverages, consumer-driven product innovations and as manufacturers focus on expanding their global footprints.

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Single Serve Capsules
3 – 4
Austin, Texas
www.ami.international/events

Pack Expo East
3 – 5
Philadelphia, Pennsylvania
www.packexpoeast.com

Natural Products Expo West
4 – 6
Anaheim, California
www.expowest.com

National Coffee Association (NCA) Annual Convention
5 – 7
Austin, Texas
www.ncausa.org

Coffee Fest New York
8 – 10
New York, New York
www.coffeefest.com

International Restaurant & Foodservice Show of NY
8 – 10
New York, New York
www.internationalrestaurantny.com

Coffee Tea Cacao Russia
12 – 14
Moscow, Russia
www.coffeetearusexpo.ru

Amsterdam Coffee Festival
13 – 15
Amsterdam, The Netherlands
www.amsterdamcoffeefestival.com

UK Coffee Leader Summit
16
London, England
www.ukcoffeeleadersummit.com

World Ports Conference
17 – 20
Antwerp, Belgium
www.worldportsconference.com

Producer & Roaster Forum
26 – 27
Copán, Honduras
www.producerroasterforum.com

Hotelex Shanghai
29 – 1 April
Shanghai, China
www.en.hotelex.cn

APRIL 2020

London Coffee Festival
2 – 5
London, England
www.londoncoffeefestival.com

BevTech 2020
20 – 22
San Diego, California
www.bevtech.org

Re:co Symposium
21 – 23
Portland, Oregon
www.recosymposium.org

SCA Expo
23 – 26
Portland, Oregon
www.sca.coffee

126th Session of the International Coffee Council & other International Coffee Organisation (ICO) bodies
27 – 1 May
London, England
www.ico.org

MAY 2020

Toronto Coffee & Tea Expo
2 – 3
Toronto, Ontario
www.torontocoffeeandtea.com

Melbourne International Coffee Expo (MICE)
4 – 7
Melbourne, Australia
www.internationalcoffeeexpo.com

The NAMA Show
6 – 8
Nashville, Tennessee
www.namanow.org

Interpack
7 – 13
Düsseldorf, Germany
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National Restaurant Association (NRA) Show
16 – 19
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www.nationalrestaurantshow.com

European Coffee, Tea & Soft Drinks Festival
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London, England
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Awakening to the Potential of Artificial Intelligence in Coffee

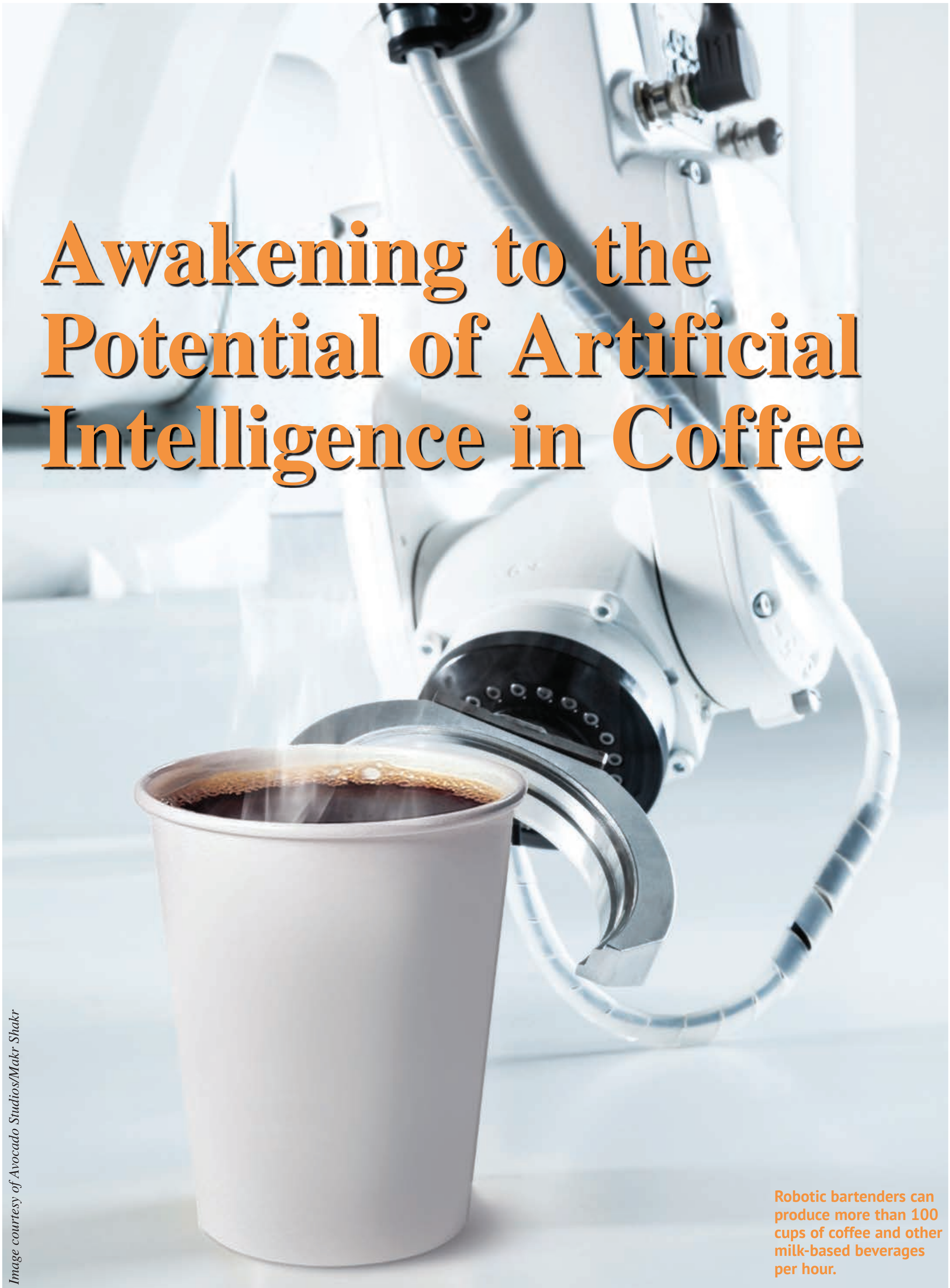


Image courtesy of Avocado Studios/Makr Shakr

Robotic bartenders can produce more than 100 cups of coffee and other milk-based beverages per hour.

Although many initiatives are still in test stages, artificial intelligence can help to advance the coffee industry. With artificial intelligence, solutions can be incorporated throughout the entire supply chain, including coffee grading, identifying diseases and even in the roasting process.

By Anne-Marie Hardie

Today's companies are driven by data. This data provides industries the information needed to resolve challenges, increase productivity, streamline operations and increase profit. Devastating environmental situations like coffee leaf rust prompted the industry to work together to collect and store data to see if there were able to identify risk factors and best prevention strategies. However, collecting, inputting, and analysing this data requires significant human resources. Artificial intelligence-driven solutions can help alleviate this strain on resources reducing human error while also allowing experts to focus on unique situations that could take their business to the next level.

In fact, computer science researchers Alexandre Pereira Marcos, Natan Luis Silva Rodovalho, and André R Backes at The Federal University of Uberlandia, Brazil, are currently training a Convolutional Neural Network (CNN) to identify coffee leaf rust. The spray robot would use image processing and machine learning to identify which leaves are contaminated with coffee leaf rust, and in turn, isolate which plants need to be treated. The results are promising. The current model was able to detect the leaves that were impacted by coffee leaf rust, but also reported that the areas surrounding the leaves were infected.

Although it was a broader response than they had wanted, the researchers emphasised that the detection was accurate as identifying the central region of infection was their main goal. Future research in this area will help to refine the CNN models with the goal of developing a robot that can be used at the farm level.

Transforming the Farmer Experience

"Artificial intelligence allows us to focus our time making decisions that we are really good at instead of focusing it on areas that are consistent, and in turn, low value," said DJ Bodden, chief operations officer, Farmer Connect, Vernier, Switzerland. "It allows humans to do what they do best – adapt to unique situations." Through the integration of artificial intelligence, data can be collaborated and collected to identify key trends, markers to pay attention to, and in turn, free individuals to focus on the more challenging tasks.

One of the key challenges that Farmer Connect wanted to address was to provide a tool that would connect farmers to their supply chain to improve transparency and their overall livelihood. Powered by IBM, the Farmer ID application provides a tool that will aid farmers with their day to day business, while also providing an identity wallet. Their goal was to develop a blockchain solution that enabled the user to feel secure and in control of the data that is shared. The system allows the user to select which data they choose to share in this platform, and which they keep private. Providing users with this option makes the software much less intimidating to adopt. At the same time, the data that is entered into the system can be used to help identify trends, challenges, and increase overall efficiencies.

The blockchain technology enables farmers to connect with their entire supply chain, providing a digital record of their purchase transaction. "Now, when the farmer goes to the bank, there is a record that validates the purchase price of the coffee making it easier to obtain loans," said Bodden. The system also provides the ability to use QR codes in the retail space providing consumers with access to the story of the coffee farmer including a product page, photographs and videos.

Connecting Across the Supply Chain

When it comes to coffee, Ankita Valeja, manager, market research at CropIn, Karnataka, India, emphasised that smart technology is lucrative for the entire industry. These systems provide companies with decisions that are based on real-time data maximising ▷

Farmers can connect with their entire supply chain through the new Farmer Connect blockchain app.

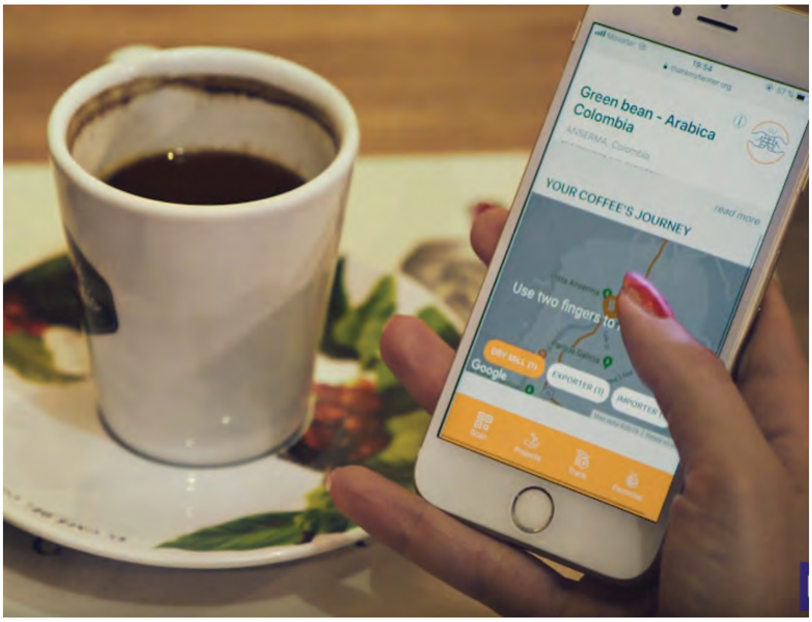


Image courtesy of Farmer Connect/IBM

> "Artificial intelligence can find solutions across the entire supply chain from identifying the best practices for collection to looking at the transportation system including providing strategies that minimize carbon emissions and improve resiliency."

CropIn aids farmers by identifying which areas on the farm may be more susceptible to specific diseases.

outputs and increasing efficiency in production. "The CropIn solution provides traceability, which brings transparency," said Valeja. "These technologies provide early warning systems while also using weather data in conjunction with historical disease occurrence to better predict the likelihood of a disease outbreak for specific crops."

