

SPECIALTY COFFEE TRANSACTION GUIDE

2018 Specialty Coffee Transaction Guide (**Revised**)

A collaboration between researchers at Transparent Trade Coffee (Emory University) and a growing roster of specialty coffee producers, exporters, importers, roasters, and supporters.

Version 1.2 (Revised)

Released July 2018

For more information, visit www.transactionguide.coffee

Direct questions or comments to contact@transactionguide.coffee

* The numbers in this Guide represent our best efforts to organize and analyze contract data provided by 38 data donors in compliance with applicable laws. As the project develops over the next several years, we will make every effort to expand this roster of data donors. We will also develop and implement additional plans to validate data, to identify and remove duplicate observations (i.e., same-contract data supplied by different donors), and to improve the presentation of the patterns revealed in the data.

Introduction

As volatile commodity prices continue to hover at historically low levels, industry leaders at various points along the supply chain are talking about the need to differentiate the women and men who grow specialty coffees from price references that come from commodity markets.

The *Specialty Coffee Transaction Guide* project relies on a group of progressive data donors – producers, support organizations, exporters, importers, and roasters – who provide detailed contract data covering specialty coffee transactions from recent harvests on a confidential basis.¹ Researchers at Emory University use this anonymized and appropriately aggregated information to create tables that describe the distributions of recent prices for green (unroasted) specialty coffees.²

Global Coffee Supply Chain:



The various tables in the **revised** 2018 *Transaction Guide* rely on data supplied by 38 data donors headquartered in seventeen countries (See Table 1).

Table 1. 2018 Transaction Guide (Revised) Data Donors

32CUP Specialty Coffee Merchants	Belgium	Importer
Allegro Coffee	USA	Roaster
Atlas Coffee Importers	USA	Importer
Azahar Coffee Company	Colombia	Exporter
Café Imports	USA	Importer
Cafe Kreyol	USA	Importer
Caravela Limited	United Kingdom	Importer & Exporter
Collaborative Coffee Source	Norway	Importer
Cooperative Coffees	USA	Importer
Counter Culture Coffee	USA	Roaster
Direct Origin Trading	Colombia	Farmers' Collective
Equal Exchange	USA	Importer & Roaster
Flying Roasters	Germany	Roaster
Hasbean Ozone	United Kingdom & New Zealand	Roaster
J Hill & Cia	El Salvador	Exporter
Johan & Nystrom	Sweden	Roaster
Macercafe	Nicaragua	Producer
MadCap	USA	Roaster

¹ Data donors agree to “provide information on all of our green coffee transactions for the period covered by the Transaction Guide”; that “all of the information that we provide will be accurate to the best of our knowledge”; and would “support efforts to verify a small number of contracts by seeking confirmation from the affected contract counterparties.”

² The SCTG is designed to comply with applicable antitrust and competition laws by providing appropriately anonymized, aged and aggregated information that allows industry participants to better understand the marketplace in which they participate so they can independently develop strategies to achieve value propositions that meet consumer demand.

Melbourne Coffee Merchants	Australia	Importer
Mercanta The Coffee Hunters	United Kingdom	Importer
Nordic Approach	Norway	Importer
O'Coffee - Brazilian Estates	Brazil	Producer & Exporter
Olympia Coffee Roasting	USA	Roaster
Phoenix Coffee	USA	Roaster
PrimaVera Coffee	Guatemala	Importer & Exporter
Red Fox Coffee Merchants	USA	Importer
Ritual Coffee Roasters	USA	Roaster
Rumble Coffee Roasters	Australia	Roaster
Salt Spring Coffee	Canada	Roaster
Seattle Coffee Works	USA	Roaster
Stumptown Coffee Roasters	USA	Roaster
Sustainable Harvest	USA	Importer
The Coffee Collective	Denmark	Roaster
The Coffee Source	Costa Rica	Importer
This Side Up Coffees	Netherlands	Importer
Transcend Coffee	Canada	Roaster
Twin Trading	United Kingdom	Importer
UniTrade Coffee	Guatemala	Exporter

The **revised 2018 Transaction Guide** uses information from contracts signed in the October 2016 to September 2018 period.³ This two-year window is divided into two 12-month periods: 2016/17 and 2017/18. The various tables summarize more than 17,000 contracts that cover almost 290 million pounds of green specialty coffee valued at more than US\$620 million (see Table 2).⁴

Table 2. The Revised Sample⁵

Period	Contracts	Total Pounds (millions)	Total Value* (millions)
2017/18	8,721	139.89	USD 296.51
2016/17	8,546	147.34	USD 326.37
Total	17,267	287.23	USD 622.88

