UNIVERSAL TRUTHS

COFFEE SOURCING

BY SPENCER TURER

ourcing coffee involves both a function and a process. The U function is accomplished by simply calling, emailing, texting or completing an online order. The process of sourcing coffee can be much more complicated. Professional development leading from novice to qualified professional includes reference knowledge, context-specific information and experiential training.

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Monica Walker of Walker Coffee Trading at origin. Photo courtesy of Walker Coffee Trading

In today's golden age of specialty coffee education, there are classes, lectures and endless PowerPoint presentations designed to educate participants on the farm-to-cup process and train coffee buyers. In my judgment, these programs provide a solid theoretical training. Familiarity with the process, knowing terminology, understanding the product flow and control points from the farm-to-roaster supply chain are concepts that are not readily available without this type of education.

"Knowing about other cultures, their customs and how they communicate is very helpful," adds Monica Walker, of Walker Coffee Trading in Houston, "not only the verbal, but the nonverbal communication as well."

Strategically, the purchase process for coffee is a constant; however, the tactics, execution and decision-making are more complicated and require experience and perspective to master. Universal truths are the unwritten complexities, the hidden decision processes, and the expert-level details veteran coffee buyers have learned throughout their careers. These experiences are derived from both successes and mistakes.

When the coffee industry was narrow and deep, fewer coffee companies existed. Those that did had larger sourcing and quality departments than the companies of today. Apprenticeships and experiential on-the-job training enabled expertise to pass from

senior to junior professional, from mentor to apprentice. Today's industry is broad and shallow; coffee companies typically have a smaller cadre of buyers and sellers, or even a single professional responsible for the sourcing function, one who also may be responsible for quality control.

The role of the professional coffee buyer is to protect quality and maintain availability by selecting coffees that meet price, quality, availability and relationship requirements. The main tools of the coffee buyer are green coffee contracts and quality analysis.

Ipsa Scientia Potestas Est

Knowledge is power. The purpose of a green coffee contract is to codify the exact details of the transaction, meaning to document the measurable specifications of the coffee so the buyer and seller can reach an agreement. Detailed knowledge of contracts includes terms and conditions, international commercial (INCO) terms and the arbitration process. Executing a green coffee contract requires following the directions listed and knowing what action to take in the event of an unexpected complication.





Freshly picked cherries at origin. | Photo courtesy of Walker Coffee Trading





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 "Ethics and values play a very important role in this aspect," says Walker. "Honoring a contract reflects someone's integrity, and it determines your reputation down the road."

Don't be fooled by historical tales of purchasing coffee on "type" and handshake agreements. These stories always fail to include that standards and expectations were set between the buyer and seller, often

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created during a long business relationship that was rooted in the terms and conditions of the Green Coffee Association (GCA) contract. In those days, when the industry was narrow and deep, the communication shorthand often was passed from mentor to apprentice, who dutifully followed direction.

Knowing the approval process for green coffee, as well as knowing the risks

and rewards for negotiating different terms, are powerful tools for the buyer and the seller. For example, terms that can be negotiated include (but are not limited to) sample approval control point, replacement process, location of weighing for final invoice, responsibility for logistics charges, payment terms and location of title change.

All Coffee Will Find a Home

Eventually, there will be a buyer for every lot of coffee. There is demand for coffee of every quality level. However, every quality level is not appropriate for every coffee company.

It is common for coffee to be offered to multiple buyers. Because all coffee will find a home, it is the professional buyer's responsibility to manage his or her supply and select only the coffees that meet contract and product specifications. Evaluating pre-shipment samples helps prevent the wrong coffee from entering a supply chain. Analysis of arrival samples for approval and comprehensive analysis of spot offers are two tools that will ensure the right coffee finds the right home.

David Kastle, vice president at Swiss Water Decaffeinated Coffee Company, based in Burnaby, British Columbia, believes open communication with the supplier and knowing the coffee's provenance are critical.

"When evaluating spot offers, don't be afraid to ask the vendor about the coffee," Kastle advises. "Be sure to ask when the green first landed. This can hint at how many others have seen it, and also indicate when you should be buying on reweights [when the coffee is weighed at the warehouse]. The location can also indicate the history of the lot."

