U.S. END MARKET ANALYSIS FOR KENYAN SPECIALTY COFFEE

December 2017

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ACRONYMS AND ABBREVIATIONS

AFCA	African Fine Coffees Association
AGOA	African Growth and Opportunity Act
C-TPAT	Customs-Trade Partnership Against Terrorism
CBK	Coffee Board of Kenya
CBP	Customs and Border Patrol
FDA	Food and Drug Administration
FOB	Free on Board
GCA	Green Coffee Association
GSP	Generalized System of Preferences
HTS	Harmonized Tariff Schedule
ICO	International Coffee Organization
ISF	Importer Security Filing
MCTA	Mild Coffee Trade Association
NCA	National Coffee Association
NCAD	Net Cash Against Documents
NGO	Non-Governmental Organization
PPQ	Plant Protection and Quarantine
SCAA	Specialty Coffee Association of America
SL	Scott Labs
U.S.	United States of America
USAID	United States Agency for International Development
USDA	United States Department of Agriculture

1. EXECUTIVE SUMMARY

The United States of America (U.S.) is the largest market for coffee in the world. Within the U.S. coffee sector, the specialty coffee industry imports almost 750 million kilograms (kg) of green, specialty-grade coffee from around the world each year, often paying double the commodity price. Specialty-grade coffees are identified by their high-quality, unique taste characteristics and countries of origin. They are roasted by one of 1,400 U.S. roasters and distributed to hundreds of thousands of coffeehouses, supermarkets, restaurants, and specialty stores. Whether prepared by retailers or sold in bulk packages for self-preparation at home or in the workplace, 35 million Americans drink specialty-grade traditional coffee on a daily basis.

As geographic origin plays a major role in the taste and body characteristics of specialty coffee, it can be broadly distinguished by growing region – Latin America, Asia/Pacific or Africa. East Africa currently contributes about 4 percent to the volume of annual U.S. green Arabica imports, the predominant species of specialty-grade coffee. Imports from Kenya alone account for about 6 percent. While Kenya could improve issues related to the price and volume of quality production, the country has historically had a reputation for quality and continues to compare favorably with other countries. In fact, Kenyan AA[1] was the first single-origin coffee widely identified by its origin name in the early days of the U.S. specialty coffee movement. As a coffeehouse staple, it was often the only African coffee represented.

However, in 2016, Kenya was ranked third among U.S. green Arabica imports from East Africa, a drop from the previous year, placing it behind Ethiopia and Uganda. With Kenya's shift in producer demographics toward a higher proportion of smallholder farmers, weak extension support has led to reduced coffee quality and production levels five times lower than those of estate farmers. Despite Kenya being well regarded for its transparent and professional coffee systems, some regulatory costs and fees may be higher than the value they create. This diminished competitiveness is especially concerning with Kenyan prices being 38 percent higher than those of regional neighbors. Smallholder cooperative societies are plagued by inefficiency and mis-management. This undermines the capacity of smallholder farmers to increase yields of high-quality coffee and reduce production and processing costs. Kenyan specialty coffee is offered by almost all major U.S. specialty coffee importers. However, Kenya needs to establish a focused communications and marketing strategy to engage buyers directly and market itself actively to all industry stakeholders.

If Kenya wants to enhance its participation in the U.S. specialty coffee industry and bolster its reputation as a global specialty coffee leader, it needs to achieve certain objectives. It could improve extension services and support to smallholder farmers, enhance price competitiveness, strengthen existing U.S. trade linkages, and reinvigorate U.S. industry appreciation for Kenyan specialty coffee. By achieving these objectives, Kenya can regain its role as the most well-known and identifiable African specialty coffee in the U.S. specialty coffee industry.

[1] Kenyan coffee is graded based on the screen size of the bean. Kenya AA is the grade assigned to the beans with a screen size of 17 or 18.

2. TARGET PRODUCTS

Specialty-grade coffee is distinct from the mostly generic qualities of commodity-grade coffee. It is defined by notable taste and aroma characteristics unique to geographic regions, cultivation methods, and processing techniques. These distinct characteristics are highly valued in the specialty coffee industry and, as such, fetch higher premiums all along the value chain – from farmer to retailer.

Kenya has long been recognized for its superior specialty coffee. Over 90 percent of Kenya's coffee is of the Arabica species, the most common species of specialty-grade coffee. Its climate, soil, and processing techniques produce some of the world's most rich, balanced coffee. The coffee is known for its bright acidity, a highly valued taste and sensory characteristic. In fact, when the U.S. specialty coffee industry emerged in the 1990s, Kenya was often the only African country represented in specialty coffeehouses across the country – with Kenyan AA likely the first single-origin coffee to be referred to by origin name.

Unlike commodity-grade coffee that is imported in a variety of forms – as green beans (raw), roasted prior to export, or as soluble granules – specialty coffee is almost exclusively imported by the U.S. in the green bean form. Although Kenya's coffee roasters are highly skilled and capable, U.S. specialty coffee roasters are heavily concentrated throughout the industry at various size levels from nano-roaster (<10,000 lb/year) to macro-roaster (>100,000 lb/year). They play a vital role in customer preference and selection. Since importers pay higher premiums for the distinct characteristics of specialty coffee, they prefer to maintain control over the transformation process (e.g. roasting, grinding, packaging) – a process that can accentuate or destroy the very characteristics for which they have paid premiums.

3. GENERAL CHARACTERISTICS OF THE U.S. MARKET FOR SPECIALTY COFFEE

Coffee accounts for the most highly traded agricultural product in the world, and is the second most highly traded commodity after oil. Coffee is typically grown in the least developed regions of the world, but largely consumed by the most developed countries. However, this trend is gradually shifting as more residents of coffee-producing nations become consumers.

The U.S. is the largest global importer of coffee at 1.6 billion kg annually.[2] Approximately 57 percent of Americans drink coffee daily or almost daily and consume an average of 3.0 cups per day.[3] The coffee sector is not only large, but also nuanced. Quality ranges from mass-marketed commodity coffee to specialty coffee, and these are all available to consumers in prepared or self-preparation formats at a variety of retail outlets which can range from supermarkets to coffeehouses to fine dining restaurants.

Specialty coffee has transformed and improved the image of coffee in the eyes of the U.S. consumer. This can be seen in the leap from around 500 gourmet or specialty coffeehouses in 1991 to over 39,000 in 2015. This number excludes other coffee venues such as coffee carts, kiosks, vending machines and cafés in bookstores, sporting arenas, and transportation facilities, which have also grown significantly.

Still, brewed coffee remains the most popular type of coffee consumed in the U.S. (92 out of every 100 cups of coffee consumed). This reflects the surge in the adoption of home-use single-cup filter brewing systems.

Soluble (instant) coffee consumption, on the other hand, accounted for around eight cups per 100. The coffee sector in the U.S. has undergone a radical change in the last decade. Following the acquisition of Folgers and a sizable portion of Sara Lee/D.E. Master Blenders in the U.S., J.M. Smucker is now the largest coffee roaster and manufacturer in the U.S. followed by Kraft Foods. As with most commodities, the numerous varieties and quality levels that differentiate coffee require a more detailed market analysis to fully understand the appropriate (and distinct) supply chains and end markets for various types of coffee. To more fully understand the market for specialty coffee – the target market for Kenya's superior coffee – it is important to understand several technical points, reviewed below.

3.1. SPECIALTY COFFEE VS. COMMODITY COFFEE

Of the 1.6 billion kg imported annually by the U.S., about half is commodity-grade and half is specialty-grade.[4] Of the two coffee species – Arabica and Robusta – 90 percent of Kenya's coffee is Arabica grade (Robusta is most commonly associated with commodity-grade coffee and Arabica with specialty-grade coffee).

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[2] U.S. Census Bureau, Economic Indicators Division. www.usatrade.census.gov

[3] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

[4] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

3.1.1. COMMODITY-GRADE COFFEE

Commodity-grade – also called standard grade or exchange-grade, below-standard grade, or off-grade coffee – has no high-level requirements for taste or aroma and is mostly used in mass-marketed U.S. commercial blends, such as Folgers or Maxwell House. These mass-marketed commercial blends are identified by customers more commonly by their brand name and less by any taste or information related to the coffee itself. Although there has been a recent trend by large commercial roasters to mimic specialty roasters by referencing coffee species, origins, or taste profiles, these mass-marketed commercial blends continue to be identified and purchased by customers primarily by brand.

The primary driver for commodity coffee manufacturers is price. Since the quality and origin of the coffee are much less important factors, they source from growing regions able to reliably deliver for low prices, and in high volumes. Traditionally, Latin America, namely Brazil and Colombia, has dominated this market. However, in the past decade, Vietnam has emerged as a powerhouse of lower-grade coffee production. The effects of climate change aside, few countries can compete well with the high volumes, low prices, and consistent production delivered by these top producers. These coffees are traded somewhat blindly on exchanges as commodities, with no information about the regions or growers themselves.

The vast majority of commodity coffee is of the Robusta species. Robusta beans tend to have harsher flavors and a higher caffeine content than Arabica beans, which is why they are often used in cheaper blends for less sophisticated consumers – or in espresso blends to add caffeine and create a nice crema. There is currently a small, recent movement to educate consumers about the few specialty-grade Robustas that exist; however, U.S. specialty coffee consumers do not generally associate Robusta coffee with specialty coffee.

3.1.2. SPECIALTY-GRADE COFFEE

In contrast, premium or specialty-grade coffees have distinct taste, aroma, body, and acidity characteristics. They also fetch the highest premiums for their quality levels.[5] With the exception of a very small proportion of specialty-grade Robusta, most specialty-grade coffee is of the Arabica species, although there is plenty of commodity-grade Arabica. Specialty coffees are graded by professional coffee cuppers (tasters) and must achieve a certain numeric score to qualify as specialty-grade. They are frequently consumed in non-blended form as "single-origin" coffees – identified by their country, domestic region, and/or cooperative. Notably, they are sometimes combined with other high-quality coffees to produce blends with complementary characteristics. These specialty coffees are usually marketed to consumers by their geographic origin, distinctive taste characteristics, social and/or environmental certifications, and/or information about the coffee growers themselves.

The primary drivers for specialty coffee consumers are quality and taste, although many in the industry consider sustainability – both social and environmental – equally important. Rather than purchasing blindly via an exchange, most of these coffees are sourced by the primary buyer, either through direct contact with the grower representatives or through use of the professional coffee cuppers (tasters) or through domestic agents who provide scores and tasting notes for many of the best coffees. This level of interaction with the coffee, called the "direct trade" movement, allows buyers to cultivate long-term relationships with individual farmers and their communities. This in

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[5] Specialty Coffee Association of America. http://www.scaa.org/?page=resources&d=green-coffee-standards and http://www.coffeeresearch.org/coffee/scaaclass.htm

turn creates reciprocal incentives for partnership. In Kenya, this type of relationship is cultivated through the "second window."

Specialty coffee taste characteristics are dependent, not only on their growing region and species, but also on cultivation and processing techniques. Most specialty-grade coffees are wet-processed shortly after harvest. This is a method that enhances desirable traits in the coffee bean by soaking it in a fermentation tank with its fruit intact prior to a thorough washing and subsequent drying. This method requires much greater resources than the traditional method of letting the coffee bean's outer fruit dry on its own in the sun, as is often done with commodity coffee.[6]

3.2. GREEN COFFEE VS. ROASTED COFFEE

Most specialty-grade coffee is imported into the U.S. in green – or raw – form. Only a very small portion is roasted abroad and imported in packaged form. There are a few examples of soluble specialty coffee in the U.S., but these are produced domestically, and the market is quite small.

There are three forms of imported coffee: green coffee, roasted coffee, and soluble coffee. ***Green coffee*** is the term used to describe coffee that has been processed (by either wet or dry methods) and is in a raw form, ready to be roasted. Its color is a very light brown/grey/green. ***Roasted coffee*** is green coffee that has been "cooked" at a particular temperature and for a particular length of time that transforms the green bean into a brown, roasted bean. Once coffee has been roasted, it can be left in whole bean form for future grinding or ground into fine particles for brewing, but it must be immediately packaged to preserve freshness. ***Soluble coffee***, or instant coffee, has been roasted, then soaked in water to form a concentrated liquid that is freeze-dried or spray-dried to create granules that transform into liquid coffee when mixed with water.