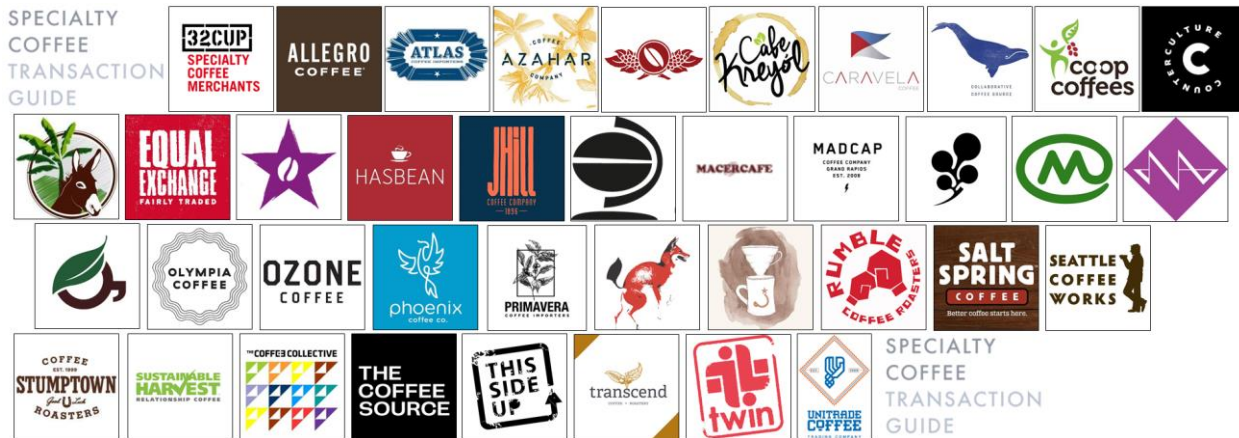
* Sum of contracted volumes multiplied by negotiated prices

The minimum, median, and maximum prices for coffees purchased at different quality and quantity levels provide important context for sellers and buyers of green specialty coffees – from farmers to roasters. Because the following tables describe actual prices paid for green specialty coffees, they provide relevant information for industry participants to consider as part of current and future negotiations.

³ Contracts are assigned to specific periods based on the “date the contract was finalized/signed.”

⁴ We set aside contracts that do not report prices or lot sizes, and those that report quality scores lower than 80. We also set aside 52 additional contracts that are obvious duplicates by identifying those that report the same grower, price and lot size information on the same or similar dates, and that indicate the involvement of another organization that is also a current data donor. (As the number and volume of data donors grows in the future, we will explore additional ways to ensure identification and removal of duplicate contracts.)

⁵ Compared to the pilot 2018 Transaction Guide released in December 2018, the tables and figures in the revised Transaction Guide are based on 61% more contracts that represent 97% more pounds of specialty coffee.



FOB Prices

To provide context for sellers and buyers of specialty coffees, the **revised** 2018 *Transaction Guide* describes recent FOB price distributions, all in USD per green pound.

Thinking about FOB prices. Free on board (FOB) prices are ‘paid for coffees that are delivered and placed onto the ship at the port in the country of embarkation. They typically cover any overland transportation costs from mills or warehouses to the port of origin, but not any overseas shipping, insurance, or any transportation, customs, and overland freight costs incurred on arrival to the port of destination’ (International Chamber of Commerce). These prices, which are consistently reported in most export contracts, speak to pre-export valuations and indicate the amounts of money that stay in the countries where coffees are produced. However, FOB prices only tell part of the economic story because they do not indicate how much of the contracted revenues make it back to coffee farms from the exporters or support organizations that receive the FOB prices from importers or other buyers. Moreover, a number of transactions between farm gates and ports do not stipulate prices in USD per green pound. These shortcomings must be kept in mind when interpreting the numbers presented in the following tables.

Because we do not want the following observations to be influenced by outliers, we report median prices when describing the middle of each market category.⁶ The lower-end and upper-end observations set aside the bottom and top 5% of prices observed in each category:

Table 3. Two Years of FOB Prices (Revised)

Period	Contracts	Lower-End Price (5 th percentile)	Middle Price (median) ⁷	Upper-End Price (95 th percentile)
2017/18	8,721	USD 1.41	USD 2.91	USD 7.25
2016/17	8,546	USD 1.54	USD 2.89	USD 6.70

⁶ The median price is the middle observation in the sample.

⁷ These median prices are slightly lower than those reported in the pilot 2018 *Transaction Guide*. This is due in part to the fact that the additional observations in the expanded sample have higher average lot sizes. As the Transaction Guide continues to recruit additional data donors, we must account for reported price changes that are due to the changing cohort of data donors.

Key Observations:

- In the current sample, the median price per pound for green specialty coffees was \$2.91 in 2017/18, up from \$2.89 in 2016/17.
- In both years, the range of prices paid for green specialty coffees was large. In 2017/18, ninety percent of the prices in the sample covered a range of \$5.84 (from \$1.41 to \$7.25).

FOB Prices by Quality Level

One variable that influences prices for specialty coffees is quality. Table 4 organizes FOB prices into seven different quality bands.

Thinking about Quality Scores. The quality information in these tables is based on SCA standards and reported in a range of 80 to 100. Despite ongoing efforts to develop standardized cupping scores, coffee quality is subjective and different sellers and buyers will arrive at different scores. The scores and ranges in these tables provide a general indication of prices paid for coffees at different quality levels. However, the data donors exhibit different biases when assessing coffee quality. Moreover, some donors report specific quality scores, others report quality ranges, while others do not provide any quality information. When quality scores are reported in ranges, we assume the lowest value in the range. To account for coffees that are purchased without reference to a quality score, we include a separate “No Quality Score” category.