The Value of Vigilance

Green coffee is typically the largest cost-of-goods item for any coffee company. Cupping and grading should be used for quality discovery and to protect the integrity of coffee products. Consider how critical sensory analysis is to quality control. I find it curious to see advertisements and social media posts depicting single-plunger pots or two- and three-cup cuppings. Can consistency be determined in such a modest analysis? Limited testing is convenient but not vigilant enough to protect against defects.

"There is cupping for 'soundness' of coffee—defect-free and consistent throughout the lot—but also cupping for profile," says Stacy Bocskor, business development manager at UTZ Certified. "Many smaller roasters who buy small lots are looking for a flavor profile, and not as much cupping to ensure the soundness of the coffee."

Industry best practice for cupping calls for five cups, each containing a brew ratio of 8.25 grams of roasted coffee to 150 mL of water to evaluate the sensory profile and identify defects and uniformity. Scrupulous buyers increase the sampling and cupping for a more rigorous analysis by using more cups per sample, or mapping the cargo by location—for example, front, middle and back—then testing each location individually. Less stringent testing places coffee quality at risk.

Joe Marrocco, director of education at Minneapolis-based Cafe Imports, counsels, "Do not stop at cupping as an assessment tool. Taste the coffee in the way you wish to sell it. If you're buying a coffee for espresso but have not analyzed it as espresso, you are open to that coffee underperforming in that format. Do not assume based on past experiences. Verify. Cup to purchase, and taste to verify that the format for which you are purchasing will be duly upheld."

How many in our industry base approval decisions on cupping only, without a complete grading? Grading ensures that the delivery matches the contract and the cargo matches the negotiated price. There are price premiums for both big-bean and low-defect coffees. Grading provides a significant opportunity to judge the

physical consistency and uniformity of the

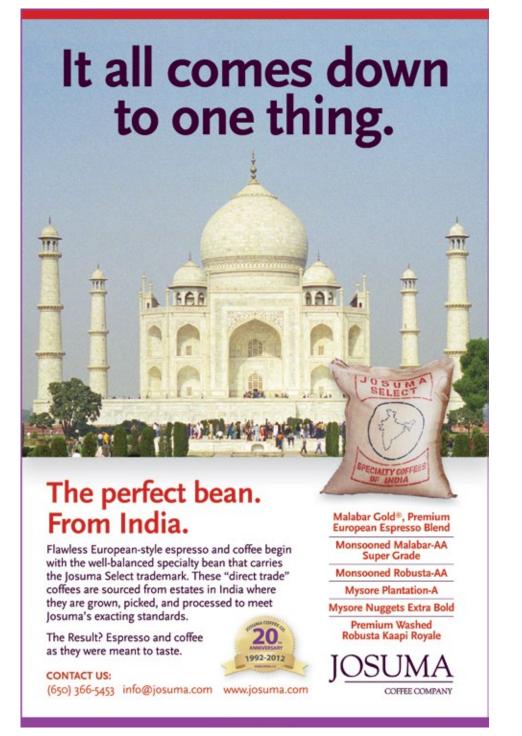
"Buyers need to consider the green grading report as it relates to the roaster's work as well," says Trish Rothgeb, co-owner and roaster at Wrecking Ball Coffee in San Francisco. "Secondary defects, such as brokens or shells, may not have a huge effect on the cup at a sample roast, but a market

roast could really suffer from them. These sort of defects roast up unlike the rest of the lot, and can also make a whole-bean offering look cheap. An eye on the end product should always be a consideration to the green coffee buyer."

Vigilant buyers inspect and verify the cargo at various control points in the supply

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Tobin Jordan, a laboratory technician at Coffee Enterprises, grading green coffee. | Photo courtesy of Coffee Enterprises

chain. In coffee sourcing, problems will occur. Skilled buyers must plan, anticipate and verify all the details. What distinguishes a great supplier is how he or she acts and reacts to problems and complaints, which "should not be taken personally," says Walker, adding, "Objectivity is a must when dealing with suppliers."

Two Types of Coffee: What They Show and What They Ship

Professional buyers will be familiar with both. Mistakes can occur when allocating coffee for transport to the port, at export, or when loading a truck for delivery to the roaster. Testing green coffee at specific points in the supply chain helps protect against the wrong coffee finding a home at your company. Failure to test increases both the physical and financial risks of sourcing coffee.

"By accepting risk for the coffee you are buying by locking it in via pre-shipment samples, you are diminishing much of the reason to have your importer help you out," says Marrocco.

Pre-shipment samples for approval are rarely the actual coffee ready for export.