In the specialty coffee industry, neither roasted coffee nor soluble coffee is regularly imported. Importers purchase green coffee for two primary reasons:

1. **THE ROASTING PROCESS IS INTEGRAL TO THE SPECIALTY COFFEE INDUSTRY.** Because there is both an art and science to transforming green coffee into roasted beans, consumers develop preferences, not just for growing regions, but also for roasting styles and roaster brand identities. An unskilled roaster can ruin even the highest quality specialty coffee, relegating it to a generic, unremarkable, commodity-grade coffee. While some retailers roast their own coffee as roaster/retailers, those that do not carefully choose a roaster based on different characteristics. These include distribution size (e.g. local, regional, or national), quality, reputation, name recognition, and overall competitiveness, since a roaster is the single most important product supplier for most specialty coffee retailers.

   A few retailers choose to import roasted coffee sold in packages that can be purchased for off-premises preparation. Most of these are either a) gift or food-related retailers that offer coffee as less than 2 percent of merchandise and purchase small quantities through a specialty foods importer as part of a general order, or b) supermarkets that carry several varieties of well-known and well-marketed specialty coffee. The former is not an ideal end-market for Kenyan coffee, as it would not be competitive enough to outweigh the cost of distribution in such an inefficient manner; the latter is an end-market dominated by multinational roasters.

   Furthermore, retailers prefer to offer a diverse portfolio of coffees from around the world. For those retailers who do not roast their own coffee, it is easiest to purchase multiple coffees from a single roaster, rather than single coffees from a wide variety of roasters. Establishing buying

[6] Note that there is also a natural process used for specialty-grade coffee, but wet-processing is the most common.

relationships with many individual exporter/roasters globally is impossible for most specialty coffee retailers due to time, resource, and capital constraints.

2. **U.S. PACKAGING STANDARDS ARE DIFFICULT FOR MOST EXPORTERS TO MEET,** whether in bulk for wholesale or in smaller packages for retail. Since roasted coffee has only a several-day shelf-life if left exposed to the elements, it must be placed immediately in air-tight packaging with a one-way gas outlet valve to preserve freshness. No matter the caliber of a roasted specialty coffee, if its freshness is not retained, it is worthless within the industry.

   Additionally, larger retailers prefer to use pre-printed retail packaging with their own branding and specificities for ink and material quality. Smaller retailers often cannot afford to brand individual resale packages. Instead, they commonly choose to use their selected roaster's branding within their own stores and appreciate the consistent look of the branding of a single roaster for all their bulk coffee offerings.

   While the skill levels of Kenyan roasters are sophisticated on all levels – from roasting technique to quality control, including packaging – the above-mentioned obstacles dominate industry practice.

4. U.S. MARKET STRUCTURE, CHARACTERISTICS AND TRENDS

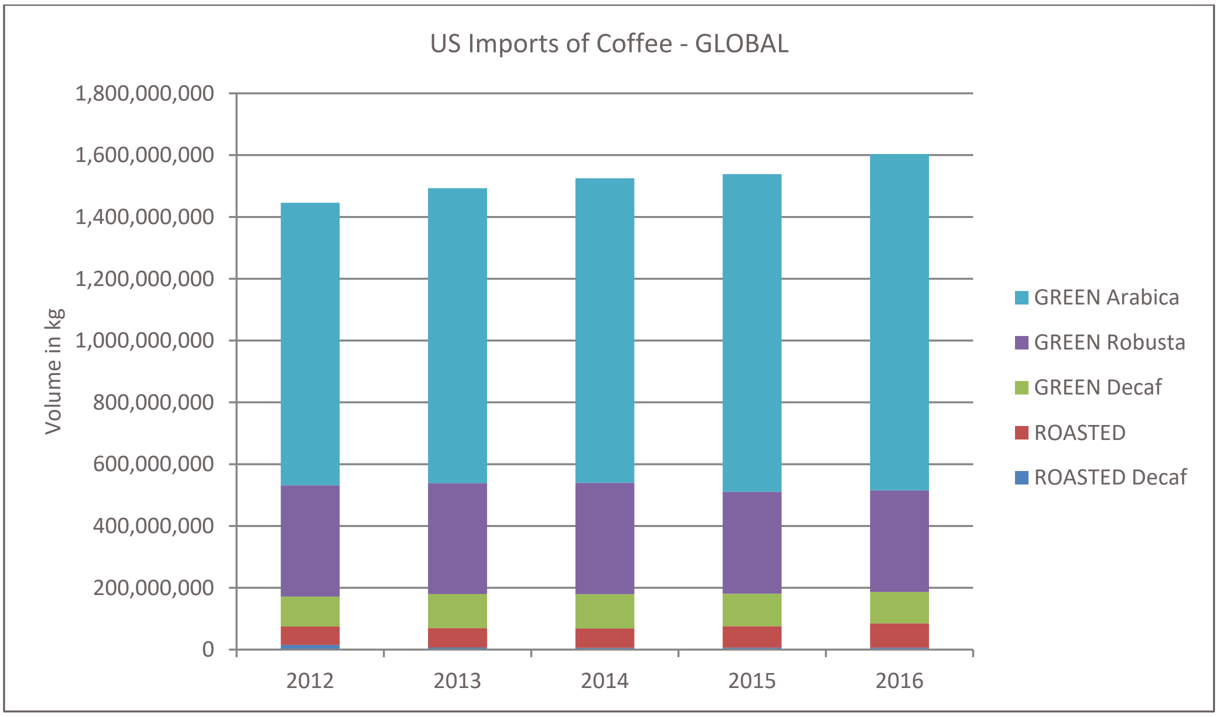
4.1. MARKET SIZE

4.1.1. MARKET SIZE – VOLUME

Of the 112 million 60 kg bags of coffee traded globally in 2016,[7] the U.S. imported almost 25 percent, making it the world's single largest purchaser. Although Brazil, Vietnam, and Colombia grow most of the coffee imported by the U.S., coffee is brought in from practically all 70 or so coffee-producing countries.

Of the 1.6 billion kg of raw and roasted coffee that the U.S. imports annually, only about 5 percent is roasted; the remaining 95 percent is in raw, or green, form. Green bean imports are divided by those that have been decaffeinated (6 percent); those of the Robusta species (21 percent); and those of the Arabica species (68 percent).[8]

Figure 1. U.S. Imports of Coffee - Global



Source: U.S. Census Bureau, Economic Indicators Division. Accessed July 2017.

[7] International Coffee Organization. http://www.ico.org/monthly_coffee_trade_stats.asp.
[8] U.S. Census Bureau, Economic Indicators Division. www.usatrade.census.gov

Of the almost 1.1 billion kgs of non-decaffeinated green Arabica coffee imported by the U.S. in 2016, East Africa's share represented only 4 percent.

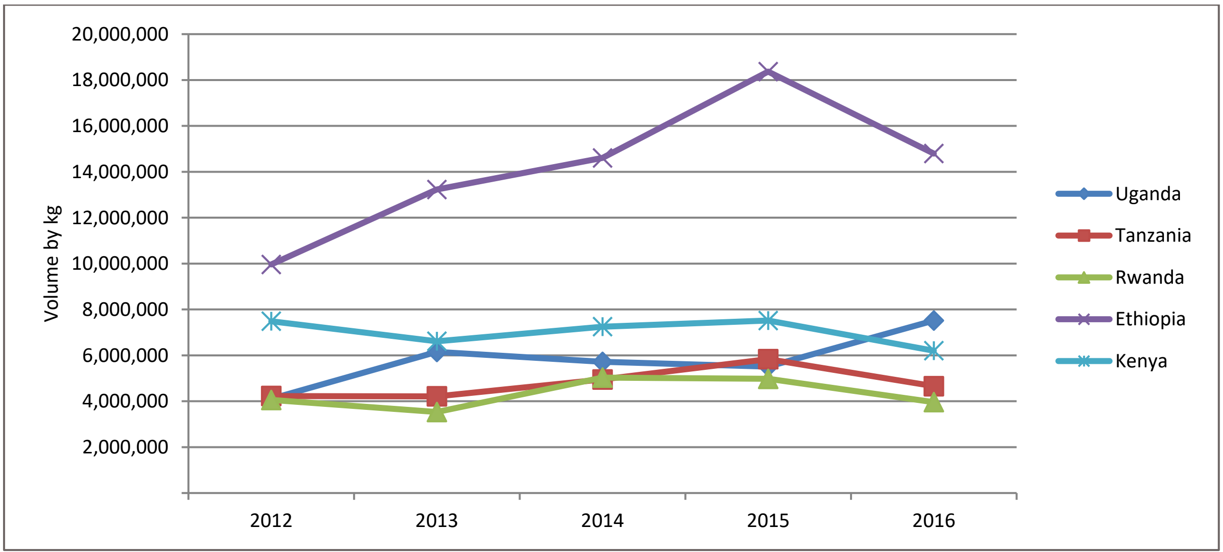
TABLE 1. VOLUME OF GREEN ARABICA COFFEE FROM EAST AFRICA IMPORTED BY U.S.[9]

COUNTRY	2011	2012	2013	2014	2015	2016
Kenya	4,652,851	7,488,299	6,615,110	7,249,383	7,518,554	6,202,775
Burundi	1,693,455	844,057	654,203	944,485	1,033,589	1,408,676
DRC	95,925	422,570	382,616	1,179,858	1,110,482	593,019
Ethiopia	12,926,289	9,963,360	13,230,345	14,603,513	18,367,218	14,794,767
Malawi	92,119	110,374	157,516	274,231	178,095	370,784
Rwanda	3,318,615	4,057,912	3,532,831	5,031,165	4,979,475	3,961,265
Tanzania	4,511,418	4,226,690	4,212,917	4,948,963	5,836,043	4,657,848
Uganda	3,284,861	4,107,442	6,150,889	5,717,136	5,512,800	7,516,790
Zambia	19,200	57,600	12,360	57,601	17,584	114,350
Zimbabwe	19,200	4,000			19,200	90,716
TOTAL	941,412,904	914,136,377	954,827,440	985,542,447	1,027,648,958	1,087,933,412

Source: U.S. Census Bureau, Economic Indicators Division. Accessed July 2017.

Of this 4 percent share, five countries dominate East Africa's contribution to the U.S. specialty coffee industry: Ethiopia, Uganda, Kenya, Tanzania and Rwanda. Within East Africa, Kenya's position fell from second place to third between 2015 and 2016, trading rankings with Uganda.

Figure 2. U.S. Imports of Arabica Coffee – East Africa Leaders



Source: U.S. Census Bureau, Economic Indicators Division. Accessed July 2017.

[9] Ibid.

Fifty-one percent of all coffee consumed in the U.S. is considered "specialty," which includes traditional coffee (e.g. drip-brewed) of a premium grade, cold-brewed or nitrogen-infused coffee, and espresso-based beverages (e.g. cappuccinos, frozen/blended drinks).[10] The vast majority of specialty-grade coffee is Arabica, although not all Arabica is specialty-grade. Therefore, of the almost 1.1 billion kg of green Arabica imported by the U.S. in 2016, about two-thirds was specialty, and one-third was commodity-grade,[11] which equates to approximately 733 million kg of specialty-grade green coffee beans imported by the U.S.

4.1.2. U.S. IMPORTS OF COFFEE FROM KENYA

Around 70 percent of Kenya Arabica is available for exporting between January to June. This is the same period for Ethiopia and Honduras. The crop year is October 1 to September 30, and it is the same for 31 countries including Kenya.

Most exports from Kenya to the U.S. are of green Arabica coffee. From 2011 to 2016, the value has ranged from $32 to $43 million per year.[12] At the level of Harmonized Tariff Schedule (HTS) 10 digit, there were eight coffee items exported to the U.S. Still the market share occupied by Kenya in all of them is small (around 1 percent for Arabica, and even lower for Robusta, organic, and others). Total U.S. imports of coffee from the world in 2016 were $5.6 billion. This shows that there is significant potential for export growth into the U.S. if adequate quality supply is expanded. For more information on nonspecific products and their performance, see Appendix 1.

4.1.3. MARKET SIZE – CONSUMERS

In 2016, of the almost 250 million Americans over the age of 18,[13] 57 percent of Americans drank some form of coffee on a daily or almost daily basis and 69 percent on a weekly basis. This translates to over 400 million cups of coffee with an average of three cups per day. Although U.S. coffee consumption is gradually declining, more Americans over the age of 18 continue to drink coffee regularly than any other single beverage.[14]

Among the most frequent drinkers, 31 percent drink specialty coffee (as opposed to commodity-grade). Whether consumed on-premises at a coffeehouse or café, or purchased at a supermarket or specialty retailer for self-preparation at home or work, 77.5 million Americans drink specialty coffee on a daily or almost daily basis. Excluding espresso-based beverage drinkers from this segment,[15] 14 percent of frequent specialty traditional coffee drinkers,[16] which translates to 35 million Americans, drink specialty-grade traditional coffee almost daily.