Founded by Krishna Kumar, CropIn was designed to aid the farming community by identifying which areas may be more susceptible to a specific disease and help anticipate its potential impact on the next harvest. By monitoring their risks, farmers can make proactive, planned decisions.

Once processed, CropIn's mWarehouse system steps in to help strengthen the link between the growers and the remainder of the supply chain. "The application facilitates efficient management of packhouse processes with its flexible inventory management and SKU tagging, thus cutting down the number of hours spent in manual labour and significantly increases productivity," said Valeja. Suppliers are equipped with a digital record of the production and distribution history, allowing them to quickly identify any challenges in the supply chain, reducing losses and improving efficiencies.

The three-tiered system, SmartFarm, SmartRisk and mWarehouse, provides users with an artificial intelligence solution that moves across the supply chain. "Coffee farmers in all developing nations are primarily smallholder farmers who engage with large agribusinesses and buyers," said Valeja. "Implementing a comprehensive system increases transparency and visibility over the entire process from farm to shelf."

Green coffee importer Sustainable Harvest will be leveraging CropIn's platform to ascertain the origin of coffee marked as cultivated by women, by recording the details of individual growers and allowing end-users to trace this information back from the package's label, and realise the impact that women coffee growers have on the coffee industry.

"Artificial intelligence can find solutions across the entire supply chain from identifying the best practices for collection to looking at the transportation system, including providing strategies that minimize carbon emissions and improve resiliency," said Tatiana Kalganova, post-graduate research director, Brunel University, United Kingdom.

Brunel University worked in collaboration with Caterpillar Logistics Research and Innovation team to develop an AI algorithm that helps resolve some of the common challenges in transportation including shipping half-full containers, route optimisation,

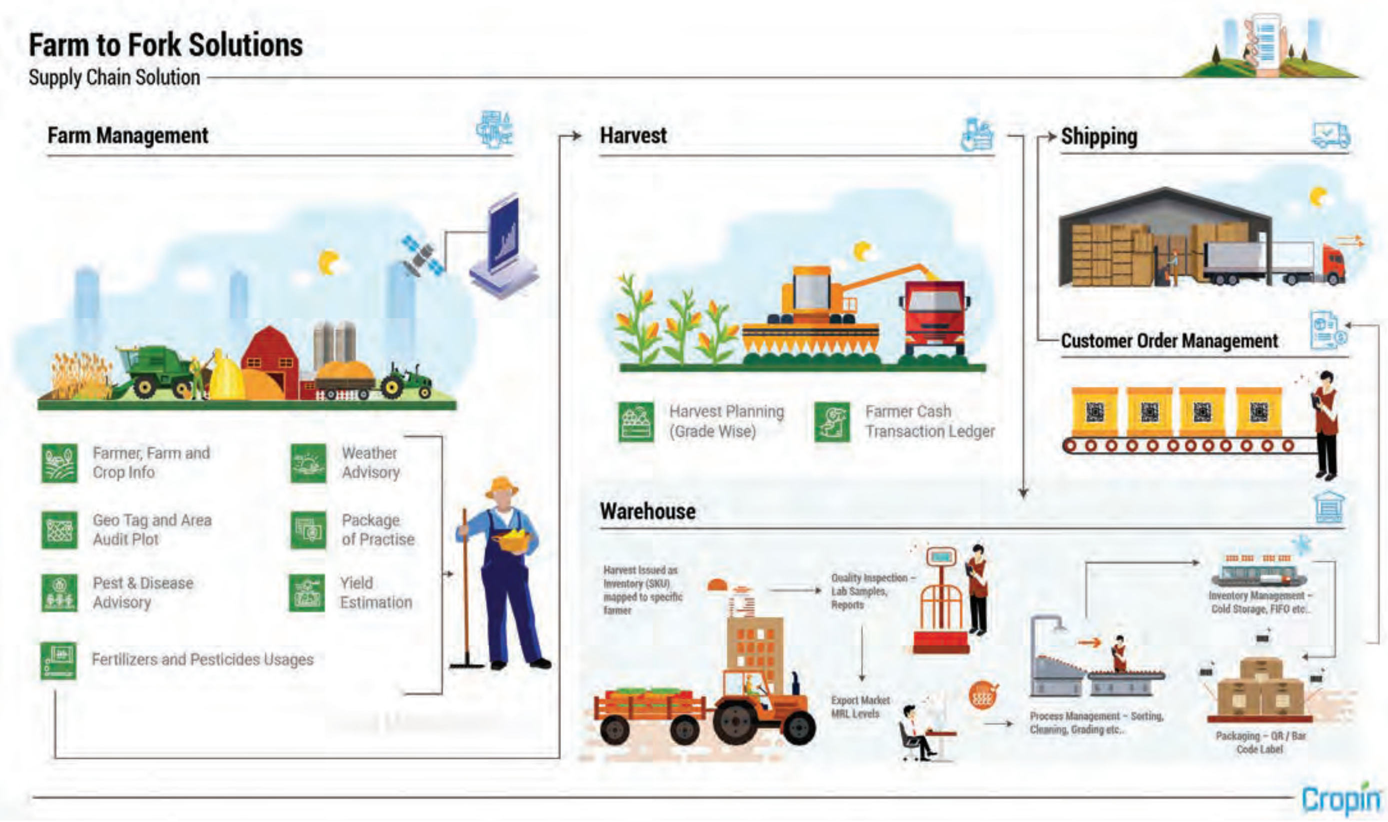


Image courtesy of CropIn

and reduced the environmental footprint. "Typically supply chains are built where everything goes through one major hub, and if something goes wrong with that hub all business gets stalled," said Kalganova. "Artificial intelligence can help ensure that we are not reliant on one hub."

The AI algorithm considered several factors including energy price volatility, ocean lane cost commitment, the carrying cost of in-transit inventory and tariff effects. This solution has been successfully deployed in Caterpillar's transportation network.

At the farmer level, Brunel University recently developed a "magic bean" solution that uses sensors to collect data about the soil and growing conditions to provide solutions to farmers that will increase productivity while decreasing costs. "The system uses artificial intelligence to provide localised feedback on the conditions of the soil, humidity levels and temperature, allowing farmers to better allocate their resources," said Kalganova.

Taking Artificial Intelligence into the Retail Experience

Artificial intelligence is not just for the farmer. This technology has transcended into the retail experience, including enhancing the customer experience through tailored communication and promotions to delivering a barista level drink to the consumer.

"Drinking coffee has become an integral part of the daily rituals for millions worldwide," stated Emanuele Rossetti, CEO, Makr Shakr, Turin, Italy. "At Makr Shakr, we think robotics can make this experience faster, avoiding lines, counter confusion and misspelled names!"

The robotic bartenders have top-quality coffee machines integrated in their systems that are able to produce more than 100 cups of coffee (or any milk-based beverages) in an hour. It is also possible for customers to place their orders in advance, including saving their favourite orders for a faster transaction next time.

One of the core challenges with the café experience is determining the next beverage trends. To help respond to this dilemma, Signals Analytics developed a platform that will aid the food and beverage industry with predicting trends and insights into the industry. "Signals Analytics alleviates the challenges food and beverage brands face in making strategic product decisions by providing smart, holistic, timely, and actionable market intelligence gleaned from a multitude of external data sources," said Gil Sadeh, CEO of Signals Analytics, Vienna, Virginia. The platform integrates industry expertise with smart contextual engines, to provide users with a holistic view of the entire food and beverage landscape,

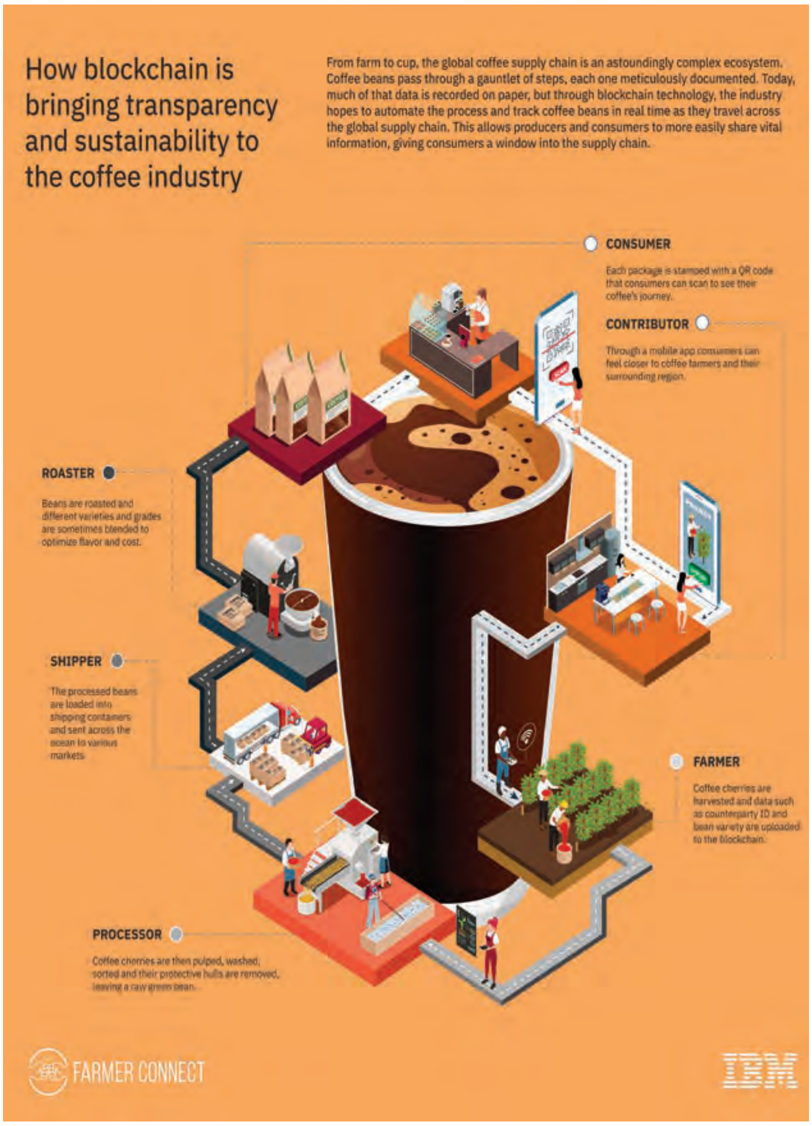


Image courtesy of Farmer Connect/IBM

The above infographic shows how blockchain technology can bring transparency and traceability throughout the entire coffee supply chain.

including the relationship between different categories and trends.

These solutions are only a small fraction of how artificial intelligence can help to evolve and advance the coffee industry. Artificial intelligence solutions can be integrated throughout the entire supply chain, including coffee grading, identifying diseases, and even in the roasting process. However, to get there, the industry needs to work together to collect the data and define the parameters that will enable the more common challenges to be coded.

