



ACTIVITY BRIEF

MARCH 14–15, 2017, MAKASSAR
MARCH 21–22, 2017, TAKENGON



TPSA | CANADA-INDONESIA TRADE AND
PRIVATE SECTOR ASSISTANCE PROJECT

Workshop on How to Export Coffee to Canada

As a part of TPSA's activities to promote Indonesia's coffee exports to Canada, workshops were held in two coffee-growing regions to help Indonesian small and medium-sized enterprises (SMEs) understand the Canadian market and the export process.

Indonesian coffee was selected as a TPSA target commodity due to its strong potential for exports to the Canadian market. In order to help small and medium-sized Indonesian coffee producers successfully access the Canadian market, TPSA offered day-and-a-half workshops for coffee producers from two important coffee-growing regions in Indonesia—Aceh and South Sulawesi. Through a combination of presentations and interactive discussions, workshop participants increased their knowledge and skills on how to successfully export to Canada.

The workshops were led by Dario Iezzoni, expert coffee associate at TFO Canada. TFO Canada is a non-governmental, non-profit organization based in Ottawa whose mandate is to promote sustainable economic development through export information, advice, and contact. TFO Canada facilitates access to the Canadian marketplace and shares Canadian trade expertise for the benefit of SMEs wanting to export to Canada.

Why Export Coffee to Canada?

While Canada is a relatively small country in terms of population—only 10 per cent that of the United States—it imports nearly twice as much coffee on a per capita basis.¹ Canada ranks in the top 10 on most international rankings, with high income per capita, life expectancy, and educational achievement, making it a desirable export destination.



Dario Iezzoni leads the workshop in Makassar.

In addition, Indonesia and Canada have a long history of collaboration and cooperation. Indonesia's trade office in Canada and Canada's trade office in Indonesia are well-positioned to help Indonesian exporters with market research, understanding export/import requirements, and finding buyers.

Workshop Overview

The training of representatives from coffee-producing SMEs in how to successfully export to Canada was conducted in Makassar on March 14–15, 2017, and in Takengon on March 21–22, 2017. The training in Makassar was attended by 25 participants (18 men, 7 women), while the training session in Takengon was attended by 41 participants (25 men, 16 women). Also in attendance were officials from the Indonesian Ministry of Trade and Indonesian coffee associations.

Canada

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The workshop covered four main topics:

1. overview of the Canadian coffee market
2. risk management
3. sustainability
4. business etiquette and tips from the trade

Canadian Coffee Market

Mr. Iezzoni gave an overview of the Canadian market for coffee. The total Canadian import market for coffee (HS 090111) grew from US\$320 million in 2006 to US\$623 million in 2016, representing a compound annual growth rate of 6.9 per cent. While Indonesia accounts for only 5.1 per cent of the Canadian import market for coffee (ranking in sixth place), its share has been growing, meaning that Indonesian coffee is successfully capturing more of the Canadian market. Furthermore, contrary to the global market, in the Canadian market, Indonesian coffee is one of the highest-priced commodities among the top exporters.

Canadians love coffee; it is considered a staple household good. According to the Coffee Association of Canada, coffee-drinking Canadians consume the equivalent of 3.2 cups of coffee per day on average, and 83 per cent of Canadians drink coffee.

Other factors noted in the presentation:

- The concentration of major retail chains is a key feature of the coffee industry, resulting in a high degree of competition for shelf space.
- The biggest barrier to entry faced by potential new entrants is the extremely well-entrenched position of the industry's major players, which have invested considerable resources in

marketing, developing relationships with key suppliers, and building consumer trust.

- The Canadian market is supplied by a large number of established coffee roasters: competition will continue to be strong.
- Major market segments in the coffee industry in Canada include grocery stores and supermarkets, mass merchandisers, club stores, and drug stores.
- Traditional coffee is consumed by more than half (55 per cent) of consumers, followed by espresso-based coffee (12 per cent), instant traditional coffee (9 per cent), iced/frozen blended coffee (6 per cent), and decaffeinated coffee (5 per cent).
- Drip coffee brewing is most common format (53 per cent prepared using a drip coffee maker), but single-cup machines are now in second place (25 per cent prepared using a single-cup machine).