Twenty-one percent of Americans drink specialty traditional coffee on at least a weekly basis.[17] If daily consumers are a subset of this percentage, an extra 7 percent of Americans can be included in the specialty-grade traditional coffee market for "at least weekly" consumption. This additional 17.5 million people brings Kenya's total U.S. target specialty coffee market size to 52.5 million consumers.

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[10] Ibid.

[11] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

[12] Values in USD.

[13] U.S. Census Bureau. https://www.census.gov/quickfacts/. Exact number is 249,454,440 based on July 1, 2016 data.

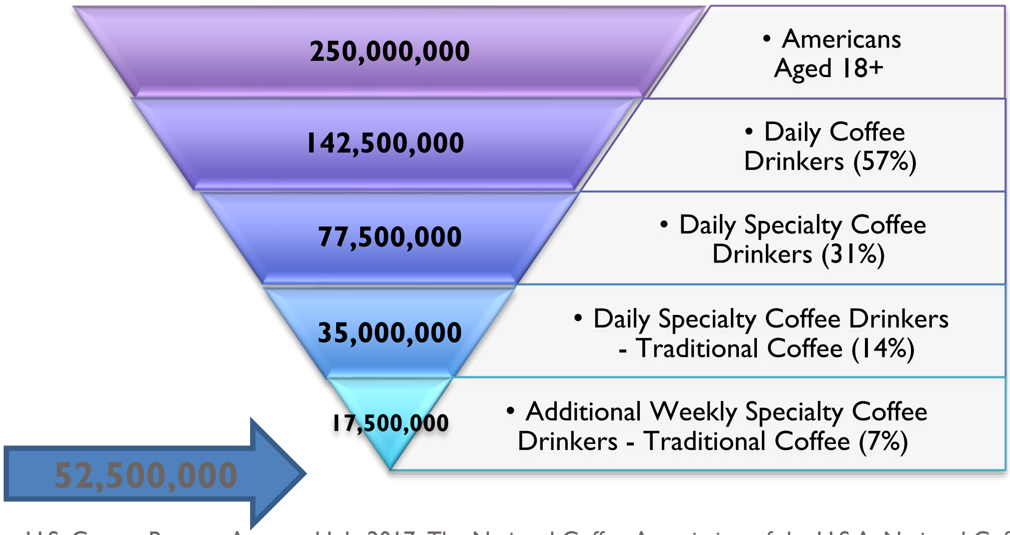
[14] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

[15] Although Kenyan specialty coffee may be used in espresso blends, roasters often keep espresso blend recipes proprietary and do not disclose coffee origins or proportions used. Therefore, it is not possible or prudent to assume or to estimate espresso-based beverage consumers or consumption as a potential market for Kenyan specialty coffee.

[16] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

[17] Ibid.

Figure 2. U.S. Consumption of Specialty-grade Coffee



Sources: U.S. Census Bureau, Accessed July 2017. The National Coffee Association of the U.S.A. National Coffee Drinking Trends 2016.

4.2. MARKET SEGMENTS

4.2.1. CONSUMPTION BY BEVERAGE TYPE

As discussed above, within the U.S. specialty coffee sector, there are two beverage type segments: 1) consumers of espresso-based beverages (18 percent); and 2) consumers of single-origin or blended traditional coffee (14 percent). Espresso is a concentrated form of coffee, derived from grinding whole, roasted coffee beans into a fine powder, compacting that powder into an even pod, and using a specialized espresso machine to push hot water under high pressure through the pod to extract a thick, concentrated coffee "shot." Most espresso is a blend of two to four different coffees formulated by the coffee roaster to produce this smooth, slightly sweet shot that can be enjoyed either on its own or in an espresso-based beverage.

Most espresso-based beverages, such as lattes, cappuccinos, and flat whites, are generally comprised of one or more espresso shots and a dairy or dairy-like component (e.g. whole milk, soy milk, half-and-half) that may have been steamed or frothed by adding hot air. Espresso-based beverages can be served hot, iced, or frozen and are often sweetened with flavoring syrups or powders with unlimited flavor options.

Most espresso blends are primarily made up of specialty coffees, although it is common for roasters to use a small proportion of Robusta to enhance the crema, caffeine content, or both. The individual coffees used in an espresso blend are not easily identifiable by taste and are often undisclosed by roasters as a proprietary measure. Specialty-grade Kenyan coffee is sometimes chosen as an espresso blend component to add brightness or balance. However, since espresso blend content is not identified, it is impossible to estimate what percentage of specialty-grade Kenyan is used for espresso blends versus being served as single-origin or blended traditional coffee. For this reason, espresso consumers are not included in Kenya's target market.

Distinct from espresso-based beverages, traditional coffee is prepared by grinding roasted, whole coffee beans into a medium-to-coarse texture and exposing them to highly heated water with equipment or instruments, such as a drip coffeemaker, percolator, vacuum siphon, or pour-over funnel. The type of specialty coffee used to make traditional coffee can either come from a single source (e.g. one plantation or one cooperative), or from a variety of sources or countries blended together to produce a complementary taste profile. Consumers of specialty-grade traditional coffee are, by far, the most important market segment for specialty coffee producers in terms of volume and creating "brand" awareness and loyalty.

4.2.2. CONSUMPTION BY LOCATION

About one-third of coffee drinkers consume coffee prepared on-premises by a retailer.[18] Even for the most sophisticated specialty coffee drinkers who can identify the growing region for a particular coffee based on taste alone, specialty coffee retailers are an important exposure point for new and different coffees. Since it is common for specialty coffee retailers to offer several options daily, consumers can experience taste profiles that they may not have otherwise tried or been aware of. These specialty coffee retailers are the single most important point of exposure for specialty coffee producers. This is especially the case for those whose origins are less known by U.S. consumers. Even consumers who purchase coffee beans from retailers or supermarkets to brew at home themselves often make their selections based on coffees they have tried at a specialty coffee retail location.

While many specialty coffee consumers purchase traditional coffee prepared by specialty coffee retailers, off-premises self-preparation at home or in the workplace remains the most common consumption location, even if the bulk coffee was purchased at a specialty coffee retailer. About half of consumers under the age of 39 are more likely to consume away from home – either in specialty coffee retail locations or at work – compared to 42 percent of consumers aged 40-59.[19] .

4.2.3. CONSUMPTION BY CERTIFICATION, TRACEABILITY AND CAUSE-RELATED PROGRAMS

Approximately 10 to 15 percent of specialty coffee consumers purchase coffee that has been certified in some way. For some consumers, this purchasing decision is an extension of general consumption preferences and habits (e.g. organically produced products), while for others it is an opportunity to use their purchasing power to support a particular cause or belief system (e.g. environmental stewardship or fair wages for workers). While certification is a commonly promoted strategy for specialty coffee producers, an extensive cost-benefit analysis should always be conducted prior to initiating such a process. Potential revenue gains can be offset, or even surpassed, by the costs associated with obtaining certification or developing a cause-related marketing campaign.

4.2.4. ORGANIC

Coffee sold as certified organic in the U.S. must be produced under standards established by the U.S. Department of Agriculture (USDA) National Organic Program. These include requirements such as not using prohibited substances (most synthetic pesticides, herbicides, and fertilizers) on the land for at least three years prior to the coffee being grown. Other certification requirements include prevention of soil erosion and establishment of a land buffer between the coffee and any other crop not grown organically. In 2016, just under 4 percent of all U.S. coffee imports were declared organic.[20]

If organic coffee is purchased under a Fairtrade contract (see below), the producing cooperative receives a price premium of $0.15 per pound. Outside a Fairtrade contract, producers can use the certification to negotiate a higher price.

4.2.4.1. Fairtrade

The goal of Fairtrade is to alleviate poverty through greater equity in international trade. This is accomplished by paying higher prices to producers.

[18] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.
[19] Ibid.
[20] www.usatrade.census.gov. U.S. Census Bureau, Economic Indicators Division.

Fair Trade cooperatives currently receive a minimum price of $1.31 per pound, and $1.51 if the coffee is certified organic. Cooperative members choose whether the price premium is distributed directly to farmers or used for a community project.

4.2.4.2. UTZ Certified

UTZ certification focuses on transparency and traceability in the supply chain. It also focuses on improved farm management by promoting practices such as proper land preparation, soil erosion prevention, the responsible use of chemicals, and efficient post-harvest techniques.

Despite there being no set minimum price, producers can use the certification to negotiate a better price, usually around $0.05 per pound for Arabica.

4.2.4.3. Shade-Grown/Bird-Friendly

Ecologists at the Smithsonian Migratory Bird Center developed this certification to discourage producers from destroying the natural habitat of birds. It mandates leaving native vegetation intact in production areas and requires that the coffee is certified organic.

There is no set minimum price, but producers use the certification to negotiate higher prices, generally an additional $0.05 - $0.10 per pound.

4.2.4.4. Rainforest Alliance

The Rainforest Alliance is a non-governmental organization (NGO) that promotes sustainability by encouraging ecological stewardship, improved community relations, and fair treatment of workers.

There is no set minimum price, but producers can use the certification to negotiate a better price for their coffee, generally an additional $0.05 - $0.10 per pound.

4.2.4.5. Traceability

Consumers are increasingly demanding sustainably and responsibly produced goods. Simple marketing claims are no longer sufficient to provide assurance of source sustainability. In response, trusted third parties and industry groups have begun providing regulation and oversight through traceability of products along the supply chain.

4.2.4.6. Individual Cause-related Efforts

A number of individual roasters, organizations, and cooperatives design cause-specific programs to increase income for coffee producers. These might relate to a more entrenched cultural dynamic, such as coffee grown in areas of chronic conflict or coffee grown by women who have limited ownership of coffee revenues. Alternatively, they might relate to a more acute emergency like additional support following a natural disaster.

As an example, through the Democratic Republic of the Congo's "Women's Coffee," roasters pay an additional $0.10 per pound for the percentage of coffee they purchase that correlates to the number of female producers from that cooperative. For example, if 30 percent of a cooperative's members are women, roasters would pay an extra $0.10 per pound on 30 percent of their total purchase. Female cooperative members decide how to use the additional funds.

4.3. MARKET TRENDS[21]

[21] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

Although 57 percent of Americans drink coffee on a daily or almost daily basis, U.S. coffee consumption is declining slightly both in the number of drinkers and volume per day. This is driven primarily by behavior among consumers aged 18-39.

Consumption of espresso-based beverages is slightly increasing, while consumption of traditional coffee is slightly decreasing, although certain methods – such as the use of single-cup systems and pour-over funnels – are on the rise. However, there are two trends that use single-origin coffees in a new way: 1) nitrogen-carbonated coffee that is served like draft beer and 2) cold-brew coffee that steeps beans in cold water for a prolonged period. Approximately 10 percent of Americans claim to have tried nitrogen-carbonated coffee, while 15 percent have tried cold-brew coffee.

Although the decline in traditional coffee consumption might seem unfavorable for specialty coffee producers, the decrease is slight. It is gradually being replaced by the new trends of nitrogen-infused and cold-brew coffees that also use specialty-grade single-origins.

4.4. PRINCIPAL BUYERS AND PRICES

4.4.1. TYPE OF BUYERS

Most specialty coffee is purchased from producing countries through one of three channels, (although there are instances of international brokers serving as intermediaries):

- Specialty coffee importers who wholesale imported green coffee to specialty coffee roasters (e.g. Royal Coffee)
- Specialty coffee importers/roasters who import directly from producing countries, then wholesale roasted coffee to specialty coffee retailers (e.g. Counter Culture)
- Specialty coffee importers/roasters/retailers who import directly from producing countries, roast the coffee themselves, and retail roasted coffee to specialty coffee consumers (e.g. Starbucks)

While most specialty coffee importers purchase at least some volume of Kenyan coffee through the national auction system, many work directly with Kenyan cooperative societies or estate farmers through the "second window" to build relationships. These relationships facilitate co-investment, increase joint value, and mitigate risk. Importers might use agents or domestic brokers to help identify coffees that meet their specifications or to arrange transactions. The nature of coffee purchases is largely related to the size of the importer and the importer's own business model and marketing strategy.

Once green coffee is imported into the U.S., it is purchased by specialty coffee roasters (if they are not the importing agents) who roast and package the coffee. Roasters then wholesale roasted coffee to a retailer (e.g. coffeehouse owner) to prepare and sell the coffee on-premises in liquid form to the end consumer or to a retailer (e.g. specialty supermarket) who will sell the coffee in bulk, packaged form for off-premises preparation by the end consumer.