"A pre-shipment sample is the conceptualized version of the coffee you've got contracted—a Platonic ideal," says Kastle.

Typically, these samples are micro-processed from parchment and not the export-ready coffee. Thus, there is usually a difference between what is shown and what is shipped. The unwritten, unspoken question is, "If the coffee shipped meets this presented quality, will it be acceptable?" In some instances, pre-shipment samples are sent in parchment and unprocessed. Buyers should be cautions as these raw lots do not yet represent the anticipated export quality for grade, bean size or cup character.

"Having year-over-year experience with the same suppliers can help the buyer learn how the pre-shipment sample can be an indicator for landed quality expectations," says Bocskor.

Final purchase decisions should be made only on the actual coffee prepared and ready to be delivered to the buyer.

"A coffee tree produces 1 to 2 pounds of green coffee per year," says Kastle. "If you are buying a 20-bag microlot from a reputable producer, that sample is almost certainly from the lot you are buying. If you are a container buyer, bear in mind that the can holds the product of at least 20,000 trees."

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Analyzing green coffee under controlled conditions in a laboratory. | *Photo courtesy of Coffee Enterprises*

The seller's obligation and the buyer's responsibility are to verify that the arrival sample for approval was prepared for a grade and sensory profile similar to the approved pre-shipment sample.

Trust but Verify

Relationships and friendships are not the same. Partnerships occur when both sides have equal risk and reward in a business and/or cooperate to advance their mutual interest. It is wonderful to have a positive and collaborative relationship with a supplier, but coffee sourcing is a professional function—not a social one. Thus, purchase decisions are determined by price, quality, availability and business relationship, not friendship. When relationship is the primary factor, both physical (quality) and technical (financial) aspects of the supply chain are not fully controlled. Friendship with suppliers is rewarding on many levels, and may even facilitate or expedite certain transactions; however, trust is developed over time through a history of performance.

Verification of performance through attentive coffee analysis is essential to protect a supply chain from introducing coffees intended for another. This can be a two-step process in coordination with suppliers.

"For the consolidation process of small lots, or buying a few bags from a larger lot, buyers often rely on the importer to be the first line of defense, to ensure soundness," says Bocskor. "Then they are cupping to find the profile they want."

When the Best Are Gone, the Best Remain

Quality is not an absolute. Coffee harvesting happens over time, dry milling occurs when there is an approval for sale requiring coffee to be prepared for export, and domestic inventory turnover occurs as coffee arrives and is sold or roasted. The amount of coffee available at each control point differs over time. When referring to the best coffee, the unspoken and unwritten understanding is "at this time" or even "at this place."

A buying schedule, either by shipment period or delivery period, is a powerful management tool when accompanied by a vigilant analysis program to identify the highest quality coffees available at a given time and place. Sophisticated buyers will include harvest seasons in their buying schedule. Early harvest shipment may mean better coffees are not yet available, and late harvest shipments or post-harvest deliveries may result in better coffees being secured by other roasters with earlier time requirements.

Managing replacement coffees can be a challenge. Coffee for blending is purchased on flavor profile, availability and price. However, microlots, single-origins and relationship coffees often are irreplaceable, and it could be devastating to a company

when a prized, popular coffee is suddenly not available. Before contracting for an irreplaceable lot, the buyer must consider contingencies for variations in quality, delays in shipping, reduced harvest quantities and other situations. The highly qualified buyer does not experience unforeseen situations, as all occurrences should be anticipated with contingency plans in place.

Coffee Is a Commodity

As previously noted, buying decisions are based on price, quality, availability and relationship. When considering price and quality, it is important to understand the commodity model, which is relevant to coffee, even specialty coffee offered at fixed final prices.

Buyers want the highest possible quality for the lowest possible price. This paradigm is true for any purchase, including wine, cars, craft beer and even real estate. Overpaying is financially foolish and may alter the profitability of a business, or the perceived value of a product.

Sellers want the highest possible price for the lowest possible quality. This paradigm also is true for any sale. Selling any item for $\frac{1}{2}$

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Spencer Turer (center) and the Coffee Enterprises team analyzing coffee samples. | Photo by Julia Luckett Photography

less than it is worth is leaving money on the table, not maximizing one's revenue potential, and affecting the financial viability of a business.