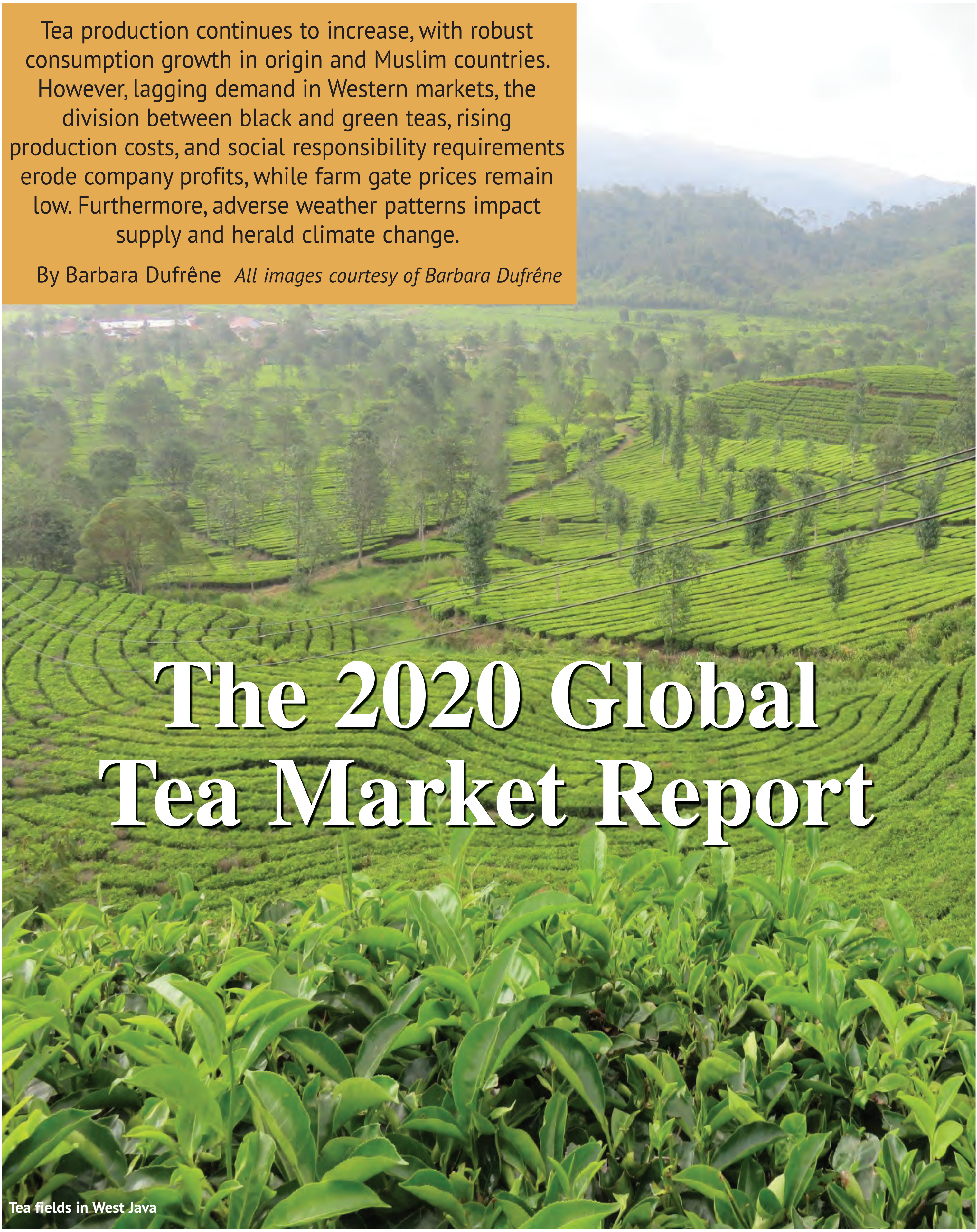
"We need to know that the jobs that we are doing today may not be the jobs that we are doing tomorrow," Bodden explained. "Artificial intelligence does not displace jobs – it creates new ones, allowing people to focus on the aspects that make a difference."

Anne-Marie Hardie is a freelance writer, professor and speaker based in Barrie, Ontario. She may be reached at: annemariehardie1@gmail.com.

Tea production continues to increase, with robust consumption growth in origin and Muslim countries. However, lagging demand in Western markets, the division between black and green teas, rising production costs, and social responsibility requirements erode company profits, while farm gate prices remain low. Furthermore, adverse weather patterns impact supply and herald climate change.

By Barbara Dufrêne *All images courtesy of Barbara Dufrêne*

The 2020 Global Tea Market Report



Tea fields in West Java

Data and feedback from the United Nations Food & Agriculture Organisation (FAO) Inter Governmental Group (IGG) Tea, located in Rome, Italy, together with the London-based International Tea Committee's (ITC) Annual Bulletin of Statistics issued in October 2019, offer a thorough overview of the current state of the global tea market. Thus, looking back over the past decade helps identify trends and provide an outlook towards future developments.

Status of Supply and Demand

World tea production has increased at an average annual growth rate of 4.7 percent over the past decade to reach 5.89 million tonnes in 2018. This continued growth in global volume was mainly generated by China's hugely expanded tea output, which has almost doubled since 2009, reaching 2.616 million tonnes in 2018, that is, 44.4 percent of the world's teas. This massive expansion caters to an unprecedented growth in domestic demand, coming from an ever-growing urban population with more and more disposable income.

Production in India, the world's second largest tea producer, also shows growth with an output of 1.33 million tonnes in 2018, up by 37 percent since 2009. Output in the two largest tea-exporting countries, Kenya and Sri Lanka, reached 0.49 million tonnes and 0.30 million tonnes respectively in 2018, with Kenya displaying an increase of 57 percent since 2009, whilst Sri Lanka's tea output, hampered by bad weather conditions and restrictive government rulings, shows growth of only five percent since 2009.

Black teas continue to dominate the market and this dividing line between the black tea and green tea segments remains a major feature of the global tea scene. The traditional auction system, which was introduced during colonial rule in order to secure the supply for British, Dutch and North American consumers is fully focused on black tea. Industrial black tea manufacturing was introduced some 150 years ago in India, Sri Lanka, East Africa and Indonesia for export purposes only. According to Manuja Peiris, chief executive of the ITC, the auction system remains the best way to move important volumes and to cash in the selling price. Being run publicly by appointed staff, the fully transparent system gives good insight into the status of supply and demand and price development.

The auction system may need some overhaul to adopt more flexible procedures and better use of digital methods, noted Joydeep Phukan, the principal officer and secretary of India's Tea Research Association (TRA). He indicated that investigations are currently ongoing about modernising the Indian auction system, which operates five regional platforms, and moved 41 percent of the total volume of auction-sold black teas in 2018.

El Mamoun Amrouk, the FAO officer in charge of IGG Tea, confirmed these views and underlined that the share of auction sold tea as calculated on the global tea export volume, rose from 61.4 percent in 2009, to 68.6 percent in 2019, which looks like operators continued to approve the system as the best choice. He also said that tea prices were on a downward trend since 2017 but partly recovered in 2019. Talks were ongoing with the Chinese Tea Authorities, to find ways to capture price data for green teas, in order to improve coverage and obtain more insight about global tea sales revenues.

On the other side, there is the highly diversified world of the green teas, which are grown and consumed by the traditional origin tea-producing countries, with China leading, followed by Vietnam, Japan and Korea who have been growing tea for centuries as their peoples' own heritage cups. In China, which is widely accepted as the cradle of tea cultivation, there are no auction platforms and no agreed grading and quality standards. Thousands of different teas harvested from the many tea regions are displayed on sale in the local towns' dedicated tea markets, with huge such tea market hubs in Guangzhou/Kanton, Beijing, Chengdu, Shanghai, Wuhan and Kunming, etc.

Trading is carried out in a fully private, person to person manner, with no price/volume disclosure, no transparency and no data. It is a regularly reported fact that for the past few years and with growing demand, tea prices have continued to rise in China. This has

Freshly picked tea leaves on a truck on the Sorwathe plantation in Rwanda.


TEA DRIVEN INNOVATION

now opened a door for India, Sri Lanka and Vietnam to supply some good cups with novelty and a good quality/price ratio, to the Chinese consumers. There is some public auction trading in Japan mainly for sencha green teas, where wholesale companies buy to prepare their blends, but on a very local scale. There are no auctions in Vietnam or Korea.

State of the Global Consumer Markets

Looking at the producing countries, per capita consumption has continued to increase over the past 10 years. This is quite spectacular in China, where the share of the tea output available for export continues to decline, from 22 percent in 2009 down to 14 percent in 2018, and also for India, where only 19 percent of the teas produced in 2018 have remained available for export. One can also see growth in many other producing countries throughout Asia and Africa, where tea is well promoted among domestic consumers, as a healthy and home-grown cup.

In the main importing markets, one can see that decline continues in the mature, mainly black tea-drinking markets that are Russia and the United Kingdom, where imports have decreased by nine percent and ten percent respectively since 2009. This decline is partly offset by the ongoing growth of tea imports to the USA, where tea consumption continues to rise with an increase of eight percent since 2009. The USA now ranks rank as the world's number three tea-importing market, with 0.12 million tonnes in 2018. Imports for consumption are also up in Pakistan, where volume has more than doubled since 2009, reaching 0.19 million tonnes in 2018 (mainly black tea). Morocco, the world's biggest green tea importer, registered an increase of 35 percent with 0.07 million tonnes imported for consumption in 2018.

Contrasting data showed that market patterns continue to fluctuate in line with changing consumer preferences, in particular in the mature Western black tea-drinking markets, where the mainstream/mass market cups continue to be the cheapest cup per serving, compared to coffee, juices, bottled water, and dairy. With this decline becoming a persistent market feature, action was taken to reconquer throat-share and revamp the profile of tea. In the United Kingdom for example, Tetley (owned by Tata GB) offered training and teaching to tea professionals, and Russia launched the Tea Masters Cup.

Forecasts may not look satisfactory though, with Unilever, the world's leading tea manufacturer, announcing during its fiscal year revenues and earnings report, that it is considering selling its global tea business, which includes the Lipton and PG Tips brand, both of which dominate many Western markets. This declaration, made in January with Unilever also stating that mass market black tea bags have no more future in the West, is shaking up the tea world right now. Over the last few years, Unilever has invested in the premium segment by buying Australia's T2, the UK's Pukka Organic Herbal tea brand, and the Tazo brand from Starbucks, thus acknowledging that the premium tea segment had important potential for the future (see Company News, page 47).

Selection of standard mass-market teas

Training and Education

This ties in fully with many actions undertaken by smaller tea companies and trade associations that have been investing consistently in consumer education and in-depth training of tea professionals in order to promote the fine, premium, specialty and origin teas that mainly come as leaf teas. Such efforts are gradually bringing results, with more science and research becoming available every year. Also, tea forums and conventions are promoting the many origins, botanicals and processes involved in tea, which makes the base of keen and knowledgeable consumers larger every year. Fully aware of the intrinsic and added value of these premium cups, they are happy to reach deep into their pockets for hand-picked, artisanal, organic, single estate and other specialty teas.

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side, namely in China, and the overseas Chinese communities in Singapore, Malaysia, Hong Kong, and Taiwan, who will pay extreme prices for rare and special spring picks or very famous aged Puer tea cakes. Premium teas have been ranking high on the official state gift list in China, in the same way as the former tribute teas, which, in the past, were reserved for the Emperor.

Sustainability of Lands and Workers

While tea is becoming more expensive in China, most producing countries express concern about the farm gate price levels, which are too low to allow for sustainable tea growing. This links with the fact that in most producing countries the major share of the tea volume is harvested by smallholders, who deliver the leaf to the factory and have no market access themselves, being the first but least empowered link of the supply chain.

With new areas under tea in China, and in Bangladesh, Zambia, Ethiopia, and Mozambique, where tea is introduced with the focus on poverty eradication, sustainability remains a growing concern. When and where better paid crops become available, farmers will uproot the tea bushes to improve their revenue.