Of the two dozen or so U.S. specialty coffee importers (see full list of suggested buyers in section 10.1) almost all currently import Kenyan specialty coffee. Some of the largest include Atlas, Café Imports, InterAmerican, Mercanta, Olam, and Royal, all of whom sell green beans directly to specialty coffee roasters. Royal and Olam have an especially impressive selection of Kenyan specialty-grade coffees.

The following list shows the top ten U.S. importers by value in 2017. All these companies imported a total of $1.25 billion in coffee from all over the world.[22]

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[22] Source: Imports bills of lading Jan-Nov 2017.

1. Rothfos Corporation (NY)
2. Atlantic U.S.A. Inc (NY)
3. The Folger Coffee Company (OH)
4. Olam Americas Inc (NY)
5. Coex Coffee International Inc (FL)
6. Coffee America (U.S.A.) Corporation (NY)
7. Mercon Coffee Corporation (FL)
8. Intelligentsia Coffee and Tea Inc (WO)
9. Volcafe U.S.A. LLC (NJ)
10. Engelhart Ctp U.S. LLC (CT)

4.4.2. PRICES

Specialty-grade coffee is priced using the New York C (commodity) price as a base and adding relevant premiums based on various quality points and certifications. Over the last year, the average price paid by direct trade roasters – roasters who source directly from producers – for green, specialty-grade coffee was $3.96 per pound. Prices by growing region revealed that the highest average prices were from specialty coffee sourced from Central America at $4.10, and the lowest were from Africa at $3.91.

Since U.S. Census data does not separate coffee HTS codes by grade (e.g. commodity vs. specialty), direct price comparisons cannot be made between U.S. import prices and the global averages for direct trade specialty coffee listed above. However, U.S. Census Data does provide data on imports by species (Arabica vs. Robusta), which can be used to compare U.S. prices for green Arabica purchased from Kenya to the East Africa regional average prices. Using the HTS code most aligned with specialty coffee – 0901110025: Arabica, Not Organic, Not Decaf, Raw (kg) – Kenyan coffee was 38 percent higher than the average of the six largest African specialty coffee importers to the U.S. in 2016.[23]

Although price is not the highest priority when purchasing specialty coffee, it certainly plays a role. As East African specialty coffees improve in quality and gain notoriety, buyers have more options when populating the African components of their portfolios. Kenya's reputation often justifies the higher prices, but, with a greater variety to choose from within the region, price may begin to play a more significant role for some importers, roasters, retailers, and consumers.

[23] U.S. Census Bureau, Economic Indicators Division. www.usatrade.census.gov.

5. U.S. TARIFF STRUCTURE

Both green and roasted coffee – regardless of grade – receive duty-free entry into the U.S. under the Generalized System of Preferences (GSP).

Figure 4. Harmonized Tariff Schedule of the United States (2016)

Harmonized Tariff Schedule of the United States (2016)

Annotated for Statistical Reporting Purposes

II
9-2

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
0901		Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion:				
		Coffee, not roasted:				
0901.11.00		Not decaffeinated		Free		Free
		Arabica:				
	15	Certified Organic	kg			
	25	Other	kg			
		Other:				
	45	Certified Organic	kg			
	55	Other	kg			
0901.12.00		Decaffeinated		Free		Free
	15	Certified Organic	kg			
	25	Other	kg			
		Coffee, roasted:				
0901.21.00		Not decaffeinated		Free		Free
		In retail containers weighing 2 kg or less:				
	35	Certified Organic	kg			
	45	Other	kg			
		Other:				
	55	Certified Organic	kg			
	65	Other	kg			
0901.22.00		Decaffeinated		Free		Free
		In retail containers weighing 2 kg or less:				
	35	Certified Organic	kg			
	45	Other	kg			
	60	Other	kg			
0901.90		Other:				
0901.90.10	00	Coffee husks and skins	kg	Free		10%
0901.90.20	00	Coffee substitutes containing coffee	kg	1.5¢/kg	Free (A+, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	6.6¢/kg

6. NON-TARIFF REQUIREMENTS

6.1. IMPORT REGULATIONS

There are no restrictions or quotas on green, roasted, or brewed (in bottles) coffee. However, some products containing coffee as a key ingredient may be subject to limits or duties (e.g. candies, syrups).

U.S. agencies reserve the right to detain any shipment, which can result in significant delays or inspection and storage costs. It is always best to ensure all proper procedures have been followed and that all documentation (or copies, where appropriate) has been included with each shipment.

6.2. AFRICAN GROWTH AND OPPORTUNITY ACT RULES OF ORIGIN

Coffee does not fall under African Growth and Opportunity Act (AGOA) trade preferences because both green and roasted coffee already enter the U.S. duty-free under the GSP.

6.3. STANDARDS AND CERTIFICATIONS

Globally, all traded coffee must receive a Certificate of Origin issued by the International Coffee Organization (ICO). To gain entry into the U.S. specifically, regardless of grade or form, coffee must pass the various documentation, sanitary, and phytosanitary standards of the Customs and Border Patrol (CBP), USDA, and Food and Drug Administration (FDA) (see section 6.5 for more details).

6.4. PACKAGING AND LABELING

Green specialty coffee is typically imported in 60 kg (132 lb) natural fiber sacks – burlap, sisal, or jute. Some countries package in 70 kg bags (152 lb), but this is less common. Although some major coffee-producing countries (such as Brazil) have begun to use one ton polypropylene "super sacks" or 21.6 ton polyethylene liners, most specialty coffee roasters continue to prefer the traditional 60 kg bags. This is because a hallmark of micro-roasting is the quality control possible only when roasting small volumes. Some countries such as Kenya have also begun to use multi-layer plastic bags (e.g. GrainPro) or vacuum-sealed Mylar. Both of these techniques add layers of cost not generally required except for top-tier specialty coffees.

Each bag of green coffee must be individually labeled on the outside with the originating country according to the U.S. country of origin Marking Statute.[24] Both the names of the originating country and the ultimate U.S. purchaser must be presented in English in the most conspicuous, legible, and permanent manner allowed by the product or packaging. [25,26]

[24] Section 304, Tariff Act of 1930, Amended 19 U.S.C 1304

[25] Customs Regulations (19 CFR 134.41(b))

[26] Customs Regulations (19 CFR 134.44)

As of 1996, roasted and soluble (instant) coffees are exempt from these marking requirements. Neither the imported products nor their containers are required to be marked with the foreign country of origin.[27] However, it is still necessary to determine the correct country of origin. If a product undergoes a substantial transformation (e.g. roasting) in a country other than the originating country prior to arrival at the final destination, the country of origin may be considered as changed. (Note that the decaffeinating process is not considered a substantial transformation.)

6.5. CUSTOMS PROCEDURES

6.5.1. RESPONSIBILITIES OF THE EXPORTER

In addition to the requirements listed below, exporters are responsible for ensuring that copies of all shipping documents are with the shipment itself.

6.5.1.1. Government of Kenya

A registered coffee exporter must first receive an Exporter Code Number from the Customs and Excise Department at Forodha House. The exporters must then obtain an Export License from the Coffee Board of Kenya (CBK). This is based upon meeting specific financial and capital requirements, becoming a member of the Mild Coffee Trade Association (MCTA), and agreeing to use a coffee expert to certify quality levels.[28]

The CBK will issue a Certificate of Purchase that provides descriptive details of each coffee purchase. All coffee must also be accompanied by either a Certificate of Origin or a Certificate of Re-Export, as appropriate. They must be certified by the Commissioner of Customs and Excise. This stamped Certificate of Origin, together with a non-negotiable bill of lading, must be submitted to the CBK within 14 days of the export of the coffee.

6.5.1.2. International Coffee Organization

The ICO requires that a valid Certificate of Origin accompany the transport documents. This is the responsibility of the exporter, and full details can be found at http://www.ico.org/documents/icc-102-9e-rules-certificates-final.pdf.

The original copy of this certificate must be stamped and signed by Kenya's ICO certifying agent, the CBK.[29] Customs authorities will document the Certificate of Origin serial number, country of destination, net weight of the shipment, and form and type of the coffee being exported. A unique ICO identification mark will be printed inside a box or stamped on a metal strip on every bag of coffee. It is a series of three numbers, including a country code for the exporting country; the code number for the grower or exporter; and the serial number of the sequential parcel of coffee for that grower or exporter beginning with "1" for the first parcel exported on or after October 1 each year. Example: 037-1234-0001 explains that this is the first shipment from Exporter 1234 from Kenya for the calendar year.

[27] Miscellaneous Trade and Technical Corrections Act of 1996. Pub. L. 104-295, 110 Stat. 3514. Section 14.
[28] Kenya Export Promotion Council. http://epckenya.org/index.php?option=com_content&task=view&id=109&Itemid=295.
[29] International Coffee Organization. http://www.ico.org/documents/icc-106-3e-ports.pdf.

6.5.1.3. U.S. Customs and Border Patrol

As described in "Packaging and Labeling" section above, the country of origin must also be clearly marked on each bag as prescribed by CBP.

6.5.1.4. U.S. Food and Drug Administration

All coffee imports into the U.S. are subject to review by the FDA, which determines their admissibility. Before the shipment's arrival into the U.S., the foreign exporter must register with the FDA and file a Prior Notice that details the contents of each shipment, a process that can be completed at:
http://www.fda.gov/Food/GuidanceRegulation/ImportsExports/Importing/ucm2006837.htm.

The FDA also provides guidance on product labeling (e.g. roasted coffee). More information can be found at www.fda.gov.

6.5.2. RESPONSIBILITIES OF THE IMPORTER

Coffee shipments into the U.S. involve three government agencies: the CBP, the FDA, and the USDA. Many U.S. importers purchase coffee "ex dock" and handle all logistics related to shipment and lading, including customs clearance and inspections by the FDA and USDA.

6.5.2.1. Customs and Border Patrol

The Importer Security Filing (ISF), also known as "10+2," is a CBP regulation that requires importers to provide data to CBP. This data is used to determine potential threats from in-bound ocean shipments. An ISF must be filed no later than 24 hours prior to the shipment being placed on the vessel destined for the U.S., although some data points may be updated up to 24 hours prior to the shipment's arrival into the U.S. ISFs are secured by a Customs Bond, which is a financial guarantee in the case that CBP cannot collect required fees from the importer. A Customs Bond is required to clear shipments through CBP and takes approximately five business days for CBP to process.

Although not required, the Customs-Trade Partnership Against Terrorism (C-TPAT) is a program within CBP's cargo enforcement strategy that works with international supply chains to improve U.S. border security and reduce potential burdens on commerce. C-TPAT is a voluntary, public-private partnership that encourages close cooperation among producers, exporters, consolidators, carriers, brokers, and importers. The National Coffee Association (NCA) actively encourages industry stakeholders to participate in C-TPAT and allows them to utilize the NCA C-TPAT shared information platform to collect and update documentation more efficiently.

6.5.2.2. U.S. Department of Agriculture

The objective of the USDA inspection is to examine plant material to detect and refuse entry to any prohibited articles and to find pests and prevent their dissemination without unnecessarily damaging the articles or material.

Importers must file USDA Plant Protection and Quarantine (PPQ) 587 application to import plant or plant products no less than 45 days prior to a shipment's planned arrival because approval can take up to 30 business days to process. Once USDA issues a permit to the importer, the importer will send a copy to Kenyan agents, who can begin their customs process. The link to the PPQ 587 application can be found at https://www.aphis.usda.gov/library/forms/pdf/PPQ587.pdf, and additional information is available at www.aphis.usda.gov.

Although the USDA has special inspection procedures that pertain to shipments packaged in burlap or jute for countries infested with the khapra beetle, Kenya is not one of these countries.[30] However, if imported green coffee is packaged in burlap or jute bags, which is often the case, the following number of units will be inspected, whether the bags are new or used.

TABLE 2. USDA INSPECTION

NUMBER OF UNITS IN SHIPMENT	USDA SAMPLE FOR EXAMINATION
1 – 59	3 units
60 – 359	5% of units
Over 360	18 units

6.5.2.3. Food and Drug Administration

Exporters will register with the FDA and file a Prior Notice before the shipment arrives into the U.S. Upon arrival, the FDA will also inspect a number of bags within the shipment, depending on the total number of units. This can result in additional charges.

Any U.S. import facility that handles and processes coffee must register itself as an FDA Food Facility, which can be done at: http://www.fda.gov/food/guidanceregulation/foodfacilityregistration/ucm2006832.html.