"Paying too much or too little is not a good business practice," says Walker. Price discovery occurs when buyers and sellers negotiate an acceptable price for a transaction. Regardless of the price, the agreement establishes the current value for that quality of coffee at that time. Relationships are strengthened between seller and buyer when the negotiation produces a mutually agreed-upon price that represents the intrinsic quality of the coffee and the level of service provided.

Bocskor adds, "Shared profits and shared risks are inherent to positive supply chains."

"A good partner in sales is not one that plays 'gotcha," says Marrocco, "but one that wishes to be your partner for the long haul. Partnerships form over years of clear communication, follow-through on expectations and a lot of mutual grace. This should further affirm the position that a buyer should invest in assessing every coffee offered with rigor. The rigor will lead to more clear communication and more expectations being met."

In short, always be clear on coffee specifications and expectations, respect the needs of the seller, and do your due diligence when researching offers for price and availability.

"Not every supplier will have everything a roaster needs," Marrocco adds, "so even the most loyal companies will typically have more than one source. Invest in those sources, and they will invest in you."

Relationships between sellers and buyers flourish for many reasons: familiarity, flexibility, regular communication, economy of scale, historical performance and trust

"Trust tops them all," says Walker. "No matter how much you may like someone, it has to make sense for your company to do the purchase."



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Everything Has a Cost

Consider a container load of green coffee from Brazil at 320 bags, with a standard shipping weight of 60 kilograms (132.3 pounds) per bag, totaling 19,200 kilograms (42,329 pounds). A change of 1 U.S. cent per pound in price or operating expense equals \$423.29. Keep this in mind when negotiating a green coffee contract or asking for additional services.

Sellers provide both product and service. A good seller will help educate a novice buyer and assist buyers in the discovery process for selecting the appropriate coffees for their needs. When a price is determined, all costs are calculated, often to a fraction of a penny, including logistics, insurance, financing, warehousing, sampling, quality control and sales functions. Regardless of whether the offer for sale is a fixed price contract or differentially priced with a futures hedge, all costs and expected profits are calculated and

Additional services and friendly requests from the buyer are part of the customer service responsibility of the seller, but all have costs. Sellers must determine if the transaction is still profitable, or if the additional costs will need to be recouped from the annualized business or another transaction.

"The newest trend is extended payment terms," says Walker. "Sellers must protect themselves by getting expensive

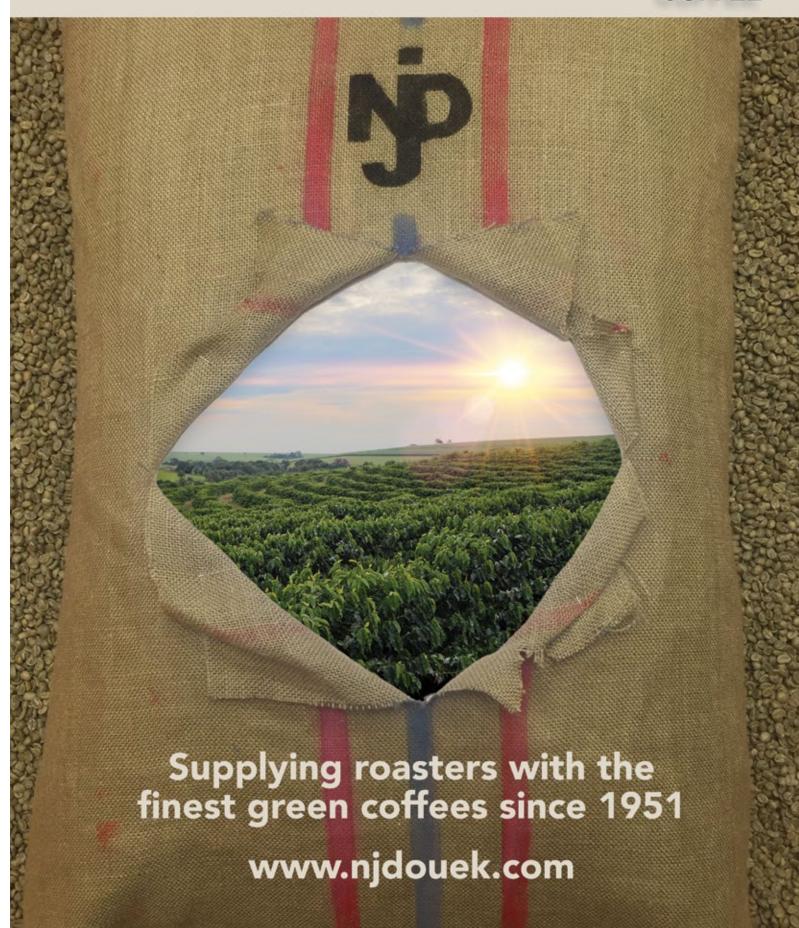
Harvest time is a call to action. "Let's go cup the harvest" is a rally cry for many buyers to travel to producing countries or request samples be sent for evaluation. Often, dozens or even hundreds of coffee samples are reviewed in search of the best of the best. This shotgun approach for coffee evaluation is an expensive endeavor for the buyer and the seller, and should be undertaken only when the financial impact of the project equals the revenue produced, and at a time when the quality available will meet the expectations of the buyer.