The need to build a platform to take care of smallholders' interests has become truly urgent. To support and advocate for smallholders, the Confederation of International Tea Smallholders (CITS) was established in 2018. Under the supervision of the FAO IGG Tea, the CITS will be hosted in China's Sichuan province as a first step, but it is not yet fully operational.

In addition, rural labour is becoming scarce as many ageing farmers see their children moving to the cities, and this means that mechanisation will soon become unavoidable.

Furthermore, changing weather patterns threaten many crops including tea, which makes harvests more unpredictable and threaten farmers' incomes. Looking towards 2030, an expected increased population and less arable land will also put a strain on the five continents' available fields, with a preferential allocation to food-crop growing, squeezing the acreage for permanent crops, like fruit trees, vineyards, tea, coffee and cocoa. With such forecasts one can expect to move towards a small top premium market for high quality teas and a mainstream market geared towards extracts, ready-to-drink (RTD) teas and industrially processed cups.

There is clearly a need for more science, more agri-research and international cooperation to cope with these many challenges. All the big producing countries have their Tea Research Institutes (TRI) which compile a wealth of knowledge, data and experience. Increased cooperation will foster progress through cross fertilization. Eventually tea will follow

Harvesting tea in West Java.

the example of coffee and build more global platforms for more global operations and implementations, such as the recently launched CITS for tea smallholders.

Tea Market Evolves Amid Challenges

Consumption trends remain based on health benefits, convenience, novelty and premiumisation, with the stressed urban consumer on the constant look out for a beverage that picks you up without jitteriness, that supplies hydration and functional benefits together with authentic flavours. Good tea has no need for sugary or creamy calories, thus it is fitting to be the cup/mug or can/bottle of the younger generations. RTD teas, sparkling teas and cold brew teas are on the rise in all the developed markets, with their popularity growing steadily.

According to global market intelligence firm Euromonitor International, the top three cold tea markets today by total RTD volume are China, Japan and the USA, but the trend is spreading fast to many other markets.

Although consumption habits are changing and follow new and diversified patterns, from hot to cold, from black to green tea, from brewed to RTD, tea has positioned itself as a drink that is good for the mind and the body, with a rich cultural background. Also, the strong increase in teas blended with herbals, supplement the functionality of the beverage.

Furthermore, tea is harvested from a bush that absorbs CO_2 and is considered a poverty relief crop. Recently, coffee shops in China, India and Korea, as well as in the West, have started to carry some quality teacups in response to consumer demand. This is another move that will foster more choice and open new slots for good cups out of home.

Barbara Dufrêne is the former Secretary General of the European Tea Committee and editor of *La Nouvelle du Thé*. She may be reached at: b-dufrêne@orange.fr.

Health Awareness & the Impact on Flavour

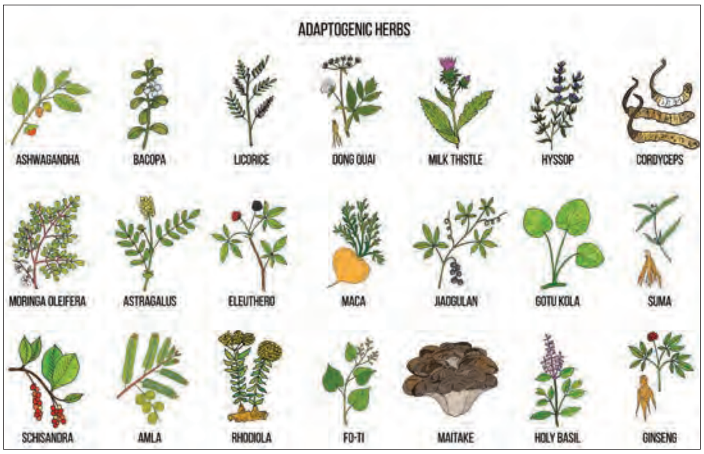
Consumers are making smarter choices in their quest to live healthier lifestyles. But although they are actively searching for better-for-you ingredients and products, flavour remains the leading attribute consumers look for in functional beverages.

By Janie Page

Growing awareness of health issues such as obesity and diabetes means that many consumers are seeking healthier, all-natural products that are low in sugar and calories. Through smart devices, consumers can quickly learn more than they ever have about products. From origin to ingredient details, consumers can make smarter choices to "live better." Offering products with attributes such as preservative free, organic, non-GMO and free-from will attract health-conscious consumers and add to the product's authenticity (GlobalData *Top Growth Opportunities Hot Drinks in the US Report*, 2019).

Consumers demand more from their beverages. Functional additives can help individuals meet nutritional targets and are welcomed by consumers to help reach their nutritional goals. According to a new report from *Nation's Restaurant News* and S&D Coffee and Tea, *The Future of Beverages: 2020 Trend Forecast*, flavour is the top attribute consumers look for in functional beverages, followed by natural ingredients, low calorie drinks and energy. Coffee has been a natural source of energy for decades; however, consumers are also interested in ways to relax. We know that CBD (cannabidiol) is known for helping with relaxation, pain reduction and treating anxiety which can appeal to a wide age range. Once the Food & Drug Administration (FDA) of the United States approves CBD for consumption in food and beverage, there will be a massive release of new products containing CBD in the market, including coffee and tea as debuted at BevNET Live Winter 2019 Show in Santa Monica, California.

Adaptogens are non-toxic plants that reportedly help the body resist stressors and improve energy.



In the meantime, there has been an increased interest in botanicals, plant-based milks and adaptogens. Adaptogens are non-toxic plants like holy basil, mushrooms, maca, ginseng, licorice, and gotu kola, that are known to help the body resist stressors, improve energy, and promote general well-being. These natural herbs are also known to benefit one's immune system. Many emerging brands are featuring different creative uses of adaptogens; for example, Pure Wild's Blueberry Holy Basil Collagen Juice, Shroomi's Adaptogen Shots and Four Sigmatic Adaptogen Coffee. Consumers associate botanicals with a natural approach to wellness. With wellness being a concern for consumers, botanical flavours like rose, elderflower and honeysuckle flavours have wide ranging applications to enhance the taste and complexity of beverage products.

Last year, Wildcrafter Botanicals launched a 100 percent Organic Fair Trade certified coffee infused with "superherbs" that have been tested for over 30 herbicides and pesticides. Wildcrafter Immune Shield Coffee is infused with elderberry and adaptogens such as turmeric, astragalus root and reishi mushroom blend.

Starbucks is responding to all these trends with its January 2020 launch of Starbucks Coffee with Essential Vitamins, Starbucks Coffee with Golden Turmeric and Starbucks Coffee with 2X the Caffeine. The company recently announced plans to expand plant-based options and migrate toward a more environmentally friendly menu.

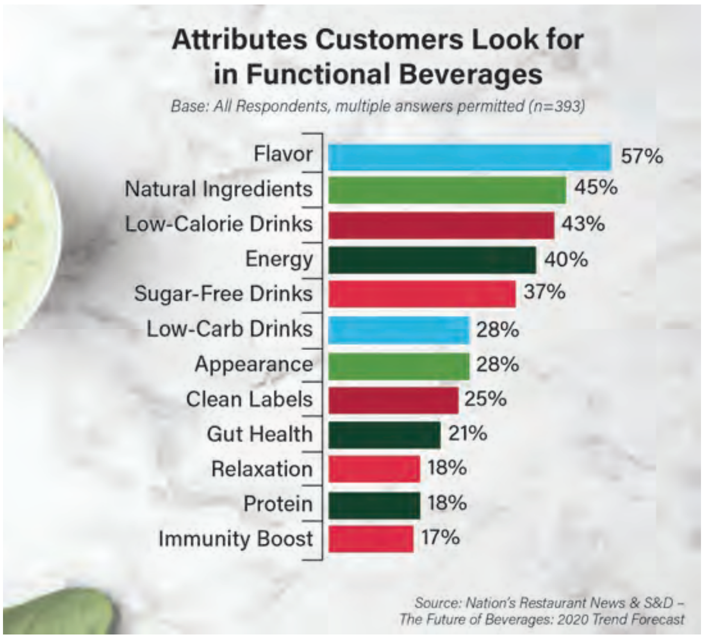
In an interview with *Bloomberg News*, Kevin Johnson, CEO of Starbucks Corporation, said, "Alternative milks will be a big part of the solution." Starbucks currently offers dairy alternatives including soy, coconut and almond milk.

Impact on Flavour

Brands, manufacturers and especially flavourists are challenged to create great tasting, quality formulations that meet consumers' needs and desires for healthier beverages. Fortifying products with vitamins, spices, plants, and other supplements can be challenging to flavour profiles. According to Nick Viriyasiri, flavour scientist at Beck Flavors, "Adding ingredients such as vitamins and proteins can cause bitter, earthy, minerally, and grassy off notes. However, flavours like citrus, ginger, and honey can complement or enhance the taste, but it's really a work of science."

And while adding various healthy supplements is challenging enough, simultaneously lowering sugar and caloric content is quite a feat. "When you take away the fat or calories it is challenging to get that full body flavour perception. For example, if you are looking for something sugary like a cotton candy without the sugar it can be difficult," said Viriyasiri.

It's an exciting time in beverages. There are endless combinations of flavours and additives like never before, but consumers will ultimately decide the best-tasting products.



Janie Page is the senior director of marketing for Beck Flavors Inc, a custom flavour house that delivers innovative flavour solutions for the food and beverage industry. She brings to her role over 18 years of experience in the foodservice, retail and consumer packaged goods industries. With her certification as a Q-Grader by the Coffee Quality Institute, Page brings together insights, innovation and technical expertise.

Drinking Mindfully with Coffee and Tea

There has been a noticeable push into alcoholic drinks on the part of coffee and tea in recent years as some spirits companies are looking to better position their portfolios to align with the mindful drinking trend, while others are using coffee and tea to create interesting new flavour combinations. However, learning from the spirits industry does not necessarily have to mean making alcoholic products.

By Matthew Barry

Wellness trends are causing consumers to be more mindful of their consumption habits. Drinking less alcohol is often associated with this, driving the rise of "Dry January" and "sober curious" lifestyles. While these are certainly ways to approach mindful drinking, consumers could also be responsible in other ways like using healthier mixers or alcohol fermented from organic grains.

It is into this mindful drinking space that alcohol takes on coffee and tea. There have, of course, always been alcoholic versions of hot beverages (consider, for example, the Hot Toddy or Irish Coffee). Alcoholic coffees and teas, though, are changing form as consumers start to reconsider their relationship to alcohol on a large scale.

Drinking Alcohol in a Healthier Way

In general, there is a long-term shift away from sugary carbonated beverages toward healthier options, above all water. In the United States especially, this has resulted in rapid growth in sparkling waters like LaCroix and its various competitors. Sales growth in sparkling waters laid the groundwork for the explosion of hard seltzer demand in American alcoholic beverages in the summer of 2019 (the so-called "White Claw Summer" in reference to the largest brand of seltzer). The wider consumer health and wellness trends that helped LaCroix also sparked the growth of cold brew coffees, herbal teas and kombuchas. Could these too find White Claw-like success in the alcoholic drinks space?

Different Facets of Mindful Drinking

Some cold brew brands are entering the "hard coffee" segment. Cafe Agave Spiked Cold Brew has an ABV of 12.5 percent.

There has certainly been a noticeable push into alcoholic drinks on the part of coffee and tea in recent years. In many cases, alcoholic drinks companies are looking to better position their portfolios to align with the mindful drinking trend as well as simply offer intriguing new products for consumers. Jameson's, for example, recently tested an Irish Cold Brew in a ready-to-drink (RTD) format. Pabst Blue Ribbon also added both a hard coffee and a hard seltzer to its portfolio to adapt for this new era.