Table 4. FOB Prices at Different Quality Levels (Revised)

Period	Contracts	Pounds (millions)	Value (millions)	Lower End	Middle	Upper End
From 80 to 81.9						
2017/18	291	12.99	USD 20.02	USD 1.17	USD 1.50	USD 2.54
2016/17	337	13.48	USD 22.11	USD 1.23	USD 1.57	USD 2.74
From 82 to 83.9						
2017/18	1,066	44.42	USD 74.20	USD 1.25	USD 1.60	USD 3.03
2016/17	1,226	51.94	USD 95.16	USD 1.41	USD 1.90	USD 2.85
From 84 to 84.9						
2017/18	1,475	29.63	USD 63.68	USD 1.54	USD 2.29	USD 3.75
2016/17	1,368	31.83	USD 69.81	USD 1.67	USD 2.30	USD 3.40
From 85 to 85.9						
2017/18	1,075	18.52	USD 46.49	USD 1.62	USD 2.80	USD 8.50
2016/17	1,055	16.55	USD 43.92	USD 1.87	USD 2.85	USD 9.25
From 86 to 87.9						
2017/18	2,774	16.23	USD 48.99	USD 2.30	USD 3.50	USD 11.75
2016/17	2,726	18.70	USD 58.10	USD 2.25	USD 3.50	USD 11.15
88 Plus						
2017/18	489	2.14	USD 7.15	USD 2.49	USD 4.45	USD 15.15
2016/17	414	2.01	USD 7.27	USD 2.11	USD 4.32	USD 10.00
No Quality Score						
2017/18	1,551	15.96	USD 35.99	USD 1.39	USD 3.15	USD 7.30
2016/17	1,420	12.84	USD 30.00	USD 1.61	USD 3.00	USD 6.86

Key Observations:

- Higher-quality coffees tend to receive higher prices. For example, in 2017/18, the median price for coffees in the 86 to 87.9 range (\$3.50) was roughly double the median price for 82 to 83.9 coffees (\$1.60).
- The range of prices for lower-quality coffees was also lower than that observed for higher-quality coffees. In 2017/18, ninety percent of the 82 to 83.9 coffee prices fell in a range of \$1.78, while ninety percent of the 86 to 87.9 coffee prices fell in a range of \$9.45.
- Within most quality bands, median FOB prices were quite stable across years; with modest year-over-year declines in the lower quality bands, and small median price increases in the highest band.

FOB Prices by Lot Size

Another variable that influences prices for specialty coffees is lot size. Table 5 divides the sample into five quantity bands.

Thinking about lot sizes. Most green specialty coffees are delivered in sacks (or bags) that weigh between 100 and 154 pounds each. Large lots are purchased and exported in containers that hold roughly 40,000 pounds. At the other extreme, the smallest ‘microlots’ come from specific farms, or parts of farms, and are purchased in partial containers, in lots as small as one or two sacks. When thinking about FOB prices paid for green coffees, versus retail prices paid for roasted coffees, remember that there is a loss (or shrinkage) of roughly 15% of bean weight when coffees are roasted.

Table 5. FOB Prices at Different Lot Sizes (Revised)

Period	Contracts	Pounds (millions)	Value (millions)	Lower End	Middle	Upper End
More than 40,000 Pounds						
2017/18	2,074	98.35	USD 183.09	USD 1.25	USD 1.82	USD 3.00
2016/17	2,211	104.13	USD 204.20	USD 1.38	USD 1.90	USD 3.05
From 6,501 to 40,000 Pounds						
2017/18	1,734	32.40	USD 79.57	USD 1.39	USD 2.52	USD 3.90
2016/17	1,747	34.06	USD 88.28	USD 1.57	USD 2.60	USD 3.95
From 2,501 to 6,500 Pounds						
2017/18	1,369	5.48	USD 18.55	USD 1.98	USD 3.15	USD 5.43
2016/17	1,467	5.89	USD 20.34	USD 2.05	USD 3.15	USD 5.72
From 801 to 2,500 Pounds						
2017/18	1,881	2.93	USD 11.56	USD 2.20	USD 3.48	USD 7.85
2016/17	1,654	2.59	USD 10.37	USD 2.18	USD 3.49	USD 9.20
Less than 800 Pounds						
2017/18	1,663	0.73	USD 3.74	USD 2.44	USD 4.17	USD 15.52
2016/17	1,467	0.67	USD 3.18	USD 2.50	USD 3.93	USD 14.30

* These quantity bands are set to include roughly the same number of contracts in each group.

Key Observations:

- Median prices were higher for coffees purchased in smaller quantities. In 2017/18, the median price for lots of less than 800 pounds (\$4.17) was more than double that paid for lots of 40,000+ pounds (\$1.82).

- The range of prices in smaller-sized purchases was also higher. In 2017/18, ninety percent of the prices paid in lots of 40,000+ pounds fell within a range of \$1.75. However, ninety percent of the prices paid in lots of less than 800 pounds fell in a range of \$13.08.
- Within each lot-size band, median prices were quite stable across years; declining year-over-year for larger lot sizes and increasing slightly for the smallest lot sizes.

FOB Prices by Quality Level and Lot Size

The main feature of the **revised 2018 Transaction Guide** is a single table that captures recent FOB prices for specialty coffees with different quality scores and purchased at different lot sizes (see Table 6).