Quality Standards Are Reset With Each Approval

Consistency in approvals and rejections is critical for sellers to have a tangible understanding of acceptable and unacceptable quality. Green coffee contracts express quality specifications in both quantitative and qualitative terms; however, the tangible quality specification is determined by the buyer's approval and rejection decisions. The contract is an essential guide to the transaction, and it is crucial to include detailed quality descriptions to resolve disagreements and arbitrations, should they arise. Rigorous testing by the buyer prevents unknowingly approving coffee that does not meet contract specifications.

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N. J. DOUEK & Uniglobe





Spencer Turer (left) and Vincent Caloiero of Coffee Enterprises check green coffee for defects. | Photo by Julia Luckett Photography

Without consistency in quality decisions, sellers become confused and lose efficiency, as they have to guess what quality will be acceptable at any given time. Rejecting acceptable coffee and approving unacceptable coffee sets a quality precedence, and will affect the price and/or quality for future contracts and deliveries.

"Communication between buyers and sellers helps to ensure quality expectations are met effectively, which results in lower risk and costs for the entire supply chain," says Bocskor.

Quality Is Defined by the Buyer, Not the Seller

Kastle reminds us, "You're buying for the customer, not for yourself." Purchase decisions should be based on business demand and production forecasts, not because a coffee is "too good to pass up."

Exotic, extraordinary coffees that are unique or rare are always in high demand and easy for sellers to promote. Interesting flavors, alluring acidity, captivating fruit tastes will score higher than sweet, balanced coffees. Novice buyers often are enticed by a high Specialty Coffee Association (SCA)/Q cupping score, but qualified buyers always base purchasing decisions on comprehensive analysis performed in their own quality laboratories.

"The golden rule," says Bocskor, "is always to bring the samples back to evaluate in your own environment with your full team before making final buying commitments."

Marketing, merchandising, promotion and packaging are all designed to get the buyer's attention; however, the buyer must

determine the quality of the coffee and if the coffee is useful for his or her needs.

ABC-Always Be Cupping

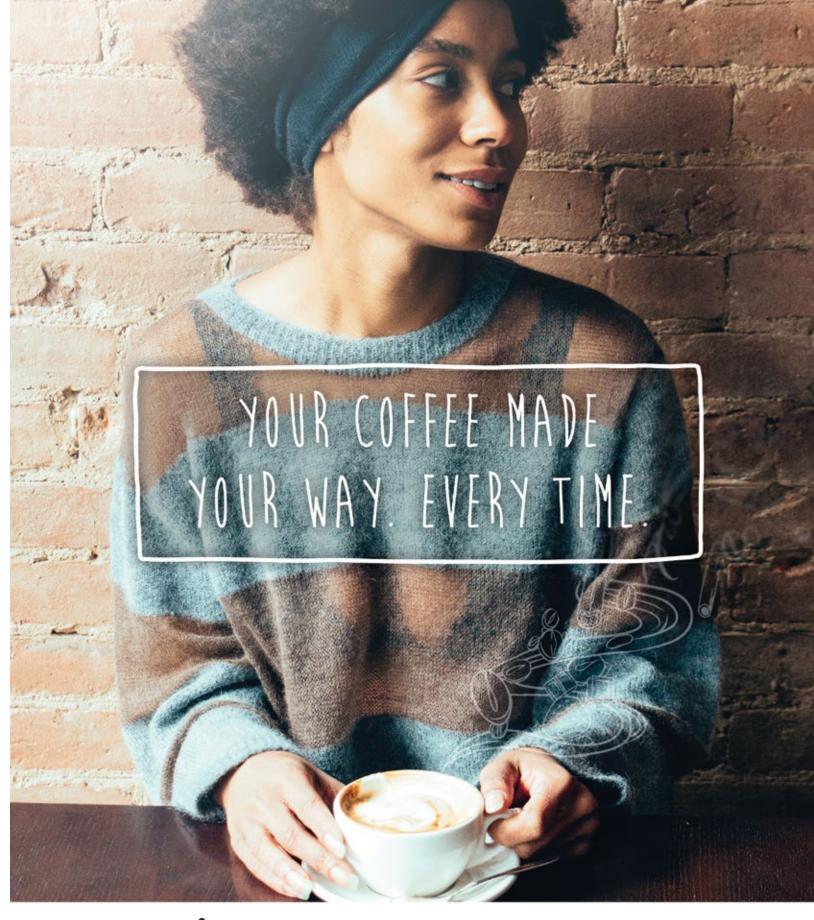
Regular and frequent cupping or tasting of type samples, offers, purchased coffees and your company's inventory provides critical information regarding quality status and quality trends as well as a tangible connection to physical coffee quality. Rigorous analysis is mandatory, whether you follow SCA protocols or your own in-house