In other cases, tea and coffee are looking to break into alcoholic drinks, usually in a more explicitly health-focused way. Blurring the lines between tea and alcohol is the nascent "hard kombucha" segment, which offers an alcoholic drink experience with vitamins and probiotics, positioned as a generally more responsible choice when out drinking. Segment pioneer Kombrewcha emphasises balance in its marketing, highlighting how its products allow consumers to live healthier lives without giving up alcohol entirely.

A Union of Premiumisation

Adopting a mindful drinking approach is not the only reason alcohol players are pairing up with coffee and tea. Some are just using coffee and tea to create interesting new flavour combinations. Many craft breweries are experimenting with coffee flavourings in their beers, usually porters and stouts, but sometimes even IPAs.

Image courtesy of NOBL/Andy Upton

As coffee goes premium, many in the industry are adopting terms from alcoholic drinks when discussing origins or flavour notes. Using coffees in premium cocktails certainly builds the image of certain coffees as premium beverages, like the partnership between La Colombe and Grey Goose to produce high-end espresso martinis.

Many new coffee and tea formats are closer to alcohol than ever before even when they have an ABV (alcohol by volume) of zero. Nitro coffee, for example, comes from a tap, has a creaminess similar to a stout and is often served in a beer glass. Learning from the alcoholic drinks industry does not necessarily have to mean making alcoholic products.

Toward a More Mindful Future

The two sides of mindful drinking – drinking less and drinking better – are in many ways two sides of the same coin. Many consumers participating in Dry January end up drinking in a healthier way the other eleven months of the year as well, which is benefitting coffee and tea. Many traditional alcoholic drink and mixer categories are vulnerable as cold coffee and tea options are exploding in availability and sophistication, providing plenty of opportunities.

Though replicating the hard seltzer craze is unlikely, products that appeal to consumers' dual desire for indulgence and wellness can potentially take coffee and tea into new occasions in even the most mature of markets.

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Fika Keeps Kaffe Brewing in Sweden

Image courtesy of Midsummer Tea

The Swedish 'fika' tradition keeps the coffee market strong, but some consumers have begun to develop a taste for tea.

By Jaroslaw Adamowski

Sweden's deeply rooted coffee culture continues to drive the country's relatively high coffee sales, with the market expected to rebound in 2020 after two years of contracting sales. Meanwhile, Swedish consumers are also developing a taste for tea, and sales are set to expand this year, as they have for the past three years.

Data provided by international market consultancy Euromonitor International indicates that in 2020, the country's coffee sales are estimated to total €519.9 million (USD $464.2 million), up 2.5 percent compared with a year earlier. The market category is dominated by fresh coffee, with €451.2 million ($402.9 million) in sales projected for this year, followed by instant coffee, with €68.7 million ($61.3 million), and instant coffee mixes, at €11.3 million ($10.1 million). Within the fresh coffee segment, fresh ground coffee will represent some 90.9 percent of the sales value, while fresh coffee beans will generate the remaining 9.1 percent, according to Euromonitor's forecast for 2020.

Sweden's coffee culture is inextricably intertwined with the country's cherished tradition of *fika*, a twice-daily coffee break that allows Swedes to enjoy a cup of coffee often accompanied by a sweet pastry such as a *kanelbulle* (cinnamon bun) or a *chokladbiskvi* (chocolate biscuit).

Anna Brones, who authored *Fika: The Art of The Swedish Coffee Break, with Recipes for Pastries, Breads, and Other Treats*, said that Sweden's "tradition of fika (pronounced 'fee-ka') is as common as breakfast; something almost everyone does at least once a day. It factors into travel planning, work schedules, and even a relaxed weekend at home," which makes Swedish life without fika "unthinkable."

"It's uncertain exactly when the fika tradition started, but the use of the word was noted as early as in 1913. Using a form of slang, the two syllables of the Swedish word for coffee – kaffe – were reversed, eventually evolving into today's commonly used fika," Brones writes. "To have a real fika means using the classic recipes that everyone knows (what the Swedes call *klassiker*) … [which] are the baked goods so synonymous with fika that you can barely talk about coffee without getting an urge for one of them."

Image courtesy of Tina Stafrén

Fika, a cherished tradition, is a twice-daily coffee break in which Swedes enjoy a cup of coffee, often accompanied by a pastry.

Swedish Café Chain Eyes Further International Expansion

Mats Hörnell, the chief executive at Swedish café chain Wayne's Coffee, told *Tea & Coffee Trade Journal* that the fika culture was crucial to the company's creation.

Since 1994, the chain has "had a focus on creating inviting cafés that are natural meeting places with a broad appeal, firmly rooted in the Swedish fika culture. We have always been driven by curiosity and a will to offer our guests new flavours," said Hörnell. "We have grown in Sweden through franchising, together with people who have the same passion as we do to improve the fika experience." He added that Wayne's Coffee shops all over Sweden offer personal meeting experiences with a local twist.

In the Swedish market, the most common coffee is similar to a regular black coffee. "We offer two blends, a medium and a dark roasted blend, with a mix of 90 percent Arabica beans and 10 percent Robusta beans. It can be best described as filter coffee since it's brewed in a similar way and is the most common type of coffee people drink both in and out of home in Sweden," said Hörnell. "Swedes either drink it as it is, black, or with a small amount of milk (cow milk, oat milk or soy milk), and sometimes with a bite of sugar. And Swedes sure like their coffee. We are the second largest coffee consumers in the world, with an average of three cups of coffee per person every day. So, you can understand that coffee is a central part of our culture and the fika culture is firmly rooted in our way of living."

Wayne's Coffee currently operates 85 cafés in the Swedish market. Three years after launching its first café on 14 Kungsgatan Street in Stockholm's city centre, the chain invested in franchising and had its first outlet open outside the Swedish capital, in the country's southeastern Uppsala city. In addition to this, Wayne's Coffee operates an additional 53 outlets abroad, according to data released by the company.

Image courtesy of Wayne's Coffee

Wayne's Coffee is the largest Swedish owned and operated chain in the country.

"We have expanded to nine more markets since the beginning, and are currently present in Norway, Finland, the UK, Cyprus, Germany, Vietnam, China, Jordan, and Saudi Arabia," said Hörnell.

Asked about the chain's international expansion strategy, Hörnell shared that while he cannot discuss those plans in detail, Wayne's Coffee has an ambitious plan to add new markets to its portfolio. "We have several more markets coming up, and a rather aggressive expansion plan for the next couple of years. So, keep your eyes open – maybe we will open in your city soon," he said.

Wayne's Coffee is the largest Swedish-owned café chain in the country, but a number of international players have also targeted the market. Starbucks runs 14 outlets in Sweden while Caffè Nero operates nine cafés, and Joe & the Juice has 20 units. Nordic chain Espresso Huse is another major chain in the Swedish market with 19 cafés.

Rising Demand for High-Quality Tea

Compared to Sweden's robust coffee market, the country's tea sales are significantly lower, at €72.6 million (USD $64.8 million) projected for 2020, an increase of 3.1 percent versus a year earlier, according to Euromonitor. However, local tea industry representatives observe a rising demand for high quality teas and hope that the shift in Swedish consumer behaviour will drive higher sales in the coming years.

Last year, Unilever's local offshoot, Sverige, dominated the country's tea market with its Lipton and PG Tips brands, while the fastest-growing tea brands in value share terms were Pukka Botanicals and Yogi Tea brands, per Euromonitor data. The market researcher also noted that the fruit/herbal tea and green tea categories continue to gain popularity in the Swedish market, which is helping to prevent the overall category, led by black tea, from declining.

Jessica Loft, an Australian businesswoman and founder of Swedish brand Midsummer Tea, said that one of the things she has noticed about the Swedes and their tea-drinking habits is that "they love their tea to be full of flavour, sweet and they also love to add milk, even to blends."

"Sweden has predominantly been a coffee-drinking country for many years – the Swedes drink a lot of coffee! But in the last four or five years, I have noticed a rise in the demand for tea. The Swedes are very health-conscious people in general, and I find that the transition

Midsummer Tea is a Stockholm-based premium tea brand that features all natural and hand-picked ingredients.

from coffee to tea has definitely been sparked because of the health benefits drinking tea has to offer," Loft said. "Our most popular tea blend is definitely the Summer Blend. It contains strawberries, rose petals, elderflower, blueberries and vanilla. All completely natural and hand-picked ingredients then blended with organic silver needle white tea."

Midsummer Tea was created in Stockholm when Loft moved to Sweden seven years ago "after falling hopelessly in love with a Swedish man, whom I am still with today," she shared.

"He is a farmer, so I moved from the city of Melbourne to the countryside north of Stockholm. It is on this farm that I started discovering the hidden treasures that lie within the Swedish woods. I found wild strawberries, elderflower, blueberries, wild roses, raspberries, rosehip, and lingonberries – an abundance of superfoods basically in my backyard," said Loft. "I decided to create healthy tea blends using these superfoods. Silver needle white tea has much more antioxidants than any other tea leaf, and these antioxidants assist with repairing collagen and elastin in skin, strengthen the immune system which helps prevent colds and the flu, and much more."

Besides Sweden, Loft said that the markets in which Midsummer Tea sells the highest share of its production include the United States, the United Kingdom and Australia.

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Nestlé launched soluble plant-based café lattes in European markets in January.

Soluble Coffee Still Suffers in Western Europe

Although a strong performer in Eastern Europe, soluble coffee is struggling in Western Europe as consumers say 'yes' to quality over convenience, but premiumisation is helping the category.

By Alice Mutum

Deeply ingrained in the culture and daily routines of consumers, most Europeans still start their day with a cup of coffee at a neighbourhood café before hustling off to work. In the 17th century, trade with Middle East countries brought coffee to Europe, which became a cultural phenomenon across the continent. Venetians, Parisians and the Dutch were the first to adopt the popular pick-me-up beverage, and the first known coffeehouses were opened in The Netherlands (earlier Holland). The Dutch East India Company is said to be the pioneer of modern coffee trading, which started in Mocha (Yemen), as it established one of the first experimental gardens for coffee plantation in Java, Indonesia.

Trends in origin, roast and preparation of coffee are continually changing, and the way Europeans experience their go-to drink is evolving too. The dawn of convenience-food craze grabbed a hold of Europe, and consumption of soluble and instant coffee took off, owing to its large appeal amongst new coffee drinkers.

However, it is still shunned in café culture in Western Europe where a strong tradition of coffee drinking resides. Value-added and innovative strategies are being developed to fend off the threat and 'low-quality' stigma that plagues soluble coffee in developed markets.

Eastern Europe: A Fundamental Shift to Convenience

Soluble coffee or the convenient caffeinator has its roots in Great Britain. It wouldn't be until mid-to-late 1800s that instant coffee came in a version called Camp Coffee, a syrup containing coffee and chicory, that hit the retail market in the United Kingdom. For nations of coffee drinkers, it was a temporary solution to the absence of freshly brewed 'cup of joe,' and for tea-drinking markets, it was new and exciting, and caught on.

In Eastern Europe, non-coffee producing, emerging markets such as Russia and Ukraine began choosing soluble coffee as the first step into the world of coffee. Eastern Europe accounts for the highest consumption of instant coffee worldwide, while it fights to stave off descending sales in Western Europe or established markets for coffee. Soluble coffee is also increasingly appealing to younger generations in the nations ▻

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of Balkans, as the preparation ritual becomes less critical and it is perceived as the most innovative with numerous flavours and variations.