30 U.S. Department of Agriculture. https://www.aphis.usda.gov/import_export/plants/manuals/ports/downloads/kb.pdf.

7. U.S. DISTRIBUTION

7.1. SUPPLIER SELECTION

The priorities for selecting coffee-producing countries, and producers within each, are slightly different for importers than for roasters and retailers. A significant amount of the importer's time is spent on logistics; identifying the highest quality coffee and the most efficient method for transporting that coffee from origin to final destination. For the roaster and retailer, supplier selection revolves primarily around quality, marketing power, and convenience.

Figure 5. Coffee Supplier Selection Priorities

Quality

- Cupping scores
- Distinctness
- Consistency
- Variety
- Certifications
    - Natural or organic production
    - Producer equity
    - Environmental stewardship

Marketing

- Variety
- Reputation of country's coffee
- National story (e.g. rebound from natural or man-made disaster)
- Human interest component (e.g. female equity, child labor)
- Ability to have more direct relationship with producers
- Certifications
    - Natural or organic production
    - Producer equity
    - Environmental stewardship

Ease

- Timeliness of delivery
- Consistent availability
- Ability to meet volume requirements
- Ability to have a more direct relationship with producers
- ***For Importers Only:***
    - Locating coffee in-country that meets quality expectations
    - Establishing in-country connections
    - Negotiating sales with producers and/or exporters
    - Ease of navigating regulatory barriers
    - Transport issues
    - Transport cost
    - Taxes, fees

Price

7.2. CONTRACT AND PAYMENT TERMS

Most coffee imports to the U.S. use the standard contract format provided by the Green Coffee Association (GCA). Each contract must stipulate a number of details, including the quality, quantity, price, shipment period, conditions of sale, and period during which the offer is valid. Contracts should also state whether they cover commodity-grade or specialty-grade coffee. In all cases, regardless of terms, it is the responsibility of the exporter to provide any necessary documentation to accompany the shipment.

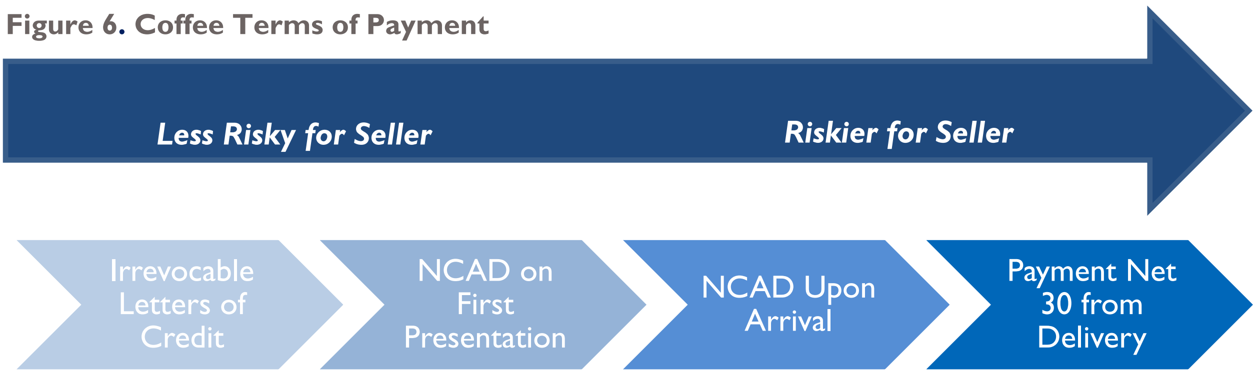
Many coffee contracts specify the price in Free on Board (FOB) terms. This means that the shipment will be loaded onto a vessel at the location listed in the contract at the seller's expense. The seller is responsible for scheduling freight space, arranging shipment, and producing a full set of shipping documents. The seller's risk ends when the goods cross the ships rail; from that point, the buyer assumes all costs and risk.

Many U.S. importers also purchase coffee "ex dock." This involves a risk transfer from the seller to the buyer on the dock at the port of destination once all ocean freight and terminal handling charges have been paid and customs entry and all government regulations have been satisfied. This gives the buyer the ability to refuse payment for any portion of the shipment that fails to meet U.S. import standards.

The most common terms of payment used for green coffee purchases are:

- **Irrevocable Letter of Credit:** A Letter of Credit is a contract between a buyer's bank and a seller's bank that guarantees transfer of payment against certain shipping documents. These documents include an invoice, Certificate of Origin, quality certificate, or bill of lading. An Irrevocable Letter of Credit cannot be cancelled once established. It gives the seller assurance that funds will be available as long as valid documents have been presented.
- **Payment Net Cash Against Documents (NCAD) on First Presentation:** The buyer makes payment when valid shipping documents are first presented. This is a common option either for buyers with whom sellers have developed a trusting relationship or for buyers with a well-known reputation for creditworthiness.
- **Payment NCAD Upon Arrival:** The buyer makes payment when the shipment arrives at the final port of destination. It is important for sellers to include a stipulation that payment must be made by a certain point, regardless of whether goods have arrived or not.
- **Payment Net 30 from Delivery:** The buyer makes payment within 30 days after the shipment has arrived. While these are the most preferred terms for buyers, they leave sellers without product or the cash equivalent for an extended period of time and expose them to the risk of buyer bankruptcy.

Figure 6. Coffee Terms of Payment

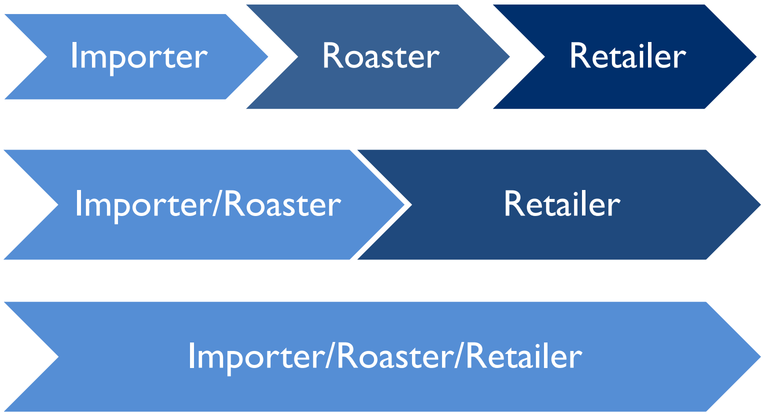


As in any business transaction, a seller must determine the perceived risk associated with a particular buyer. For instance, although an Irrevocable Letter of Credit is the least risky payment method, the cost and inconvenience associated with acquiring one could prevent a buyer from purchasing from a seller who requires one. In contrast, an NCAD upon Arrival should clearly indicate that payment will be made "not later than 30 (or 60) days after date of bill of lading" otherwise, if the shipment is lost altogether, the seller may never receive payment.

7.3. DISTRIBUTION CHANNELS

Specialty coffee is distributed through one of the channels defined in the "Principal Buyers" section. Depending on the business model of the original importer, the following scenarios are possible:

Figure 7. Coffee Distribution Channels



7.4. RETAIL CHANNELS

Most specialty-grade traditional coffee consumers purchase prepared beverages from coffeehouses. There are, however, other types of retailers that make prepared beverages.[31]

TABLE 3.PREPARED BEVERAGES RETAIL CHANNELS

LOCATION	% CONSUMERS
Coffeehouse/Coffee Shop/Pastry Shop	13%
Cafeteria	6%
Convenience/Gas Store	3%
Quick-Service Restaurant	4%
Full-Service Restaurant	4%

[31] The National Coffee Association of the U.S.A. NCA Market Research Series. National Coffee Drinking Trends 2016.

Most specialty-grade traditional coffee consumers prefer to prepare their own coffee from bulk packaged coffee purchase from supermarkets, although there are other types of retailers that make bulk coffee available.[32]

TABLE 4. BULK COFFEE RETAIL CHANNELS

LOCATION	% CONSUMERS
Supermarket/Grocery Store	46%
Mass Merchandizer	25%
Buyer's Club/Warehouse	11%
Online/Mail Order	6%
Coffeehouse	6%
Convenience/Corner Store	4%
Specialty Gift Store	1%

[32] Ibid.

8. SALES PROMOTION

8.1. KEY TRADE FAIRS

Exhibiting at trade fairs offers an unparalleled opportunity to engage importers, roasters, and retailers within the specialty coffee industry. It also provides an opportunity to showcase Kenya's superior quality coffee. It is also recommended that side meetings with key buyers and side trips to headquarters of major partners are arranged in advance.

8.1.1. GLOBAL SPECIALTY COFFEE EXPO

The Specialty Coffee Association of America (SCAA) Annual Global Specialty Coffee Expo offers industry stakeholders the opportunity to exhibit, attend lectures and classes, hone their skills in roasting, and compete in coffee preparation competitions. The Expo, held in Seattle, WA each April, hosts 7,500 participants from all over the world.[33] Kenya was the 2017 Portrait Country, hosting the Portrait Country Pavilion with meeting rooms for private negotiations, coffee sampling, and green and roasted coffee giveaways. It showcased its extraordinary coffee from the Mt. Kenya, Mt. Elgon, Rift Valley, and Kisii highland regions.

http://www.coffeeexpo.info/sca2018/public/mainhall.aspx

8.1.2. COFFEE FEST

Coffee Fest is the U.S. trade show designed for retailers of coffee, tea, and specialty beverages and occurs three times annually. Exhibitors focus primarily on items found in retail coffee shops. Workshops are geared toward business management of retail locations.

https://www.coffeefest.com/

8.1.3. AFRICAN FINE COFFEES ASSOCIATION (AFCA) CONFERENCE, EXHIBITION, AND TASTE OF HARVEST

The Annual African Fine Coffee Conference and Exhibition is Africa's largest coffee trade event, bringing together regional and international producers, traders, roasters, and experts.

The AFCA Taste of Harvest program is the leading regional cupping competition in Eastern and Southern Africa. It provides producers, processors, and exporters from member countries a platform to catalog and promote their coffee. Not only are coffees cupped by a panel of qualified judges, AFCA also collects relevant data that allows buyers to efficiently identify coffees that meet their standards. Major buyers from across the globe attend this event. From 2017's Africa Regional Taste of Harvest event, Kenya's Sucasustainability Farm took top honors at first place for its 88.37 cupping score.[34]

https://afca.coffee/events/

33 Note that SCAA and the Specialty Coffee Association of Europe have recently merged to become the Specialty Coffee Association (SCA).

34 African Fine Coffees Association. https://afca.coffee/conference/conference/taste-of-harvest-toh/

8.1.4. FANCY FOOD SHOW

The Fancy Food Show is the largest U.S. specialty food and beverage trade show, held in New York, NY each June and San Francisco, CA each January. While the event boasts 2,400 exhibitors from 50 different countries and regions, it is not a venue used by serious coffee buyers to source coffee. However, specialty coffee stakeholders should be familiar with this trade show.

https://www.specialtyfood.com/shows-events/

8.2. NATIONAL ADVERTISING CAMPAIGNS

Several key periodicals are widely read by the country's specialty coffee roasters and retailers. They use them to learn about new techniques, trends, and origins. A national advertising campaign to "re-introduce" and reinforce Kenya's notoriety could highlight its superior attributes, numerous industry awards, and provide U.S.-based industry contacts, such as U.S. importers who offer Kenyan coffee and might be willing to co-advertise to promote business.

While there are several print and online periodicals geared to some proportion of the specialty coffee audience, the following are the most popular:

ROAST – a bi-monthly technical trade magazine dedicated to the growth of the specialty coffee industry. It addresses the art, science, and business of coffee by covering the most important issues in the industry and focusing on the technical aspects of coffee.

COFFEETALK MAGAZINE – a monthly, industry-centered publication with a heavy focus on the big-business side of coffee. It appeals primarily to roasters and larger businesses and regularly includes interviews with business leaders and industry consultants. The tone is relatively formal.

FRESH CUP MAGAZINE – a monthly, industry-geared publication, focused on coffee from origin to cup. It appeals to a range of coffee businesses and is filled with highly informative, well-illustrated features on topics like barista training, equipment, and international coffee trends.

THE TEA & COFFEE TRADE JOURNAL – a monthly industry magazine that focuses on coffee facts, statistics, technical information, and business advice. Topics such as packaging innovations, decaffeination processes, coffee origins, and grinding/roasting optimization are frequently addressed.

Others include *Barista*, *Drift*, *Specialty Coffee Chronicle*, and *Specialty Coffee Retailer*.

8.3. BUYERS' MISSIONS/TRIPS

Buyers' trips for U.S. importers and importer/roasters are quite common in Kenya. They continue to be an excellent opportunity to showcase Kenyan coffee and its superiority; expose importers to various producers and exporters; solicit feedback on improving Kenya's competitiveness; and build long-term business relationships. Various sponsors, including the USAID East Africa Trade and Investment Hub, have supported such buyer trips in Kenya over the years.