"Consistency in evaluation protocol is key-the same roast profile, the same grind, the same number of cups, the same water supply and water temperature," says Kastle. "Within this dictum is the often-ignored truth that you should only approve samples based on evaluations done on your home turf."

When analysis protocols are changed, the results and quality determination will change. To ensure correlation of results, sellers and buyers must agree on testing protocols for cupping and grading. Many small coffee companies may not have the time or resources to cup their purchased coffee. Without intimate knowledge of the most critical purchase for a coffee company, quality and consistency risks increase because there is trust but no

Emotional quality becomes tangible for the buyer based on affinity for the producer, experiential knowledge gained during

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Analyzing coffee should be done using the same parameters so results can be compared and shared in a meaningful way. | Photo by Julia Luckett Photography

origin tours, or a bias based on friendship. For example, says Kastle, "Did you have an amazing day visiting farms in Quindío or co-ops in Takengon? Did you have epic churrasco [grilled meat] last night in Matagalpa? Those strong emotions can color your perception of the coffees on the table and obscure concerns."

Stay Calibrated and Aligned

Cupping and tasting are skills that require apprenticeship and repetition. Practical classes for a few hours or a few days do not provide the experiential training required to make commercial decisions. Professional coffee cuppers may subscribe to one of two rules for training:

- 1 The "10,000 Hour Rule" states that 10,000 hours of deliberate practice is required to become an expert at any function.
- 2 To appropriately judge a coffee's quality, the cupper must experience at least three harvests to properly understand the quality trends and expectations.

Coffee cuppers are first trained by presenting flavor standards for identification and to begin building one's sensory memory. Calibration is the critical step in cupper training. Coffee cuppers throughout the supply chain train to successfully identify flavors and use a common vocabulary when flavors are perceived. Calibration is verified using standardized tools, such as the Sensory Lexicon published by World Coffee Research and the Coffee Flavor Library from FlavorActiV, which are excellent examples of calibration training tools.

Alignment is a process used by cuppers to judge the validity and accuracy of their scores and profile determinations when comparing results with other cuppers. Alignments are best conducted with qualified cuppers who have completed calibration training. Without a calibrated cupping panel, there can be no confidence in alignment.

"Become 'multilingual' when it comes to cupping forms and protocols," says Rothgeb. "Learn the SCA form and protocol as well as the Cup of Excellence system, or any others you find your partners using. Get licensed as a Q grader, or not, but at least understand it. Be prepared to meet other cuppers anywhere in the world and know you'll be comfortable tackling cupping tables with them, whatever protocol they decide to score with."

Coffee quality analysis is a meticulous process requiring both time and concentration. Attention to quality details should not be considered a burden, operational disruption, scheduling challenge or distraction to other responsibilities. The task of cupping, tasting and grading should be welcomed as an opportunity to remain connected to coffee quality and to fuel one's passion and enthusiasm for great tasting coffee. Painstaking attention to detail will be rewarded in risk control and product quality.



SPENCER TURER is vice president of Coffee Enterprises in Hinesburg, Vermont. He is a founding member of the Roasters Guild and a licensed Q grader, and he received the Specialty Coffee Association of America (SCAA, now SCA) Outstanding Contribution to the Association Award. Turer is an active volunteer for the SCA and the National Coffee Association USA.

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