Convenience is certainly a major factor that drives the demand for soluble coffee in an on-the-go world. Among the millennial demographic, the perception of instant coffee as convenient and an upgrade from traditional fresh coffee suggests that the trend is here to stay in certain markets.

Is There a Future for Soluble Coffee in Western Europe?

In the past decade, soluble coffee gained immense popularity as the caffeine intake became an integral part of social fabric as expressions – 'let's go for coffee' – are synonymous with socialising with friends. In addition to its ease and accessibility, rapid expansion of 'coffee culture' in traditionally tea-drinking countries has benefited the growth of soluble coffee sales. However, in countries in Western Europe, instant coffee is struggling due to pressure from fresh coffee. A strong café culture and subsequent rise in the number of coffee shops have made it easier to grab a cup of coffee on-the-go than it once was.

In recent times, coffee retailing and production are changing; from where it is grown and how it is designed to how it is consumed, the coffee industry no longer looks like its former self. Western Europeans are accustomed to caring deeply about the values of food and drink. Younger generations, in particular, like spending time in coffee shops, savouring the creamy richness of a complex, sustainably farmed coffee, and leading themselves to discussing and appreciating a taste of fresh coffee. These consumers are increasingly discerning and paying close attention to the origin, blend, and ethical sourcing of coffee. Additionally, wide availability of coffee pods, an increase in sustainability concerns, and blurring lines between retail and foodservice coffee are resulting in structural decline of soluble coffee in Western Europe.

Premiumisation – A Way Forward in Established Coffee Markets

A division between instant and fresh coffee preferences is closely aligned with that between coffee and tea consumption. Instant coffee is largely preferred in tea-drinking markets such as Russia and Turkey, as it is an easy gateway to coffee experience, without requiring new equipment for brewing. The first threat to soluble coffee comes from the third wave of coffee culture, a movement that aims to promote high-quality coffee, and considered an artisanal food. With the possibilities of the fourth wave approaching soon, sales of soluble coffee in Europe are likely to stay stagnant as compared to fresh in the years to come.

However, major soluble coffee brands are not letting the Western European market slip away without a fight. Introduction of premium offerings and an embrace of new product innovations that offer a locally targeted coffee experience have been underway. The rise of 'micro-ground' coffee (a combination of soluble coffee and finely ground roasted coffee beans) answered the call for better taste and aroma, without requiring special equipment. A number of brands have also been putting a lot of effort to recreate the coffee shop experience at home through the launch of instant mixes. Another intriguing approach is being taken by the leading player in the soluble coffee market – Nestlé – which produced its first plant-based soluble coffees in August 2019. Initially rolled out in the UK and Ireland, the first-ever non-dairy soluble café lattes launched in other European markets in January.

The union of soluble coffee and finely ground roasted coffee beans improved the taste and aroma of instant coffee.

As plant-based or vegan foods are getting more notice in Europe, with start-ups and mid-size brands winning bigger backing from venture capital firms, instant coffee brands are looking for new growth areas. In the complicated modern society where consumers seek convenience food that adds piquancy to their palate, instant coffee has the best chance. With tastes becoming more refined and value-added strategies suggesting a promising track, soluble coffee will have a long way to go in the new European culture.

Alice Mutum is an experienced market research writer at Fact.MR, a London-based global consulting firm, and has authored many articles in the food and beverage industry domain.

THE FAULT, DEAR BRUTUS...

Coffee market volatility has caused violence to farmers and roasters alike. Looking to place blame, the trade has settled on the funds, but what is really going on? In the article below, *T&CTJ* specialties editor, Donald N Schoenholt, offers his perspective on the situation.

By Donald N Schoenholt

Image courtesy of Vanessa L Facenda

The New York "C" market for most of the last 12 months has traded below a dollar. Then things abruptly changed, ran up, paused and plummeted. Prices rose rapidly in November 2019, backed-off toward year-end pausing at about 35 percent above the autumn lows, and then dived below a dollar. Roasters are out of breath, and at origin unease reigns. The specialty trade has generally decided to put the blame for the recent disruptive market squarely on the "funds," the key non-industry player in the coffee value sport. It is easy to blame the outsider; the "other" for whatever ails us. But, what is really going on?

The recent volatility in values is due to higher world consumption, and uncertainty in reported world crop size and supply. In New York, certified stocks (coffee held in warehouses by importers and roasters) are down, Brazilian exports are down (though crop estimates now appear to be high) and Arabica Mild differentials are up again adding more thrust to the prices that roasters are paying for best quality beans. The market is not reacting reasonably to events. It is chaotic with wide daily price swings. Though it is always evident in a relatively low market that on some unknown day the market will reverse, no one appears to have predicted the date certain or the speed and dimension of the upward move, or the subsequent plunge, and no one dares guess what will happen tomorrow.

The big trade houses (importers) claim that they are being squeezed by the big multi-national corporate (MNC) roasters, a very concentrated group of businesses that use their buying power to leverage extra-extended payment terms from the greenies who beg for their business. At the same time, lower market prices have encouraged major producers like Brazil and Vietnam to withhold beans from the market. Also, producers have extended the differentials they impose above the market price for beans to make up some of the ground lost in a low market. Recently, many of the Arabica producers, led by Colombia, announced higher differentials for their precious produce. This is unhappy news for the importers and exporters who sold coffee for future delivery at low differentials to "The Big Boys," in the quixotic belief that as more coffee pours into the coffee economy later in the year, the differentials will weaken substantially, making the green sellers whole.

In my youth, it was believed that the value of physical coffee (actuals) as determined in the buying and selling of the produce was based on supply and demand factors, and that these in turn were determined by conditions in coffee countries, and occasionally on war conditions at sea.

Over the past few decades this model has become less and less reliable as the introduction and impact of investment funds has played an increasingly important market role. Funds, basing their market strategy on software models using wider economic data, calculations from other commodities, monetary arbitrage rates, and other things, have diminished the importance of physical factors as the impact of weather, war, blight, and consumption levels on the price of coffee today, and importantly six and 12 months from now.

The specialty coffee trade is a fragile ecosystem. The economics of being in the specialty trade is very different from the models of the commodity coffee business where enormous sums are required to operate even a modest size trade house. The specialty world is populated by thousands of small-time players; small roasters, supported by even more thousands of smallholder farmers, and cooperatives, and smallish importers. The large trade houses have their beaks in the specialty trade too, including Neumann Kaffee Gruppe, Ecom Agroindustrial, Olam, and Volcafé. The big roasters are not on the sidelines. These examples include Nestlé through their Nespresso delivery system, JAB Holding Company (Peet's Coffee, Jacobs Douwe Egberts, Intelligentsia, Keurig Dr Pepper), and Starbucks.

In origin countries where coffee often grows on smallholder farms, the independent coffee buyer/consolidator has been demonized as a "coyote." He is seen as the evil-doing middleman taking unfair advantage of the poor farm family, his confederates are seen as the trade houses who buy and sell coffee internationally profiting from both the farmer and roaster. The specialty coffee antidote to this perceived evil way of doing business is the fair-trade ideal, which the US trade became aware of in the mid-1980s, and which became significant for sympathetic specialty coffee retailers and consumers as knowledge of the plight of coffee farmers was publicised during the coffee price crisis of 2001, when coffee "C" traded in New York in the forties. Since then, fair trade has crossed from being a far-left economic idea to being a mainstream coffee marketing trend, particularly among Generation Y consumers.

Fair trade originally sprouted from the writings of Dutchman, Eduard Douwes Dekker, in his novel *Max Havelaar, Or the Coffee Auctions of The Dutch Trading Company*, published in 1860. The book sensitised Europeans to the abuses of coffee farmers in the Dutch East Indies (Indonesia). The modern model has its roots in the 1988 development and promotion of Fair Trade labelling. In its current form, farmer cooperatives share the hardships and benefits of working together, creating a brand, and selling (as often as possible) directly to roasters at a premium with a guaranteed minimum price coming back to the farmer. The roaster benefits by being able to badge his product as being Fair Trade, bringing value added to his/her brand.

The ideal is impressive. In practice, the fair-trade cooperatives sometimes appear to govern themselves, uncomfortably, like Soviets. A newer idea (though originally practiced by many in the 19th century) is the direct trade model, which dates from the mid-1990s. Here roasters seek direct, or close to direct, farmer relationships; paying above market price, often to small independent farmers, in return for being able to promote a special relationship that brings added value to the cup. There are several organizations that monitor, and regulate the fair-trade movement. At present, there is no independent third-party organization certifying the standards and practices of the direct trade coffee practitioners or their products. Right now, direct trade is a matter of trust between a roaster and his/her customer.

It is the nature of markets that abuses occur. The layered trading system of old, and the value-added trading systems of today each have a place in the market, and it is an error to demonize whole trading systems for the abusive practices, or political inclinations of some. Specialty coffee strives, but has not yet found a perfect answer, to balancing consumer price and value while determining the value that each participant stakeholder brings to the cup.

Coffee-producing nations such as Colombia, Brazil and Costa Rica have robust coffee farmer educational and support programs. The bigger factors in the industry such as Starbucks, on the roaster side, and Ecom Trading on the trade-house side, have invested substantially in long-term projects benefiting coffee producers, and coffee communities in origin lands. A more educated and economically sustainable farmer community, working in consort with rather than as the vassal of the other coffee stakeholders should result in a stronger trade based on fundamentals of supply and demand, and less at the electronic whims of fund manager software. We have faults, but no one dares suggest that specialty coffee is not fundamentally guided by truth, and constantly striving for answers.

Donald Schoenholt, specialty coffee pioneer, and founder of both Roasters Guild, and SCAA (now SCA) is celebrating his 40th anniversary as contributing specialties editor to *T&CTJ*.

January 2020 Green Coffee Report

In its latest report, the International Coffee Organisation (ICO) announced that January's composite indicator reversed its gains from December, averaging 106.89 US cents/lb as prices for all group indicators fell.

After two months of increases, the ICO composite indicator fell by 8.9 percent to 106.89 US cents/lb in January 2020. The daily price of the ICO Composite ranged between 99.78 US cents/lb on 29 January and 115.18 US cents/lb on 2 January. The 2020-21 Brazilian crop, which would be an on-year of its biennial Arabica cycle, and broader macroeconomic uncertainty exerted negative pressure on the market.

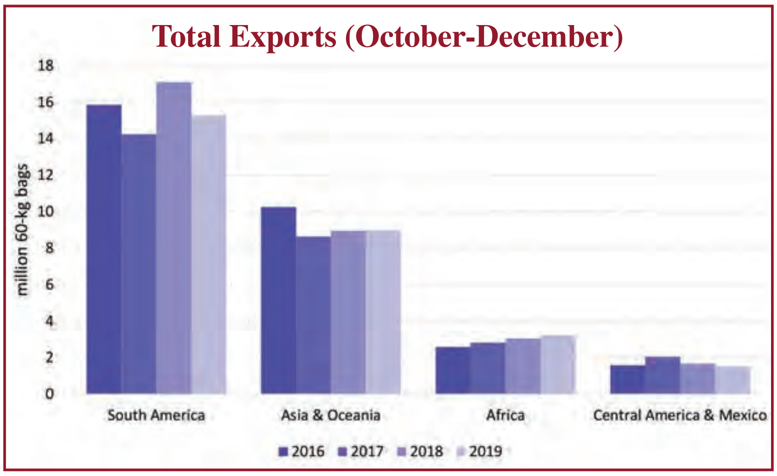
Prices for all group indicators fell in January 2020, reversing the gains made in December. Brazilian Naturals saw the largest decrease, of 12.4 percent, to 110.73 US cents/lb. Other Milds fell by 9.5 percent to 142.19 US cents/lb, while Colombian Milds decreased 8.7 percent to 147.52 US cents/lb.