8.4. PROMOTION TO THE CONSUMER COFFEE MARKET

Promotion is dominated by a few very large companies, mainly multinationals, which sell their product by promoting their brand name and image through large-scale advertising. Advertising expenditure is typically equivalent to between 3 to 6 percent of sales revenue.

Most coffee is sold through supermarket chains. They generally stock a relatively limited range of brands that meet their criteria for sales per unit of shelf space. It is difficult and costly for new brands and suppliers to penetrate the market, but it is not impossible as there are always some openings for new suppliers.

Smaller packers and roasters often sell coffee under either their own brand names (directly to retailer chains or online through the internet) or provide supermarket chains with own label (also known as private label) coffee to be sold under the brand name of the supermarket. Own label or secondary brands generally sell at a substantial discount and are not usually advertised in the media. Instead, they are promoted in store.

In the past, such brands were considered inferior in quality. However, that is no longer the case and, as a result, own label coffees have captured a significant share of the market. The own label area offers the best opportunity for coffees processed at origin because such coffees cannot afford large advertising expenditure. But with increasing concentration at the retail level, the scope for new entrants is becoming more limited and fiercely price competitive.

9. COMPETITION

9.1. KEY COMPETITORS

For commodity-grade coffee, competition is global. The dominant players include Brazil, Vietnam, and Colombia, countries who produce massive volumes of coffee at competitive prices. Fortunately, in the specialty coffee sector, roasters and retailers want an expansive portfolio that includes coffees from around the world. As a result, they are already interested in carrying African coffees, which is a significant advantage for Kenyan specialty coffee producers.

9.1.1. GROWING REGIONS

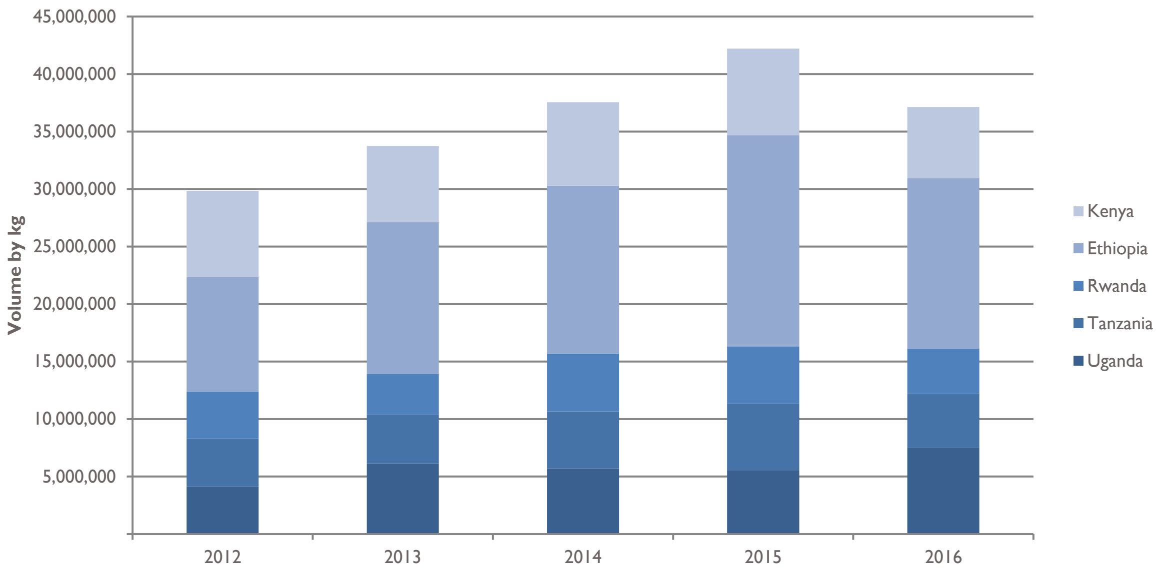
Since the taste characteristics of coffee are comprised of a number of factors related to geography – including soil, climate, and processing techniques – specialty coffees are usually distinguished by growing region.

Latin America, Africa, and Asia/Pacific each have climates, altitudes, soil, coffee varietals, and processing techniques that provide unique taste characteristics to specialty coffee originating from that region. Latin American coffees are known for their smooth, mellow taste and balanced flavors. Asian/Pacific coffees are deep and earthy with heavier notes, and African coffees are noted for their fruitiness, ranging from a delicate floral essence to a heavier syrupiness.

Within each of these three regions, individual countries – and even sub-regions within the countries, such as Kenya's – produce specialty coffee that offers further distinctions in taste profiles.

For U.S. consumers, the proximity of Latin America and Africa make these coffees the least and most expensive, respectively, due to transport costs. However, since competition within the specialty coffee arena is driven primarily by quality and taste preferences, competition between countries is mostly regional. This is either based on taste preference for one region over another, or preference for one country over another within the same region. For Kenya, this means Ethiopia, Uganda, Tanzania, and Rwanda are its main competition, since, along with Kenya, these are the top African Arabica-producing countries.

Figure 8. U.S. Imports of Arabica Coffee – East Africa Leaders



Source: U.S. Census Bureau, Economic Indicators Division. Accessed July 2017.

9.1.2. SUPPLY CHAIN ROLE

Importers, roasters, retailers, and consumers all choose coffee from a particular region based on slightly different variables, although each plays an important role in any end-market strategy.

Importers and roasters introduce a particular coffee to the U.S. specialty coffee sector and make its purchase possible through supply. At the same time, specialty coffee retailers and consumers provide feedback through demand that signals their preferences, informing the future purchasing decisions of importers and roasters.

More specific information about how importers, roasters, and retailers select their suppliers can be found in "supplier selection," but a summary is contained below.

9.1.2.1. Importers

U.S. specialty coffee importers select coffees based on overall quality, consistency of quality, consistency of available volumes, ease of relationships, reliability, ease of transaction, and price.

9.1.2.2. Roasters and Retailers

U.S. specialty coffee roasters, retailers, and roaster/retailers select coffees based on their contribution to offering customers a diverse portfolio of high-quality coffees from around the world. Roasters and retailers want consistent quality, timely delivery, competitive prices, adequate volumes, and marketing power.

9.1.2.3. Consumers

U.S. specialty prepared coffee retailers (e.g. coffeehouses, cafés) usually offer customers a daily variety of traditional coffee. The assortment generally represents different single-origin growing regions, roast styles, flavor profiles, and caffeine contents to accommodate customer preferences. The selection often rotates daily or every few days, depending on the number of different coffees the retailer keeps in stock. Since all traditional coffees offered by a specialty prepared coffee retailer are available to consumers at the same price point, regardless of the wholesale price paid by the retailer, consumers can sample a wide portfolio of specialty coffees and develop preferences based on quality and taste rather than price.

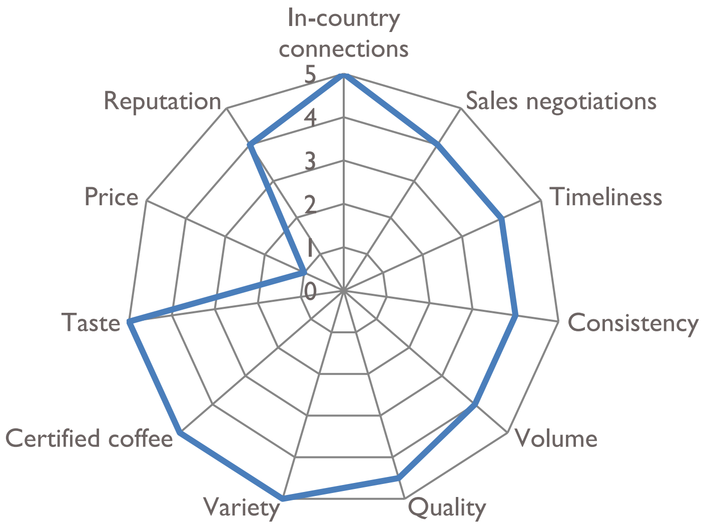
U.S. specialty bulk coffee retailers (e.g. supermarkets, coffeehouses) also offer a variety of bulk coffee, either in whole bean form for self-grinding or pre-ground for convenience. Even the smallest specialty roasters are usually equipped to package roasted coffee in one-way valve bags for extended shelf-life. It is also common to find bulk specialty coffee in open-air bins for self-bagging, rotated every few days for freshness. Unlike prepared coffee, customer prices for bulk coffee differ based on the price paid to the roaster. This depends on all prices paid to stakeholders back to the producer. In some cases, retailers may fix a price for all coffees within a certain category (e.g. all African coffees or all certified organic coffees), but in most instances, differences in bulk prices reflect differences in base prices paid.

Overall, although the importer and roaster determine the coffee supply portfolio from which retailers can choose, the consumer, through feedback and demand, plays the lead role in deciding which coffees are repeatedly purchased. Therefore, the best approach to competition is to expose as many specialty coffee importers and specialty coffee consumers to a particular coffee as possible. If an importer is not aware of a particular coffee origin, it can't be made available to the U.S. market and if a consumer is not exposed to a particular coffee region, he/she cannot purchase it.

9.2. CRITICAL SUCCESS FACTORS AND PERFORMANCE ON EACH FACTOR (BENCHMARKING)

In comparison to other East African specialty coffee-producing countries, Kenya remains an industry leader for its generally superior quality, ease of transaction, variety, and consistency. However, the prices of Kenyan specialty coffee are the highest in the region. This can be a deterrent even to specialty coffee buyers, especially with emerging competition from East African neighbors who are rapidly improving their high-quality volumes. Additionally, many industry experts noted that whereas they are usually able to purchase the volume of Kenyan specialty coffee needed, they are concerned that Kenya's quality is becoming more concentrated at certain producer levels and arrangements (e.g. those with direct relationships) and less mainstream at a broader national level. This can have an impact not only on future volumes of specialty coffee, but also on the country's reputation.[35]

Figure 9. Rank of Kenya within East Africa



[35] Based on aggregate feedback from U.S. industry experts.

10. RECOMMENDATIONS

10.1. SUGGESTED BUYERS

There are about 40 minor and major U.S. specialty coffee importers, although some import exclusively from a particular country or growing region. Most have staff members who regularly travel to producing countries and develop relationships with producers, cooperative leaders, government authorities, processors, brokers, exporters, and other agents in the specialty coffee industry.

Currently, all major specialty coffee importers offer Kenyan coffee, but varieties and volumes change frequently. A list of Kenya-relevant U.S. specialty coffee importers is provided below. Full contact information is available in Appendix II. Note that most importer/roasters are either too small or too large (e.g. Starbucks) to be contacted directly and are therefore not listed below, with the exception of a few that are noteworthy.

Ally Coffee	Crimson Cup Coffee & Tea**	Royal Coffee*
Atlas Coffee*	Gillie's Coffee Co.	Royal Coffee New York*
Balzac Brothers	InterAmerican Coffee*	Sustainable Harvest
Bird Rock Coffee Roasters**	InterContinental Trading	Theta Ridge Coffee Co.
Bodhi Leaf Trading	Knutsen Coffees	Third Wave Coffee Source
Café Imports*	NJ Douek & Sons, Inc.	Volcafe
Coffee Holding Co.	OLAM Specialty Coffee*	Vournas Coffee Trading
Coffee Shrub	Organic Products Trading Co.	Wolthers Douque
Counter Culture**	Red Goni	Zephyr Coffee

Asterisks denote: *= largest importers; **=importer/roasters

10.2. EXPORT STRATEGY

To increase exports of specialty-grade coffee into the U.S., Kenya should take a multi-pronged approach centered on four core objectives. These objectives are broadly discussed below:

- Increase exportable volumes of specialty-grade coffee
- Enhance price competitiveness
- Strengthen existing U.S. trade linkages
- Reinvigorate U.S. industry appreciation for Kenyan specialty coffee

10.2.1. INCREASE EXPORTABLE VOLUMES OF SPECIALTY-GRADE COFFEE

As Kenya's producer demographics shift away from estate owners, their access to resources and technology, national yields, and quality levels will gradually decline. Kenya must realign its traditional reliance on estate farmers to smallholder producers to ensure the continued production of exceptional specialty coffee. Without access to training, extension services, support, and finance, smallholder producers will not be able to produce the volumes and quality of specialty-grade coffee demanded by the global community. Assistance to smallholder farmers should be tailored, coordinated, and comprehensive to build their capacity to improve quality and increase yields.