Key Observations:

- Few large purchases are for coffees with the highest quality scores.
- Very few small purchases are for coffees with low quality scores. In 2017/18, nineteen contracts covering purchases of less than 2,500 pounds had quality scores between 80 and 83.9.
- In 2017/18, the median price (\$1.55) for the most-commodified bucket – 40,000+ pounds of coffee scoring in the 80 to 81.9 range – almost matched the prevailing Fair Trade minimum price for conventional coffees; i.e., that which is necessary to earn a certification mark from Fairtrade International; i.e., \$1.40 plus a \$0.20 social premium.
- In 2017/18, the median price for the most-populated bucket – the smallest lots of coffees that cup between 86 and 87.9 – was \$4.40.
- In 2017/18, there were consistent (and expected) pricing slopes within each quantity and quality band. For example, the median FOB price in lot sizes of 2,501 to 6,500 pounds rose from \$2.55 to \$4.30 as quality scores rose from 82 to 83.9 points to 88+ points (see the third grouping in Figure 1). The median FOB prices for coffees with quality scores between 85 and 85.9 points increased from \$2.45 to \$3.60 as lot sizes declined from 40,000+ pounds to less than 800 pounds (see the fourth grouping in Figure 2)

Figure 1. Quality Score Pricing Slopes (2017/18)

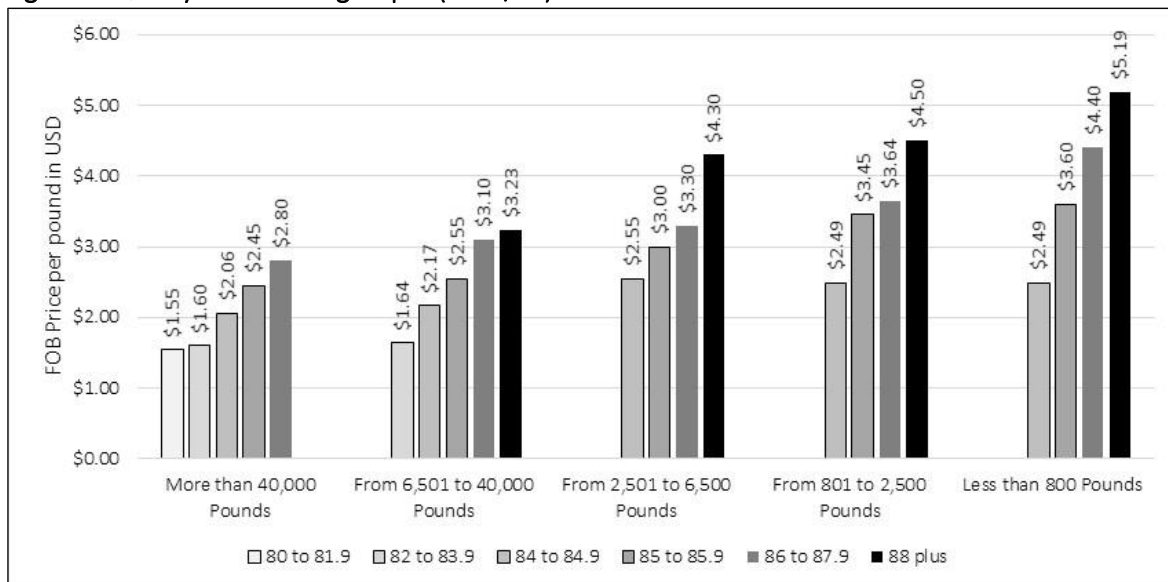


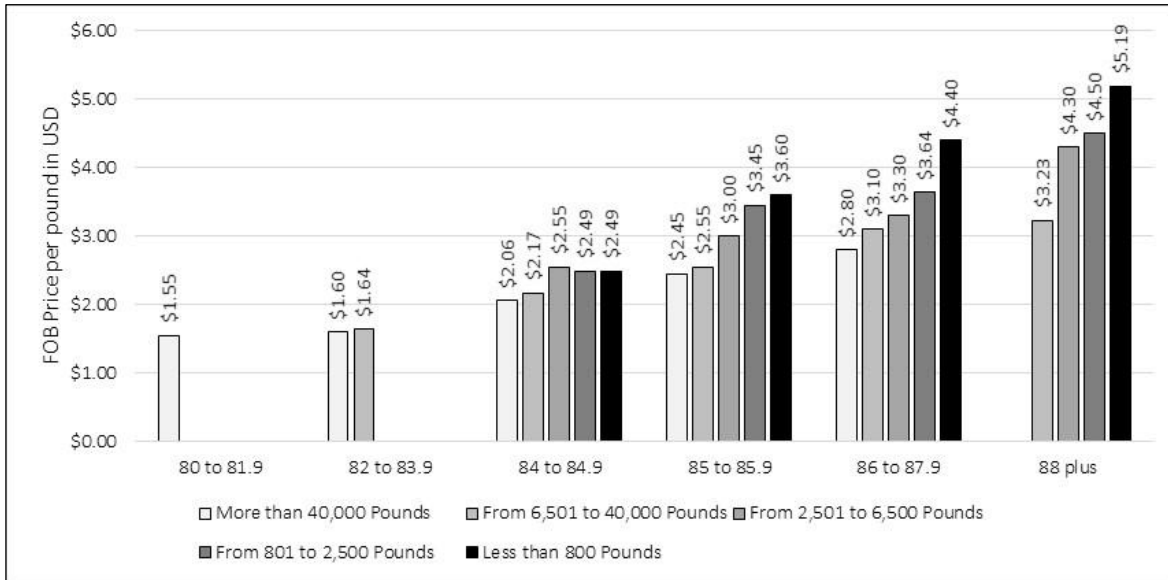
Table 6. FOB Prices for Specialty Coffees, 2017/18 (Revised)