As a result, the differential between Colombian Milds and Other Milds widened in January 2020, rising by 21.4 percent to 5.33 US cents/lb. Prices for Robustas decreased by 3.7 percent month-on-month to 70.55 US cents/lb, partly in response to increased shipments of Robusta from Vietnam and Indonesia.

The spread between Arabica and Robusta coffees, as measured on the New York and London futures markets, decreased to 56.02 US cents/lb, following four months of increase. The New York Arabica futures market fell by 10.9 percent to an average of 117.05 US cents/lb in January 2020, the second highest monthly average in the last twelve months, while the London Robusta futures market declined by 4.5 percent to 61.03 US cents/lb. Certified Arabica stocks increased by 7.2 percent month-on-month to 2.49 million bags while certified Robusta stocks fell by 3.4 percent to 2.45 million bags in January 2020.

The volatility of the ICO composite indicator increased by 0.9 percentage points to 10.6 percent over the past month. The volatility of all Arabica indicators rose in January 2020: Brazilian Naturals by 1.7 percentage points to 13.8 percent, Other Milds by 1.5 percentage points to 11.1 percent and Colombian Milds by 1.2 percentage points to 10.7 percent.

Source for graphs: International Coffee Organisation



The Robustas group indicator volatility was 8.1 percent, a decrease of 0.7 percentage points from December 2019.

Exports Fall 5.8 Percent in 1Q of Coffee Year 2019-20

Global exports in December 2019 totalled 10.3 million bags, compared with 10.27 million bags in December 2018. Exports in the first three months of coffee year 2019-20 decreased by 5.8 percent to 29.01 million bags versus 30.78 million bags in 2018-19.

During this period, shipments of Arabica fell by 10.1 percent to 18.28 million bags, but Robustas increased by 2.7 percent to 10.73 million bags. The decline in Arabica exports has been driven largely by a fall in shipments of Other Milds and Brazilian Naturals, which declined by 13.8 percent to 4.22 million bags and by 13.3 percent to 9.95 million bags, respectively. However, exports of Colombian Milds rose by 3.7 percent to 4.12 million bags and Robustas by 2.7 percent to 10.73 million bags.

Total exports by Africa in the first three months of 2019-20 increased by 6.3 percent compared to the previous year to reach 3.25 million bags. Uganda was the largest exporter in Africa, at 1.15 million bags, followed by Ethiopia at 927,000 bags. As a result, Africa has increased its share of world exports to 11.2 percent compared with 9.9 percent for the first three months of 2018-19.

In Asia and Oceania, exports increased by 0.3 percent to 8.98 million bags, but are below the record of 10.26 million bags achieved in the first three months of 2016. Vietnam was the leading exporter in the region, with shipments of 6.05 million bags, a 10.7 percent decrease on October to December 2019.

During this period, exports contained mostly last season's crop as harvesting of the new crop was still underway. However, Indonesia recorded a strong increase as it more than doubled its volume to 1.48 million bags while shipments from India rose by 0.5 percent to 1.07 million bags. Asia and Oceania accounted for 31 percent of total exports during the first three months of coffee year 2019-20.

World Supply/Demand Balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	**154 996**	**158 625**	**162 676**	**170 223**	**168 711**	-0.9%
Arabica	91 181	100 776	97 290	100 317	96 215	-4.1%
Robusta	63 815	57 849	*65 386*	*69 906*	*72 496*	3.7%
Africa	15 756	16 729	*17 376*	*18 623*	*18 190*	-2.3%
Asia & Oceania	49 484	45 652	*48 408*	*48 064*	*50 652*	5.4%
Mexico & Central America	17 106	20 322	*21 725*	*21 345*	*21 542*	0.9%
South America	72 651	75 921	*75 167*	*82 191*	*78 328*	-4.7%
CONSUMPTION	**155 491**	**158 642**	**162 555**	**168 099**	**169 337**	0.7%
Exporting countries	47 548	48 488	49 793	*50 510*	*51 018*	1.0%
Importing countries (Coffee Years)	107 943	110 154	112 763	*117 589*	*118 319*	0.6%
Africa	10 951	11 130	11 527	*11 724*	*11 939*	1.8%
Asia & Oceania	32 863	34 573	35 697	*36 470*	*37 511*	2.9%
Mexico & Central America	5 295	5 226	5 321	*5 401*	*5 474*	1.4%
Europe	52 147	52 045	53 148	*55 731*	*55 395*	-0.6%
North America	28 934	29 559	29 941	*31 644*	*31 876*	0.7%
South America	25 299	26 111	26 922	*27 128*	*27 141*	0.1%
BALANCE	**-495**	**-18**	**121**	**2 124**	**-626**	

In thousand 60-kg bags
*preliminary estimates

A decrease of 9.9 percent was recorded in Mexico and Central America, with exports of 1.51 million bags representing their lowest level since 2015-16. Shipments from the region's two largest producers fell in the first three months of the coffee year. Exports from Honduras decreased by 8.3 percent to 522,000 bags, and from Mexico by 15.3 percent to 427,000 bags.

However, shipments from Guatemala rose by 9.7 percent to 302,000 bags, and from Nicaragua by 7.1 percent to 170,000 bags. As a result, Mexico and Central America accounted for some 5.2 percent of world exports, slightly less than in 2018-19.

In South America, exports fell by 10.7 percent to 15.27 million bags in October to December 2019. Brazil exported 9.94 million bags, 14.4 percent less than in 2018-19, reflecting the smaller harvest from its off-year crop in 2019-20.

Colombia's shipments increased by 4.8 percent to 3.76 million bags as exports of green coffee rose by 5.3 percent to 3.5 million bags and those of roasted coffee increased by nearly 50 percent to about 46,000 bags. While its soluble exports fell by 8.4 percent to 211,000 bags compared with the first three months of coffee year 2018-19, the volume is the second highest on record. Peru's exports declined by 19.7 percent to 1.41 million.

Despite the large drop, South America is still by far the largest source of coffee exports, accounting for 52.6 percent of the world total, down from 55.5 percent in 2018-19.

Total production in coffee year 2019-20 is estimated at 168.71 million bags, a 0.9 percent decrease on the previous year. Smaller harvests are provisionally forecast for Africa and South America, by 2.3 percent to 18.19 million bags and by 4.7 percent to 78.33 million bags, respectively.

In Asia and Oceania however, production is estimated at 50.65 million bags, a 5.4 percent increase from 2018-19 while output from Mexico and Central America is provisionally estimated to rise by 0.9 percent to 21.54 million bags. Total consumption is estimated at 169.34 million bags in 2019-20, which would lead to a projected deficit of 0.63 million bags.

This may put upward pressure on prices during the coffee year, but price increases will be tempered by Brazil's upcoming crop in 2020-21, which is another on-year for its Arabica harvest.

The full ICO January 2020 Report can be found at: www.ico.org.

Westrock Coffee Co to Acquire S&D Coffee & Tea from Cott Corp

Westrock Coffee Company, LLC announced 31 January that it plans to acquire S&D Coffee & Tea from Cott Corporation. The transaction is expected to close within the next several weeks of the announcement and will create a leading integrated coffee company serving the needs of the retail, restaurant, convenience store, and hospitality industries.

"This strategic combination will create the nation's premier coffee, tea, and extract supplier that is capable of serving the most complex and demanding customers across the country and around the world. We intend to use the scale of the new company to offer the most innovative beverage solutions with competitive pricing to our global clients while simultaneously providing a premium price to our farmer partners at origin," said Scott Ford, co-founder and CEO of the Little Rock, Arkansas-based Westrock, adding, "Our unmatched commitment to customer service, product quality, and our industry-leading sustainability and transparent sourcing practices will remain a cornerstone of our business."

Ford further noted, "Our combined organisation will seek to lead the industry with our sustainability program and to accelerate the development of a broadening array of innovative products."

Westrock Coffee will be the parent company. The two operating subsidiaries will be Westrock Coffee Roasting and S&D Coffee & Tea and will continue to serve customers under their respective brand names for the foreseeable future.

Westrock Coffee will remain headquartered in Arkansas, with its recently enlarged roasting and packaging plant in North Little Rock already earmarked for further expansion. Westrock is one of Walmart Stores' private label coffee suppliers for its US stores. In fall 2019, Walmart said that all coffee sourced for Walmart US private brands is now certified sustainable (through third-party certifiers such as Fair Trade and Rainforest Alliance/UTZ) — one year ahead of schedule.

Concord, North Carolina-based S&D will continue as a major centre of operations with plans to continue expansion of these facilities.

The new company will employ approximately 1,700 people globally and can roast, grind, and package more than 220 million pounds of coffee annually. The company will also continue to be one of the largest tea suppliers in the US and the leading premium extract supplier to global foodservice and consumer product companies.

Ford added, "We are pleased that following the closing of the transaction, S&D president and CEO Ron Hinson will remain as an advisor to the new, combined organization as chairman emeritus. We value Ron's extensive industry knowledge and deep relationships amassed over his 41 years at S&D. We admire how S&D has grown and evolved during his tenure as president and CEO."

"Participating in S&D's growth and success during the past four decades has been incredible. We achieved industry leadership by innovating to serve our customers. We invested in job and career growth for employees and our community, and I look forward to working with Scott and the newly combined leadership team to see these achievements go even further. The complementary product and customer focus S&D brings to Westrock Coffee makes this a terrific event for our business, our employees, and especially our customers," Hinson said.

Westrock Coffee is a farmer-focused, fully integrated company providing coffee sourcing and financing, supply chain management, roasting, packaging, and distribution services to customers around the world. The company has offices in seven countries which market coffee from more than 20 origin countries impacting over one million members of smallholder farming households. Through Westrock Coffee's US based roasting operations, the company roasts, grinds, packages and delivers branded and private label coffee in bags, fractional packs and single serve cups.

S&D Coffee & Tea is the largest coffee and tea manufacturer and supplier to restaurants and convenience stores in America. S&D is also a leading producer of liquid extracts. In continuous operation since 1927, the company serves over 110,000 customers through national distribution and direct store delivery.

illy Opens Latest Café in Philadelphia Airport

illy opened its newest café in the Philadelphia International Airport. The café – its third airport location – officially opened in late January.

Located in Concourse A-West, illy Caffè is a full-service café offering an extensive menu of traditional and specialty coffee drinks – from espresso to cold brew to lavender mint latté – prepared by illy University of Coffee-trained baristas. An accompanying breakfast, lunch and dessert menu features an array of pastries, sandwiches and gelato.

illy chose Philadelphia because it's a major city and busy airport. An illy spokesperson said, "Airport opportunities are on our radar and we continuously evaluate these opportunities to open with franchise partners. In 2019, we opened in Vancouver Airport and San Francisco Airport with franchise partners." He noted that airports increasingly want to work with upscale brands, adding, "Sophisticated travellers, both domestic and international, are likely to know the illy brand and it represents a steady volume of people who are looking for quality coffee and food."

The latest airport café opening comes on the heels of Trieste, Italy-based illy announcing a target to open 200 cafés in the United States over the next five years.

Lipton and Tazo Parent Company Mulls Selling Tea Business

The world's largest tea maker is considering abandoning tea. Unilever announced that it is exploring the sale of its tea business after years of declining consumption.