- The proportion of smallholders to estate producers continues to increase as estate owners choose to use their land for new opportunities, such as higher-value agriculture or real estate development. Currently, about one-third of the total area under coffee cultivation belongs to estate owners, with two-thirds cultivated by smallholders. While smallholder yields average just over 300 kg/ha, estate yields are more than five times higher at 1,600 kg/ha.[36] This marked distinction is partially due to estate owners' greater access to capital, inputs, equipment, and knowledge. ***Designing and enacting a strengthened extension support strategy targeted to smallholders will reflect the national shift in producer demographics and provide the foundation for increased volumes of higher-value specialty coffee.***
- Coffee berry disease and coffee leaf rust have decimated the yields and quality of Kenyan coffee for many years. Ruiru 11, a combination of Timor Hybrid variety (a hybrid of Arabica and Robusta) and Rume Sudan, were designed to combat coffee berry disease. However, many experts believe that the Robusta influence in Ruiru 11 decreases its quality, especially compared to the Scott Labs (SL) varieties developed specifically for Kenya by Scott Laboratories in the 1930s. ***If Ruiru 11's use will continue to be promoted, a narrative in response to this industry concern should be prepared and widely disseminated. Otherwise, research to identify a suitable replacement that combats coffee berry disease, but still provides superior quality, should be accelerated.***
- ***Facilitate investment in capital improvements to existing factories (wet mills), especially those owned by cooperative societie***s. For wet processing, coffee cherries must begin the fermentation process within 24 hours of being harvested to prevent spoilage. This can present an enormous challenge in terms of infrastructure and a farmer's ability to transport fresh cherries to a factory in close enough proximity. As a result, Kenya has an abundance of low-quality wet mills built to support farmers' geographic needs, but are not necessarily able to process coffee at the quality levels demanded by the U.S. specialty coffee industry. Smallholders process their fresh cherries at facilities owned by either their cooperative society or a neighboring cooperative society. Many cooperative societies struggle to manage their business affairs efficiently and effectively. This includes investments in inputs, equipment, and factories. Antiquated processing facilities are inefficient, costly, and incapable of producing the highest quality coffee. They need to be updated and properly maintained.
- ***Encourage more joint-value models that can offer training, support, access to finance, and guaranteed markets to create incentives for quality improvements.*** Joint-value relationships formalize working arrangements between two parties in a manner that creates a "win-win" scenario for everyone involved. By fostering this type of model between U.S. specialty coffee importers, importer/roasters (or possibly Kenyan exporting firms on the one hand and cooperative societies or small-estate farmers on the other hand), Kenyan coffee producers can leverage the knowledge, feedback, and resources that firms can provide to produce the consistent quality and volume that consumers demand.

  This longer-term business relationship mitigates risk all along the value chain by providing both sides relative guarantees of supply access and volume purchase. In some cases, firms might provide extension services, training, inputs, or small equipment on credit, eliminating access-to-finance issues faced by farmers. In return, they receive a steady supply of higher-quality, consistent coffee and offer producers a reliable market.

[36] Government of Kenya. Agriculture and Food Authority (AFA) Coffee Directorate. http://www.agricultureauthority.go.ke/wp-content/uploads/2016/06/area-under-coffee-and-Production-from-2008-20151.pdf

Counter Culture, a U.S. importer/roaster, has a similar arrangement with a group of Kenyan coffee small-estate farmers who decided to work together instead of against one another. The group calls itself Kushikamana ("Connected"), and the members have learned to improve their picking, processing, irrigation, drying, and storage techniques. Counter Culture has paid for training and tools, such as moisture and pH meters and GrainPro bags for coffee storage. They negotiate prices with Kushikamana farmers directly and commit to purchases pre-harvest. Kenya's "second window" allows U.S. importers to develop deeper and more sustainable relationships directly with Kenyan producers.

10.2.2. ENHANCE PRICE COMPETITIVENESS

Many in the specialty coffee industry have no hesitation in paying a premium for exceptional coffee, and Kenya is well-known for its ability to deliver such a product. However, as in all markets, price plays an important role. As many East African countries improve their ability to produce high-quality, specialty-grade coffee, industry buyers have more African options for their global portfolios. For most, Kenya's higher prices keep them from choosing as many Kenyan coffees as often as they otherwise would. While Kenya's most superior coffees will continue to sell for "top dollar" as their value dictates, these only represent a small portion of total production. As quality levels and reputation gradually decline, prices need to adjust accordingly until former quality levels are reinstated.

- While the Kenyan coffee industry is known for its transparent and professional structure and the quality that it produces, some of the processes and protocols may add little actual value relative to their cost. With Kenya's slight decline in quality reputation, these additional costs are even harder for buyers to justify. It is important to regularly review system-wide regulations and associated costs and benefits to ensure that the value continues to exceed any prices paid. ***All bureaucratic processes and rules should be evaluated carefully to determine the net cost to stakeholders all along the value chain, especially to the smallest producers, as they represent the future of Kenyan specialty coffee. Streamlining regulations, fees, and levies will reduce the overall cost of Kenya's specialty coffee within the global market, especially relative to its regional counterparts.***
- As with any commodity, there is an element of risk in each season's investment. However, for globally traded products, relatively high domestic input and labor prices can significantly reduce competitive advantage. ***An analysis of the factors that contribute to the high cost of Kenya's specialty coffee production can target solutions that will prevent more coffee farmers from abandoning their traditional trade and will simultaneously enhance the price competitiveness of Kenyan specialty coffee.***
- Kenya's 700,000 smallholders are organized into 400-500 mandatory cooperative societies that are meant to provide training, support, and services (e.g. bulk input purchasing, processing, and collective marketing). However, most of the cooperative societies suffer from mis-management and inefficiency. As part of the enhanced extension services that need to be provided to smallholders, leadership, financial, and organizational training should be provided to cooperative societies to build their capacity to perform their intended roles. ***Well-run cooperative societies will create efficiencies that reduce production costs, increase yields, and improve overall coffee quality and prices received.***

10.2.3. STRENGTHEN U.S. TRADE LINKAGES

Almost all U.S. specialty coffee importers with global portfolios include Kenyan specialty coffee within their offerings. Several Kenyan cooperative societies, estate farmers, and exporting firms have worked with U.S. importers for years, purchasing both through the national auction system and the "second window." In this sense, Kenya has a significant advantage in terms of its strategy to increase specialty coffee imports into the U.S. Rather than having to introduce itself to the specialty coffee market, it can instead focus on improving existing relationships to bolster volumes purchased.

- ***Identify or confirm a U.S. Specialty Coffee Liaison or office to serve as the primary point-of-contact on all matters related to U.S. specialty coffee imports.*** If this liaison or office does not already exist, it could be a government or private sector representative. It needs to be a person or persons familiar and comfortable with conducting business in a reliable, efficient manner common in the U.S. business community (e.g. responses to email or phone enquiries within 2-3 business days; thorough and timely follow-up; regular outreach to maintain relationships; willingness to do more than is required or requested to satisfy customers). This liaison or office should establish lines of communication with domestic producers, marketing agents, exporting firms, and other specialty coffee stakeholders to inform them of the strategy to increase volumes of specialty coffee imported by the U.S. and to provide details on what the liaison or office can and will do for them related to U.S. industry contacts. The lines of communication will also enable them discuss with Kenyan stakeholders their perceived obstacles to increasing imports to the U.S.
- ***Create thorough records of buyers, volumes purchased, prices paid, and other information related to U.S. imports***. Use the data to identify trends from certain buyers or certain types of buyers to better gauge their future purchasing decisions. Organize the data by various means, including individual buyer files that can be easily accessed when communicating directly with a buyer.
- Design an effective communications strategy that ensures regular interaction between U.S. importers and an "official" point-of-contact from Kenya, whether the U.S. Specialty Coffee Liaison or a different designee. The most appropriate point-of-contact for each importer will depend upon the nature of current established relationships. For instance, some small-estate owners may already have strong, direct communication with buyers and may not need or want a separate liaison or office to interfere. However, those same U.S. buyers may be interested in expanding their sources and may want to have access to a more central, objective point-of-contact. The strategy needs to be thoroughly discussed with various stakeholders and organized to best facilitate increased purchases from U.S. importers, keeping in mind that the objective is for all U.S. buyers to have a point-of-contact that engages with them regularly and can assist in facilitating any transactions.
- Initiate communications strategy and explain to U.S. importers that they can use their point-of-contact for any enquiries related to purchasing Kenyan specialty coffee. Once outreach begins, be sure that it continues regularly and openly. Otherwise, it will not be considered a reliable point of communication. The U.S. Specialty Coffee Liaison or other designee should actively engage U.S. importers to solicit suggestions and feedback on ways to foster trade relations and increase imported volumes.
- ***Continue to use U.S. buyer trips – regardless of the sponsor – as an opportunity to build and strengthen one-on-one relationships*** by ensuring that the U.S. Specialty Coffee Liaison or office actively engages visitors and learns more about their business (e.g. business philosophy, business size, perceptions of regional coffee differences, customer profiles). Take special interest in learning about their specific business model and how Kenya can better support it, including preferences in quality levels, buying arrangements, and producer relationships. Take thorough notes and document them in individual buyer files for use in follow-up communication. Search for opportunities to help the importers maximize their business with Kenya.
- As part of a larger marketing strategy, it is important to have projected production output, preferred export destinations, and related volumes for the next five years to determine the quantity of new trade volume available for U.S. marketing. As with any multi-variable strategy, changes to one aspect inevitably affect the others. Therefore, if the objective is to increase specialty coffee imports to the U.S., either production must increase accordingly, or some proportion of trade must be re-directed from a current customer country. It is important to thoroughly consider the implications of increasing trade volumes to the U.S., and to determine what volume will likely be available.

1. Domestic production levels and grades should be projected for the next five years.
2. Importing countries should be ranked in terms of desirability – not simply based on volumes purchased – but on other factors, such as net prices, ease of transaction, and industry penetration and diversification.
3. Any committed volumes to importing countries should be itemized. These volumes should be totaled and subtracted from the projected production for each year.
4. The balance should be distributed between importing countries according to their relative desirability. Of course, it is impossible to know the volumes that importing countries will choose to purchase but it is important to estimate based on past purchases for planning purposes.

With an estimate of desired U.S. new business, the U.S. Specialty Coffee Liaison or office can more easily identify the types and number of U.S. buyers to target to expand annual U.S. imports. Since Kenyan coffee is already offered by all major U.S. specialty coffee importers and roasters, strengthening these relationships is key to increasing import volumes. Outreach to any smaller importers and roasters who do not currently carry Kenyan coffee can be indirectly achieved through a national marketing campaign, discussed below.

10.2.4. REINVIGORATE U.S. APPRECIATION FOR KENYAN SPECIALTY COFFEE

In the earliest days of the U.S. specialty coffee movement, Kenya was the first African coffee widely recognized in for its exceptionalism – and known by its origin name and quality level: Kenyan AA. Connoisseurs know that Kenyan specialty coffee is consistently superior, but many other specialty coffees from East Africa have entered the market and piqued customer interest. Additionally, Kenyan specialty coffee is generally more expensive that its regional counterparts, and its overall quality has slightly declined. Combined, these variables have played a role in limiting purchases of Kenyan specialty coffee by U.S. importers, but the active marketing of Kenyan specialty coffee can remind the industry of Kenya's excellent quality and reinvigorate its interest.

- ***Design a U.S. advertising campaign*** for select print and online specialty coffee periodicals that cater to a broad array of specialty coffee audiences, roasters, retailers, baristas, and end customers. The campaign should aim to remind the U.S. specialty coffee industry why Kenyan specialty coffee is so exceptional. It should showcase Kenya's numerous awards, cupping scores, and competition honors, including its recent designation as Portrait Country at the April 2017 SCAA Global Specialty Coffee Expo, 2017 AFCA Taste of Harvest first place win (Sucasustainability, Fram Farm), and Coffee Review's 2016 first place winner with a score of 97 (Bird Rock Roasters, Guama Peaberry). Contact information should either be for the U.S. Specialty Coffee Liaison – or for several U.S. importers that regularly carry Kenyan coffee and are willing to act as contacts.

- ***Heighten Kenyan specialty coffee presence at major U.S. specialty coffee trade shows*** by exhibiting as often as possible and by improving booth design, messaging, participation in workshops and events, and related advertising. Arrange as many one-on-one meetings as possible and focus on strengthening and building relationships with all current and potential buyers, no matter their size. Although sales are the ultimate goal, let trade show focus be on marketing Kenyan coffee to as many attendees as possible – "breathing new life" into the Kenyan brand. This activity also aligns with the Government of Kenya's Agriculture and Food Authority's Strategic Plan 2016-2021.