	Contracts	Pounds (millions)	Value (millions)	Lower End	Middle ⁸	Upper End	Median Price in 2016/17
More than 40,000 Pounds							
80 to 81.9	244	11.72	USD 18.07	USD 1.19	USD 1.55	USD 2.40	USD 1.56
82 to 83.9	795	39.34	USD 65.11	USD 1.29	USD 1.60	USD 2.40	USD 1.77
84 to 84.9	490	21.21	USD 43.47	USD 1.41	USD 2.06	USD 2.76	USD 2.04
85 to 85.9	240	11.23	USD 26.00	USD 1.45	USD 2.45	USD 3.25	USD 2.38
86 to 87.9	125	5.28	USD 13.71	USD 1.65	USD 2.80	USD 3.45	USD 2.88
88 plus	-	-	-	-	-	-	-
No scores	173	9.27	USD 16.01	USD 1.06	USD 1.61	USD 3.32	USD 1.60
From 6,501 to 40,000 Pounds							
80 to 81.9	40	-	-	-	-	-	-
82 to 83.9	183	4.89	USD 8.54	USD 1.19	USD 1.64	USD 3.12	USD 2.02
84 to 84.9	348	6.94	USD 16.10	USD 1.60	USD 2.17	USD 3.30	USD 2.40
85 to 85.9	311	6.05	USD 15.90	USD 1.58	USD 2.55	USD 8.50	USD 2.69
86 to 87.9	451	7.39	USD 21.28	USD 1.71	USD 3.10	USD 3.93	USD 3.20
88 plus	76	1.23	USD 3.60	USD 1.46	USD 3.23	USD 4.41	USD 3.26
No scores	325	4.65	USD 12.27	USD 1.39	USD 2.61	USD 4.29	USD 2.90
From 2,501 to 6,500 Pounds							
80 to 81.9	-	-	-	-	-	-	-
82 to 83.9	-	-	-	-	-	-	-
84 to 84.9	220	0.96	USD 2.68	USD 1.88	USD 2.55	USD 4.71	USD 2.70
85 to 85.9	203	0.84	USD 2.91	USD 2.23	USD 3.00	USD 9.05	USD 3.10
86 to 87.9	495	1.92	USD 6.78	USD 2.50	USD 3.30	USD 5.25	USD 3.40
88 plus	93	0.36	USD 1.52	USD 2.75	USD 4.30	USD 5.75	USD 4.30
No scores	323	1.28	USD 4.33	USD 2.00	USD 3.10	USD 5.27	USD 2.91
From 801 to 2,500 Pounds							
80 to 81.9	-	-	-	-	-	-	-
82 to 83.9	-	-	-	-	-	-	-
84 to 84.9	283	0.46	USD 1.23	USD 1.88	USD 2.49	USD 3.85	USD 2.72
85 to 85.9	207	0.35	USD 1.46	USD 2.45	USD 3.45	USD 9.15	USD 3.30
86 to 87.9	808	1.24	USD 5.03	USD 2.72	USD 3.64	USD 7.65	USD 3.65
88 plus	121	0.19	USD 0.97	USD 3.20	USD 4.50	USD 12.20	USD 4.65
No scores	421	0.63	USD 2.65	USD 2.40	USD 3.50	USD 7.25	USD 3.03
Less than 800 Pounds							
80 to 81.9	-	-	-	-	-	-	-
82 to 83.9	-	-	-	-	-	-	-
84 to 84.9	134	0.07	USD 0.21	USD 2.00	USD 2.49	USD 6.69	USD 2.78
85 to 85.9	114	0.06	USD 0.22	USD 2.53	USD 3.60	USD 5.60	USD 3.29
86 to 87.9	895	0.40	USD 2.20	USD 3.00	USD 4.40	USD 16.15	USD 4.01
88 plus	192	0.07	USD 0.34	USD 3.40	USD 5.19	USD 31.60	USD 5.27
No scores	309	0.14	USD 0.76	USD 2.50	USD 4.10	USD 15.45	USD 4.00

* Price information redacted in buckets with fewer than 50 observations

⁸ Compared to the numbers reported in pilot 2018 Transaction Guide, the median prices in the revised Table 6 tend to be lower in the lower-quality / higher-quantity buckets and higher in the higher-quality / lower-quantity buckets. As the Transaction Guide continues to recruit additional data donors, we must account for reported price changes that are due to the changing cohort of data donors.

Figure 2. Lot Size Pricing Slopes, 2017/18



- In a period during which volatile commodity prices displayed a consistent downward trend (see Figure 3), the median prices in the *2018 Transaction Guide* displayed greater stability (see Figure 4).