"We are continuing to evaluate our portfolio and have initiated a strategic review of our global tea business as we continue to evolve our portfolio to higher growth spaces," said Alan Jope, CEO of Unilever PLC, in a statement following the release of the Anglo-Dutch company's fourth quarter and fiscal year on 30 January.

Tea saw price-led growth, however volumes declined due to lower consumer demand for black tea in developed markets such as the United States and Europe. "We continued to focus on the growing segments of premium black tea, black tea in emerging markets and fruit and herbal variants, with our premium herbal brand Pukka performing well," said Jope. However, sales of traditional black tea, the largest sector of the category, have been in decline in developed markets for several years due to changing consumer preferences.

Unilever has a long been the leading tea business in the world with brands such as Lipton, Brooke Bond and PG Tips. In recent years it has expanded into the premium, fruit and herbal market with the purchase of Tazo from Starbucks Corporation, Pukka Herbs, a British organic herbal tea maker, as well as the premium Australian tea company T2, which sells high end loose leaf in flavours such as beetroot and broccoli and red chocolate mint. Unilever has rolled T2 out internationally. Despite those efforts, the company's presence in black tea – the largest segment of its tea portfolio – has weighed on the business.

The strategic review will consider all options for Unilever's tea business, which generates annual sales of about USD $3.3 billion (€3 billion) and is expected to conclude by mid-year. The review of the tea business could lead to an outright sale, part ownership or a different structure.

Mercon Coffee Enters into a Long-Term Partnership with WCR

Global green coffee supplier Mercon Coffee Group announced a long-term partnership with World Coffee Research (WCR).

With the announcement, Mercon becomes the first green coffee supplier to fund WCR's full portfolio of agricultural research and development activities and fill a seat on the WCR board of directors, while also carrying out collaborative, on-farm research initiatives in Nicaragua and Honduras.

Since 2018, Mercon has been a partner in WCR's Global Coffee Monitoring Program (GCMP), a network of trials in coffee-growing areas around the world that aims to discover which practices are most profitable for farmers across a broad range of environments, altitudes, soil types, and farming systems.

Mercon has supported the GCMP through in-kind contributions via its agronomy staff, who have helped select farmers for the trials, install the trials, collect data, and more. Mercon's staff has helped install six trials in Honduras and 13 trials in Nicaragua, with seven more trials scheduled for Nicaragua by 2021.

That is also the year that the first GCMP trials supported by Mercon will begin bearing fruit. Mercon plans to disseminate results of the trials through its vast network of farmers and technicians, fostering broad knowledge to help strengthen the coffee sector.

"At Mercon, building a better coffee world means systematically working to strengthen farmers and farming communities. We believe that a vital component for thriving coffee farmers is the access and adoption of better varieties. This translates to plants that are not only more productive, resilient to climate change, and less susceptible to pest and diseases, but that also yield better qualities.

"The work done by WCR globally in facilitating the adoption of the best existing varieties alongside their best agricultural packages is a reference in the industry and will have a long-term legacy for the coffee Origins," explained Giacomo Celi, Mercon's sustainability director.

With its new annual commitment, Mercon will support WCR's full research portfolio, which includes breeding work to create coffee varieties that can produce high quality and yield while withstanding the changing climate, and efforts to mitigate the effects of the coffee leaf rust fungus that has devastated many coffee-producing areas.

Additionally, Giacomo Celi will join WCR's board of directors this year.

For WCR, enlisting the long-term support of Mercon is an important development that will allow the organization to continue its impact. "Mercon is a storied company, with over 65 years of experience working with coffee farmers," says Jennifer Long, CEO of Texas-based World Coffee Research.

"Through its work with the Global Coffee Monitoring Program, Mercon has demonstrated its commitment to research impacting farmers for the better. Now with this additional support, Mercon will deepen its impact in coffee communities and aid critical research that can shape the future of coffee."

For more information about Mercon, visit: www.merconcoffeegroup.com.

For more information about World Coffee Research and its programs, visit: worldcoffeeresearch.org.

Lavazza Professional Launches the KLIX Eco Cup in the UK

Said to be a leap forward in the reduction of plastic waste and of the number of cups sent to landfill, Lavazza Professional has introduced the KLIX Eco Cup™, a breakthrough in in-cup vending that is biodegradable and recyclable with normal paper waste.

A sustainable vending solution for the workplace, the KLIX Eco Cup serves a wide range of popular hot drinks brands, with many more to come throughout the year.

Ashley Weller, UK market director Lavazza Professional, based in Basingstoke, UK, explained, "Calls for a reduction in single-use plastic for food and drink containers increased our commitment to offering our customers and consumers a revolutionary solution to meet their needs: KLIX Eco Cup marks another step forward in our mission to deliver the most sustainable drinks vending solutions in the world."

The (UK) House of Commons Environmental Audit Committee stated that in the UK, 2.5 billion coffee cups are used and thrown away each year, but less than 1 in 400 – just 0.25 percent – are recycled. An enormous number of cups – around 500,000 – are littered every day.

Most consumers are unaware that standard paper cups are difficult to recycle and are usually sent to landfill due to a polyethylene (PE) lining that few recycling facilities across Europe can process. The KLIX Eco Cup is unique due to a special patented water-based dispersion barrier board by Kotkamills that enables the cups to be recycled with normal paper waste, just like office paper.

Designed for businesses that are looking for an alternative to plastic cups, the cup is manufactured using paper sourced from sustainably managed forests, accredited by PEFC™ and can be recycled into paper waste up to seven times, guaranteeing low environmental impact. A Life Cycle Assessment run by the external consultancy WSP states that using the new KLIX Eco Cup reduces environmental impact by almost two thirds compared with a standard paper cup.

"One of the greatest challenges was developing a cup that meets our high expectations for quality and recyclability whilst ensuring consumers enjoy a great taste experience," said Weller.

Lavazza Professional's range of KLIX machines for the workplace drinks market offers sustainability features such as low energy and standby modes, efficient boiler systems, heating just enough water at precisely the right temperature and all manufactured in their own ISO 14001-certified UK factory.

"We have always been passionate about making a positive difference that goes beyond our own business and supports our customers on their own individual sustainability journeys," said Weller. "We are therefore pioneering a breakthrough sustainable solution in the vending world."

He added that Lavazza's commitment is clear, "but we hope that other businesses will also increasingly play an active role, because strength is in numbers. We encourage the big players in the market to explore similar solutions to boost the rate of recycling for this type of cup."

The KLIX Eco Cup launched in February in the Momentum and Outlook machines starting with the most popular drinks, with a progressive roll out plan across 2020, which will dramatically reduce Lavazza Professional's use of plastic by 2021.

Ditta Artigianale and the Simonelli Group Introduce Coffee School Project

Espresso coffee machine producer, Simonelli Group, and specialty roaster, Ditta Artigianale, have collaborated on a project with the goal of increasing knowledge of high-quality and specialty coffee in Italy, where both companies are headquartered.

The new Coffee School, located in Florence, will provide training courses focused on coffee innovation, technology and research and will give students exposure to the expertise of the two founding companies. The project will offer students a chance to expand their knowledge of Italian coffee culture and become coffee industry experts.

"The cooperation with the Coffee School is perfectly in line with our company mission and with our daily commitment towards technological, environmental, and cultural sustainable growth," commented Fabio Ceccarani, CEO of Simonelli Group SpA. "The famous scholars of the Italian Renaissance, for example, Leonardo, could combine science with individual ability. The story repeats itself today amidst the coffee society; a solid base of technical know-how and personal expertise are the key to expand coffee culture."

He added, "This is the great strength and uniqueness of the team-up between Ditta Artigianale and Simonelli Group. The roaster's profound knowledge and experience about coffee, combined with our scientific and technical expertise, creates the perfect mix for complete educational and enriching courses."

Whoever attends the Coffee School, said Ceccarani, will attain a solid foundation with a 360° understanding of coffee, extraction technology, and different aspects of research.

For several years now, the Simonelli Group platform has dedicated itself to different and specific educational programs. These programs can range from technological to scientific and have improved in many ways, various aspects of coffee, such as the preparation of coffee itself.

"Another valuable element that determines this project is the exclusive collaboration with the Coffee Science Foundation of SCA and our research hub. Every year our hub shares the results of the studies and makes available the actual laboratories. The pot holds the perfect ingredients for a fruitful collaboration. And the goal is quite high: make the Italian Renaissance of specialty coffee, history."

Image courtesy of Giulio Garosi

Transparency in the Global Tea Supply Chain

For tea buyers one of the first indicators of quality they seek in tea is the transparency in the liquor (brewed tea). In 2020, tea buyers are finding themselves not only evaluating the transparency of the brewed tea, but also of the supply chain. Evaluating the clarity of the tea in our cup is easy, but how does one evaluate the clarity of an international tea supply chain that involves a number of powerful players and thousands of stakeholders from the field to the teacup. Is this new interest in transparency a fad or is it a needed change for sustainability in the industry?

An interest in transparency in supply chain has turned it into a common marketing term by tea brands and tea suppliers. As a tea buyer it is important to ask as many questions as possible to understand the level of transparency there is in the product. Transparency extends far beyond a lot number from a supplier that can be used for a traceability program. Transparency extends beyond the factory that blends or refines the tea and beyond the famous estate that processed the tea. It includes information about the soil, water, seeds, growing conditions, harvest location, harvest date, worker conditions, workers' and tea makers' skill and intentions, processing notes, and logistics information. Conventional business thought encourages some or all this information to remain a trade secret, but in a new era of consumerism this information brings value to the product. The more information a buyer can collect about their teas the better story they can tell their customers and the more assurance they can have of a quality, consistent supply.

The Importance of Transparency

Beyond a pragmatic business benefit, true transparency in the tea industry provides a stronger future for the tea industry. When tea buyers and tea consumers become more educated about tea, over time, they will value tea more. This provides an opportunity for producers to introduce more craft into their operation to access this educated market. Additionally, when a tea buyer demands more transparency in their supply chain it will connect them closer to the producer which cuts out more of the power-holding middlemen who typically absorb most of the value of the tea before it can reach the producer. More value for the producer allows them to invest into their business, environment, and community. With a fully transparent supply chain a tea vendor can be proud to tell the story of their high quality tea made by empowered and mobilized people and communities.

Building transparency in a tea supply chain will not happen overnight, especially for commodity tea. With so many powerful middlemen and stakeholders it will be nearly impossible to document all the information about a tea that is a blend of teas from several different countries that were grown on thousands of different farms. Building transparency in the supply chain of specialty tea is possible, but is not an easy task. There are cultural and language barriers between tea buyers and tea producers. Additionally, small-scale producers who are able to provide transparency may have trouble complying with the US Food & Drug Administration (FDA) regulations or provide economies of scale in logistics that make the price of their products competitive.

For the sake of the future of the tea industry, I hope that transparency in the supply chain is not a fad and will be executed with clear intentions and fullness. Transparency building will mean much change for the tea industry and transition for tea business, but the end result will mean a high quality and secure supply.

Elyse Petersen is an advocate for transparency in the global food system and currently works with tea farmers to improve the quality of their products and access market opportunities. As the founder of Tealet, based in Las Vegas, Nevada, she has made direct trade available to small-scale farmers, businesses and consumers around the world. Petersen is a food scientist and returned Peace Corps volunteer who is committed to building a sustainable future for agriculture and communities. She has a BS in Food Science and Technology from Cal Poly Pomona and a Japanese-MBA from the Shidler College of Business, University of Hawaii. Petersen may be reached at: elyse@tealet.com.