- ***Consider planning a several-week visit to the U.S. to meet with U.S. importers*** at their various headquarters to strengthen personal relationships. This type of trip should be planned on an annual basis, rotating through buyers of different size and scope. It could be conducted in conjunction with a major specialty coffee trade show. Use the opportunity to learn more about each business and their unique needs. Take thorough notes and document the information in individual buyer files that should be regularly accessed each time communication is initiated.

See the matrix below for an overall summary of key objectives, proposed actions, and outputs that can shape the basis of Kenya's AGOA Specialty Coffee Action Plan.

TABLE 5. ACTION PLAN FOR SPECIALTY COFFEE						
OBJECTIVES	**PROPOSED ACTIONS**	**OUTPUTS**	**TIMEFRAME**		**KEY STAKEHOLDERS**	**LEVEL OF RESOURCES REQUIRED**
			S-T	**M-T**		
Increase exportable volumes of specialty-grade coffee	Improve extension services to smallholder farmers	• More farmers trained in GAP techniques	X	X	Kenya Coffee Directorate (CBK) and County Staff	High
		• Access to inputs improved	X	X	Cooperative Societies	High
		• Higher volumes of specialty-grade Arabica produced		X	U.S. Importers (Joint-Value)	
	Accelerate research to identify a suitable substitute for Ruiru 11	• Promotion of different variety resistant to coffee berry disease	X	X	Coffee Research Foundation	High
	or	or				
	Develop a narrative to address concerns about its inferior quality	• Issuance of widespread industry response that supports Ruiru 11's equal quality	X	X	CBK	Medium
	Facilitate investment in capital improvements to cooperative society factories	• Infrastructure upgraded to support desired quality levels	X	X	CBK	High
		• Cooperative societies able to manage and upkeep factories		X	Cooperative Societies	Medium
	Encourage joint-value models	• More joint-value relationships formed between cooperative societies and U.S. importers	X		U.S. Importers	Low
		• Training, support, access to finance, and guaranteed markets provided by importers in return for higher-quality volumes	X	X	Cooperative Societies	Medium
Enhance price competitiveness	Streamline regulations, fees, and levies that increase average Kenyan specialty coffee prices	• Assessment of industry regulations and processes to identify opportunities to reduce costs	X		CBK	Medium (Primarily Time)

TABLE 5. ACTION PLAN FOR SPECIALTY COFFEE						
OBJECTIVES	**PROPOSED ACTIONS**	**OUTPUTS**	**TIMEFRAME**		**KEY STAKEHOLDERS**	**LEVEL OF RESOURCES REQUIRED**
			S-T	**M-T**		
		• Reform policies and rules that impose inefficient costs on the industry		X	Government of Kenya Agriculture and Food Authority (AFA)	Medium (Primarily Time)
	Analyze production costs, especially those related to inputs and labor	• Reduction of production costs by improving extension services and the ability of cooperative societies to purchase in bulk	X		Kenya Coffee Directorate (CBK) and County Staff	Medium-High
		• Introduce time-saving technologies and techniques		X	Cooperative Societies	Medium
	Build the capacity of cooperative societies to manage themselves efficiently and professionally	• Train cooperative society management in leadership, financial, and organizational principles			CBK	Medium-High
		• Improve service delivery to member farmers			Cooperative Societies	
		• Cooperative societies will become financially viable			Organizational Capacity Consultants	
Strengthen existing U.S. trade linkages	Identify or confirm a U.S. Specialty Coffee Liaison or office and design a communications and marketing strategy	• Establish lines of communication with domestic stakeholders	X		CBK	Low
		• Create records of all information related to U.S. sales	X			Low
		• Ensure regular communication between liaison and all U.S. buyers	X			Medium (Primarily Time)
		• Use buyers trips to develop individual relationships directly	X	X		Medium (Primarily Time)

TABLE 5. ACTION PLAN FOR SPECIALTY COFFEE						
OBJECTIVES	**PROPOSED ACTIONS**	**OUTPUTS**	**TIMEFRAME**		**KEY STAKEHOLDERS**	**LEVEL OF RESOURCES REQUIRED**
			S-T	**M-T**		
	Identify marketable volumes available for U.S. import over the next five years	• Prioritize importing countries	X		CBK	Low
		• Project production levels	X			Low
		• Allocate production projections to priority countries	X			Low
		• Choose how U.S. allocation will be distributed and marketed	X			Low
Reinvigorate U.S. appreciation for Kenyan specialty coffee	Design U.S. advertising campaign	• Select periodicals and target audiences	X		CBK	Low
		• Confirm points of contact	X		U.S. Importers	Low
		• Launch campaign		X		High
	Heighten presence at U.S. specialty coffee trade shows	• Improve design and messaging	X	X	CBK	Medium-High
		• Maximize opportunities to strengthen individual relationships	X	X		
	Conduct a visit to U.S. importer headquarters	• Collect detailed business data	X	X	CBK	Low-High
		• Strengthen individual relationships	X	X		

APPENDIX 1: U.S. COFFEE IMPORTS FROM KENYA

Table 6. U.S. Coffee Imports from Kenya – HTS-0901: All Coffee, Whether or Not Roasted or Decaffeinated, Coffee Husks, Skins, Substitutes

HTS Number	2011	2012	2013	2014	2015	2016
	In 1,000 Dollars					
901110015 COFFEE, CERTIFIED ORGANIC, ARABICA, NOT DECAFFEINATED, NOT ROASTED						
Imported from Kenya	2,226	91	7	2,678	408	183
Total US imports - 0901110015	408,863	218,684	178,405	271,779	272,926	240,898
Kenya US import share	0.54	0.04	0	0.99	0.15	0.08
901110025 COFFEE, ARABICA, OTHER THAN CERTIFIED ORGANIC, NOT DECAFFEINATED, NOT ROASTED						
Imported from Kenya	35,154	44,338	30,918	38,740	39,992	37,166
Total US imports - 0901110025	4,874,301	4,182,377	3,227,668	3,615,438	3,651,813	3,497,372
Kenya US import share	0.72	1.06	0.96	1.07	1.1	1.06
901110045 COFFEE, CERTIFIED ORGANIC, NOT ARABICA, NOT DECAFFEINATED, NOT ROASTED						
Imported from Kenya	0	0	0	0	237	71
Total US imports - 0901110045	33,516	18,072	40,332	17,204	24,051	19,387
Kenya US import share	0	0	0	0	0.99	0.37
901110055 COFFEE, OTHER THAN CERTIFIED ORGANIC, NOT ARABICA, NOT DECAFFEINATED, NOT ROASTED						
Imported from Kenya	1,100	1,140	330	1,821	1,180	425
Total US imports - 0901110055	1,033,770	929,324	807,089	873,919	768,701	708,339
Kenya US import share	0.11	0.12	0.04	0.21	0.15	0.06
901120025 COFFEE, DECAFFEINATED, OTHER THAN CERTIFIED ORGANIC, NOT ROASTED						
Imported from Kenya	226	1,967	1,244	385	1,869	665
Total US imports - 0901120025	526,959	431,117	395,392	421,740	374,393	334,817
Kenya US import share	0.04	0.46	0.31	0.09	0.5	0.2
901210045 COFFEE, IN RETAIL CONTAINERS WEIGHING 2 KG OR LESS, ROASTED, OTHER THAN CERTIFIED ORGANIC, NOT DECAFFEINATED						
Imported from Kenya	0	5	41	63	0	5
Total US imports - 0901210045	436,104	464,349	458,326	493,243	609,010	626,205
Kenya US import share	0	0.001	0.009	0.013	0	0.001
901220060 COFFEE, ROASTED, DECAFFEINATED, NESOI						
Imported from Kenya	1,437	1,395	165	0	0	0
Total US imports - 0901220060	64,229	55,650	24,724	20,529	19,196	21,449
Imported from Kenya	2.24	2.51	0.67	0	0	0
901210065 COFFEE, ROASTED, OTHER THAN CERTIFIED ORGANIC, NOT IN RETAIL CONTAINERS WEIGHING 2 KG OR LESS, NOT DECAFFEINATED						
Imported from Kenya	0	0	15	5	8	0
Total US imports - 0901210065	126,837	132,928	117,277	95,512	95,400	118,192
Kenya US import share	0	0	0.01	0.01	0.01	0
US Total Imports of all Coffee HTS 0901	**7,650,362**	**6,531,950**	**5,323,541**	**5,887,926**	**5,901,495**	**5,657,017**
US total imported from Kenya HTS 0901	40,143	48,936	32,720	43,692	43,694	38,515
Kenya share of total US imports in %	0.52	0.75	0.61	0.74	0.74	0.68

Sources: Data U.S. Department of Commerce and the U.S. International Trade Commission.

APPENDIX II: U.S. SPECIALTY COFFEE IMPORTERS

Please note that it is important to visit each buyer's website to learn more about their business prior to initiating contact, especially to take inventory of their current Kenyan offerings.

Ally Coffee
http://www.allycoffee.com
5 West Main Street, Suite 203
Elmsford NY 10523
+1 (914) 593-9000

Atlas Coffee
http://www.atlascoffee.com
201 N 85th Street
Seattle, WA 98103
+1 (800) 701-5211

Balzac Brothers
http://www.balzacbrothers.com
11 Fulton Street
Charleston, SC 29401
+1 (843) 723-8020

Bird Rock Coffee Roasters
http://www.birdrockcoffee.com
5627 La Jolla Boulevard
La Jolla, CA 92037-7524
+1 (619) 272-0203

Bodhi Leaf Trading
http://www.bodhileaftrading.com
428 W. Katella Avenue, Suite B
Orange, CA 92867
+1 (714) 633-2326

Café Imports
http://www.cafeimports.com
2617 East Hennepin
Minneapolis, MN 55413
+1 (800) 278-5065

Coffee Holding Co.
http://www.coffeeholding.com
3475 Victory Blvd.
Staten Island, NY 10314
+1 (800) 458-2233

Coffee Shrub
http://www.coffeeshrub.com
info@coffeeshrub.com

Counter Culture
http://www.counterculturecoffee.com
812 Mallard Avenue
Durham, NC 27701
+1 (888) 238-5282 ext 2

Crimson Cup Coffee & Tea
http://www.crimsoncup.com
700 Alum Creek Drive
Columbus, OH 43205
+1 (614) 252-3335

Gillie's Coffee Co.
http://www.gilliescoffee.com
P.O. Box 320206
150 19th Street
Brooklyn NY 11232-1005
+1 (718) 499-7766

InterAmerican Coffee
http://www.interamericancoffee.com
3 Steeple Street, Suite 301
Providence, RI 02903
+1 (844) 684-3668

InterContinental Trading
http://www.ictcoffee.com
110 West A Street #110
San Diego, CA 92101
+1 (619) 338-8335

Knutsen Coffees
1448 Pine St # 209
San Francisco, CA 94109
+1 (415) 922-9570

NJ Douek & Sons, Inc.
http://www.njdouek.com
407 McGill St - Suite 809
Montreal, Quebec
Canada, H2Y 2G3
+1 (877) 745-9173

OLAM Specialty Coffee
http://www.olamspecialtycoffee.com
400 Westminster St., Suite 50
Providence, RI 02903
+1 (888) 652 6872

Organic Products Trading Co.
http://www.optco.com
P.O. Box 2994
Vancouver, WA 98668
+1 (888) 881-4433

Red Goni
http://www.redgonicoffee.com
PO Box 4224
Huntington Beach, CA 92605
+1 (424) 228-4822

Royal Coffee
http://www.royalcoffee.com
3306 Powell Street
Emeryville, CA 94608 U.S.A
+1 (800) 843-0482

Royal Coffee New York
http://www.royalny.com
661 Hadley Road
South Plainfield, NJ 07080
+1 (908) 756-6400

Sustainable Harvest
http://www.sustainableharvest.com
322 NW 8th Avenue
Portland, OR, 97209
+1 (503) 235-1119

Theta Ridge Coffee Co.
http://www.thetaridgecoffee.com
6879 Enterprise Dr. Suite 200
South Bend, IN 46628
+1 574-233-2436

Third Wave Coffee Source
www.thirdwavecoffeesource.com

Volcafe
http://www.volcafespecialty.com
3 West Main Street, Suite 203
Irvington, NY 10533
+1 (914) 752-7706

Vournas Coffee Trading
http://www.vournascoffee.com
4035 East Thousand Oaks Blvd
Suite 105
Westlake Village, CA 91362
+1 (800) 761-5282

Wolthers Douque
http://www.wothersdouque.com
500 SE 15th Street, Suite 118
Fort Lauderdale, FL 33316
+1 (954) 797-0078

Zephyr Coffee
http://www.zephyrcoffee.com
642 Julia Street
New Orleans, LA 70130
+1 (877) 569-159