Figure 3. New York 'C' Price from October 2016 to September 2018

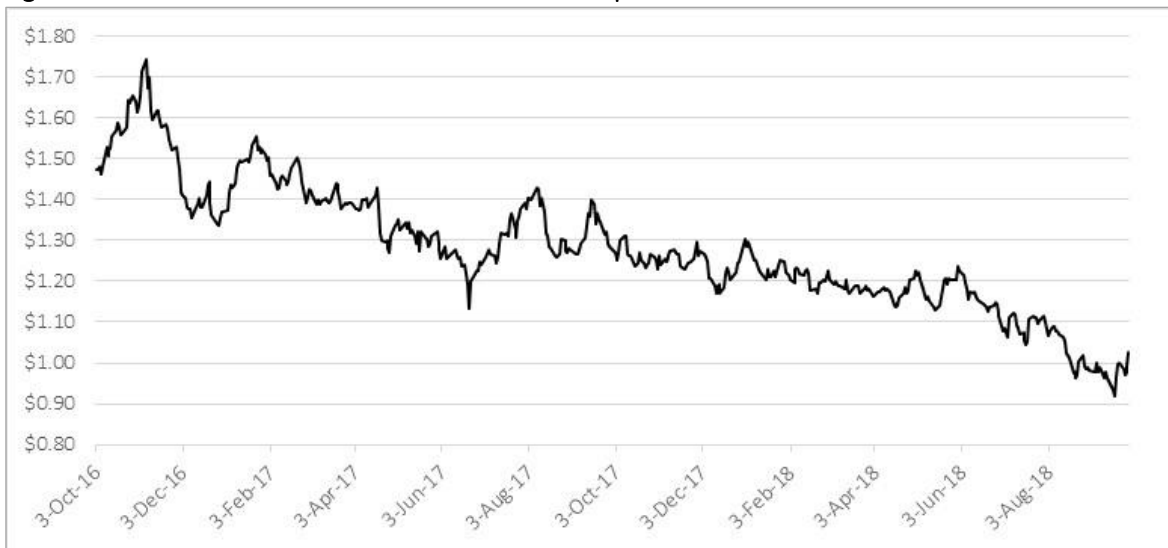
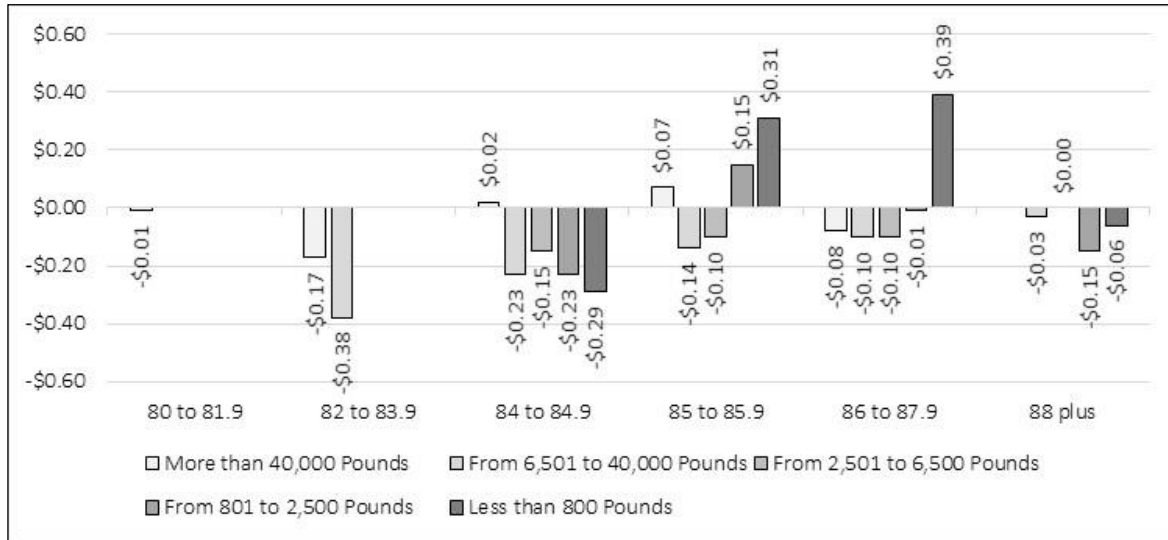


Figure 4. Differences between Median Prices in 2016/17 and 2017/18



FOB Prices by Region and Country

This final section provides preliminary evidence of how prices differ for specialty coffees grown in different regions and countries. Combining data from the two years and focusing on four major growing regions leaves the following sample:⁹

Table 7. FOB Prices across Growing Regions; 2016/17 and 2017/18 Combined (Revised)

	Contracts	Pounds (millions)	Value (millions)	Lower End	Middle	Upper End
South America	6,805	105.83	USD 220.65	USD 1.55	USD 2.85	USD 4.95
Central America & Mexico	5,964	105.85	USD 229.03	USD 1.60	USD 2.75	USD 4.50
Africa	2,338	27.61	USD 85.05	USD 2.25	USD 3.32	USD 5.57
Asia	398	8.48	USD 22.28	USD 1.88	USD 2.74	USD 4.31

To get a sense for how prices differ across growing regions, we compare the median FOB price in each region to the overall sample median. A negative value means that prices in that region tend to be lower than in the overall sample. However, these simple comparisons do not offer a clean assessment of typical regional premiums and discounts because the coffees from each region are produced at different quality levels, and sold in different lot sizes (see Table 8).

Table 8. Median Quality Score and Lot Size by Region and Country (Revised)

Region / Country	Contracts	Median Quality Score*	Median Lot Size*
South America	6,824	86.0	3,968 pounds
– Bolivia	106	86.0	3,505 pounds
– Brazil	818	84.0	13,228 pounds
– Colombia	4,352	86.0	2,469 pounds

⁹ Because the observations in this sections adjust for quality and quantity using a simple regression technique, we set aside outlier contracts; i.e., those with the lowest and highest 5% of reported FOB prices.