Risk Management

The session provided information on a number of topics related to the financial tools used in the coffee trade. These included forward contracts, future markets, and trading markets. Various risk management practices were discussed, such as hedging mechanisms for pricing, insurance principles, price-sharing agreements, protection against market variations, and fair trade certification.

Mr. Iezzoni also reviewed how to understand a supply chain and identify the values attached at each stage.

Sustainability

Sustainability has been defined by some as "meeting the needs of the present generation without compromising the ability of future generations to meet their needs." In the coffee world, in practice, sustainability is translated as certification or voluntary standards systems. Forty per cent of global coffee production in 2012 was compliant with a voluntary sustainability standard

This session discussed sustainability in practice and the advantages and disadvantages of certifying coffee as a sustainable, organic, fair trade, UTZ, and/or as a rainforest alliance product. It also provided information on the process for obtaining these certifications in Canada.



Interactive group projects at Makassar workshop.



Workshop discussions in Takengon.

Business Etiquette and Tips From the Trade

This session provided participants with information on how to do business in Canada's coffee market, covering themes such as culture, business ethics, and do's and don'ts when conducting a sale. Participants were given an overview of Canada's cultural diversity and business etiquette according to its regions and technical market requirements. Other topics included the importance of stories in branding, the use of social media for marketing purposes, and best practices in attending trade shows.

Participant Feedback

In Makassar, all participants reported that their skills and knowledge improved because of the workshop. Fifty-four per cent said that their new level of confidence in applying the knowledge was "very good," another 42 per cent said "good," and 4 per cent said "fair."

Ninety-six per cent said they would use the knowledge from the training either "very frequently" or "frequently" in their work, while 4 per cent said "occasionally."

The participants in Makassar reported good overall satisfaction with the training. Twenty-nine per cent gave a satisfaction rating of "excellent"; 38 per cent, "very good"; and 33 per cent, "good."

In Takengon, all participants reported that their skills and knowledge improved as a result of taking part in the workshop on exporting to Canada. Twenty-one per cent of those responding said that their new level of confidence in applying the knowledge was "excellent" or "very good," 64 per cent said "good," and 5 per cent said "fair."

Just over 97 per cent said they would use the knowledge from the training either "very frequently" or "frequently" in their work, while the remainder said "very rarely."

The participants in Takengon reported good overall satisfaction with the training. Fifteen per cent gave a satisfaction rating of "excellent"; 41 per cent, "very good"; and 44 per cent, "good."

Conclusion

In concluding the training, Mr. Iezzoni reiterated the following four key take-aways from the training:

1. There is a niche for quality Indonesia coffee on the Canadian market.
2. Organic certification is no guarantee of success, but for niche markets, it is a prerequisite.
3. Build relationships: it is a worthwhile investment.
4. Build your stories and share them.

About the TPSA Project

TPSA is a five-year C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector—particularly small and medium-sized enterprises (SMEs)—academics, and civil society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support higher sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.



Participants at the Makassar workshop.



Participants at the Takengon workshop.

The expected immediate outcomes of TPSA are:

- improved trade and investment information flows between Indonesia and Canada, particularly for the private sector, SMEs, and women entrepreneurs, including trade-related environmental risks and opportunities;
- enhanced private sector business links between Indonesia and Canada, particularly for SMEs;
- strengthened analytical skills and knowledge of Indonesian stakeholders on how to increase trade and investment between Indonesia and Canada;
- improved understanding of regulatory rules and best practices for trade and investment.

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ENDNOTE

¹ Based on population aged 15 and over and coffee defined as HS 090111 (coffee, not roasted, not decaffeinated).