– Ecuador	230	86.0	1,521 pounds
– Peru	1,318	84.0	22,817 pounds
Central America & Mexico	5,987	85.0	4,564 pounds
– Costa Rica	843	85.0	3,803 pounds
– El Salvador	826	85.5	1,389 pounds
– Guatemala	2,286	84.0	6,614 pounds
– Honduras	828	84.5	5,291 pounds
– Mexico	438	84.0	38,185 pounds
– Nicaragua	757	85.0	3,042 pounds
Africa	2,343	86.6	5,291 pounds
– Burundi	259	86.6	3,836 pounds
– DR Congo	59	86.4	20,635 pounds
– Ethiopia	783	86.5	13,228 pounds
– Kenya	748	87.8	1,984 pounds
– Myanmar	81	85.0	2,513 pounds
– Rwanda	250	86.3	6,614 pounds
– Tanzania	70	87.0	4,431 pounds
– Uganda	82	84.0	12,567 pounds
Asia	398	84.1	13,228 pounds
– Indonesia	300	84.0	13,228 pounds

** These values do not necessarily apply to all coffees produced in each region, only those observed in the contracts donated by the current data donors.*

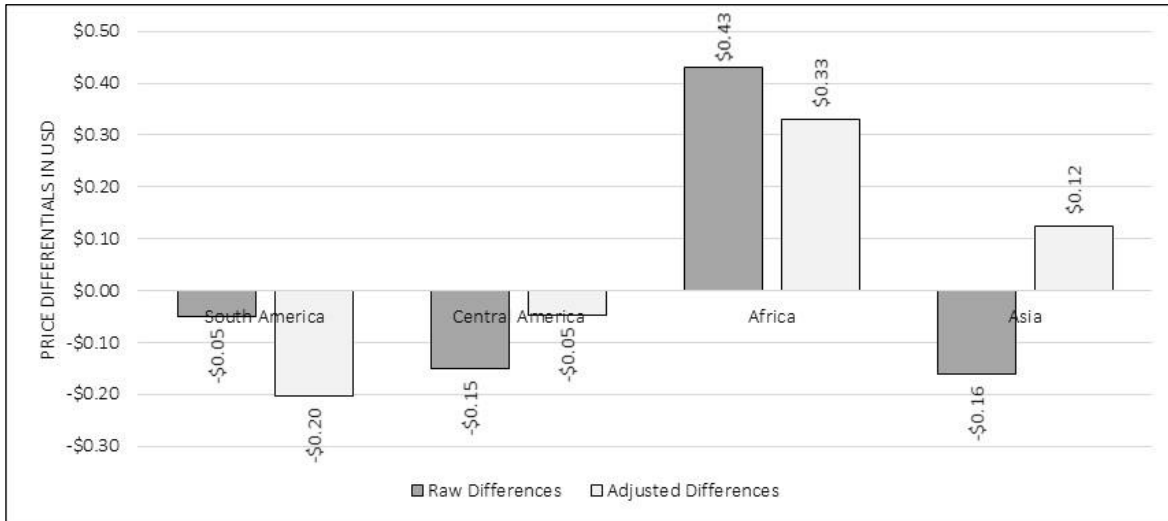
Therefore, we present a second set of estimates of regional price differences after controlling for the underlying distributions of quality scores and lot size ranges (see Figures 5 and 6).¹⁰

Key Observations:

- Over these two years, the regional median price for specialty coffees grown in Africa was highest, with an unadjusted premium of +\$0.43 per pound. After accounting for differences in quality scores and lot sizes, this African price premium falls to +\$0.33 (See Figure 5).
- Moving to the country level, the largest unadjusted price premium came from Kenya (+\$1.86 relative to the overall sample median), while the largest discount came from Brazil (\$-0.82). However, after controlling for quality and lot size differences across countries, the Kenyan price premium falls to +\$1.02, while the Brazilian price discount falls to -\$0.26 (see Figure 6).

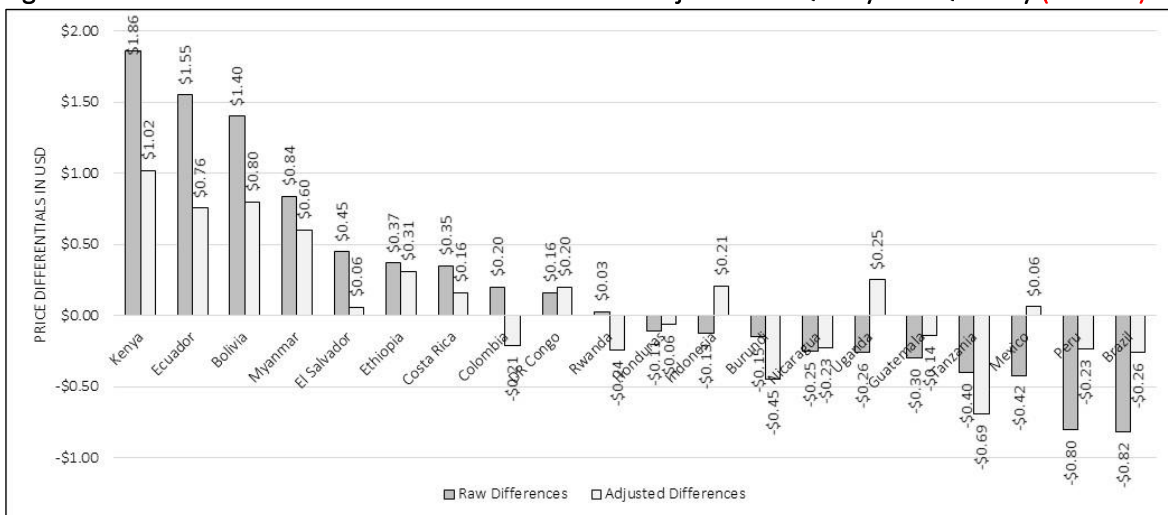
¹⁰ Using the two-year sample, we estimate an ordinary least squared regression model with FOB price as the dependent variable and a series of indicator variables – each representing one of the 35 quality-quantity buckets from Table 6 – as explanatory variables. The predicted values from this model indicate the part of an FOB price that is explained by a coffee's quality and lot size. The residual values represent the leftover (or unexplained) part. The median values of these residuals for regions and countries are reported in the second columns in Figures 5 and 6.

Figure 5. Price Differences across Regions – Raw* and Adjusted for Quality and Quantity (Revised)



* A value of zero means that the region's median price equals the overall sample median (\$2.90). A positive value means that the median price in the region is higher.

Figure 6. Price Differences across Countries – Raw* and Adjusted for Quality and Quantity (Revised)



* A value of zero means that the country's median price equals the overall sample median (\$2.90). A positive value means that the median price in the country is higher.

Concluding Comments

The *Specialty Coffee Transaction Guide* project offers participants in the specialty coffee market a different and more relevant information source than commodity indices to utilize as part of their independent pricing strategies.

To achieve this goal, we collect actual contract data from a range of data donors to summarize recent FOB prices paid for green specialty coffees produced at different qualities, sold in different lot sizes, and exported from different growing regions. The tables and figures in the *revised 2018 Transaction Guide* provide important contextual information for future price negotiations. Buyers and sellers can now consider price references that

are more relevant to specialty coffee. For example, consider the expanded marketplace information that is now available to parties independently negotiating two hypothetical specialty coffee transactions:

Scenario:	Price reference from Transaction Guide:	Price reference from commodity market:	Recent price range for similar coffees:
Selling/buying <u>a container of coffee grown in El Salvador</u> that <u>cups at 83</u> .	\$1.60 (median from Table 6) plus adjusted El Salvador premium of \$0.06 (from Figure 6); \$1.66.	\$1.08 (NY 'C' price on June 28 th , 2019)	From \$1.29 to \$2.40 (range from Table 6)
Selling/buying <u>2,000 pounds of coffee grown in Guatemala</u> that <u>cups at 87</u> .	\$3.64 (median from Table 6) minus adjusted Guatemala discount of \$0.14 (from Figure 6); or \$3.48.	\$1.08 (NY 'C' price on June 28 th , 2019)	From \$2.72 to \$7.65 (range from Table 6)

Of course, the median prices presented in Table 6 do not – and should not – represent mandatory, correct or appropriate prices in any interpretation of these tables. Rather, they are statistical references that may be useful to contracting parties seeking to understand their marketplace positions and develop value-based pricing strategies. This is evident in the wide range of prices paid for similar coffees over the last two years. However, they do show generally what recent FOB prices look like in a segment of the specialty coffee market where pricing appears to be less tethered to commodity prices. Therefore, they provide relevant contextual information for price negotiations (which are accomplished at arm's length by the parties to those transactions based on individual circumstances). In this respect, it is interesting to note that the median prices presented in Table 6:

- center on \$2.90 per pound;
- are never below \$1.55 per pound;
- increase systematically as coffee quality increases;
- increase systematically as lot sizes decrease; and
- are consistent across years.

The numbers in the **revised 2018 Transaction Guide** are based on a large number of contracts that represent substantial volumes of specialty coffee (see Table 2). However, sellers and buyers should consider that the current roster of data donors does not yet reflect the entire specialty market. It is therefore possible that many specialty coffees do not sell within the reported price ranges.

Sellers and buyers should also consider that these numbers do not indicate how much of the FOB price makes it back to the farm gate, or whether that price allows farmers to cover their costs of production. As annual pricing data accumulate, our data will support research efforts that help us better understand the complex relationships between FOB prices, farm gate prices, and production costs.

We also plan to use the data to examine the distributions of FOB prices: (1) across differing selling entities (e.g., farmers versus cooperatives); (2) for coffees sold directly to roasters versus through importers; (3) for coffees sold into different consuming markets (e.g., North America, Europe, Asia, or producing countries); and (4) for buying relationships of varying lengths.

As the *Specialty Coffee Transaction Guide* project develops and expands in the coming years, the annually updated pricing tables combined with accumulating data briefs and reports should provide a more robust

informational foundation for the independent pricing of the value offered by specialty coffees in ways that support short-term equity and longer-term sector sustainability.

2018 Specialty Coffee Transaction Guide (Revised)

A collaboration between researchers at Transparent Trade Coffee (Emory University) and a growing roster of specialty coffee producers, exporters, importers, roasters, and supporters.

Version 1.1 (Revised)

Released July 2018

For more information, visit www.transactionguide.coffee

Direct questions or comments to contact@transactionguide.coffee