Vereinigung zur Förderung von Kaffee
Association pour la promotion du café
Associazione per la promozione del caffè

The economic significance of coffee for Switzerland

The value-added chain that runs from coffee plant to cup is a long one. The part of this chain that corresponds to Switzerland is characterised mainly by the involvement of the international trade in green coffee, coffee importers, roasters, manufacturers of processing machines, the retail trade and the catering sector. If we examine the entire value-added chain from green-coffee trader to sale of the finished product, we can see that Switzerland's coffee sector as a whole (including manufacturers of coffee machines) accounts for some five billion Swiss francs (CHF), or just about 1% of the country's gross domestic product.[1]

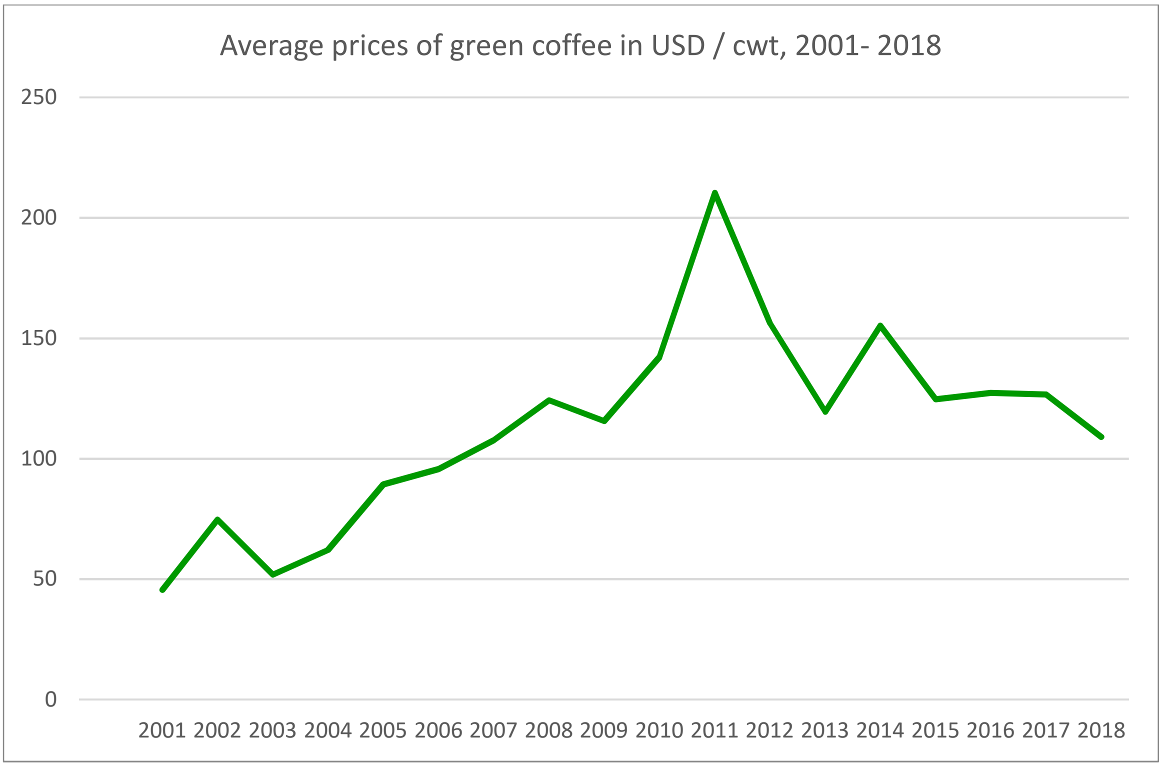
The trade in green coffee

A large part of the world's coffee trading takes place in Switzerland. A good two-thirds of the worldwide coffee trade (amounting to some 6 million metric tons in 2017) involves operations carried out – either directly or indirectly – via Switzerland[2]. Today's coffee exchanges are electronic screen-based, with administration and day-to-day transactions taking place mainly in New York (for Arabica coffee) and London (for the Robusta variety).

Green coffee prices have been rising rapidly since 2009 (as have those of other agricultural raw materials, such as cocoa and wheat). The worldwide price of green coffee rose by approximately 80% in just two years at the start of this period. This price increase was mainly due to a massive increase in global consumption that has taken place since the year 2000, accompanied by a simultaneous reduction in the green coffee storage capacity* of the countries of origin. The situation has been exacerbated by drought, plant disease and foreign-exchange fluctuations. Commodity prices began to ease somewhat as of the autumn of 2011. Shortages resulting from an outbreak of coffee rust, a plant disease also known as "la roya", and the consequences of the century's worst *El Niño* events led to another price rise in 2014 / 2015, but it then calmed down once more. Coffee prices are now back at their 2009 levels, but continue to be well above what they were in 2001.

*Worldwide increase in consumption from approx. 100 million 60 kg sacks in 2001 to approx. 160 m sacks in 2017.

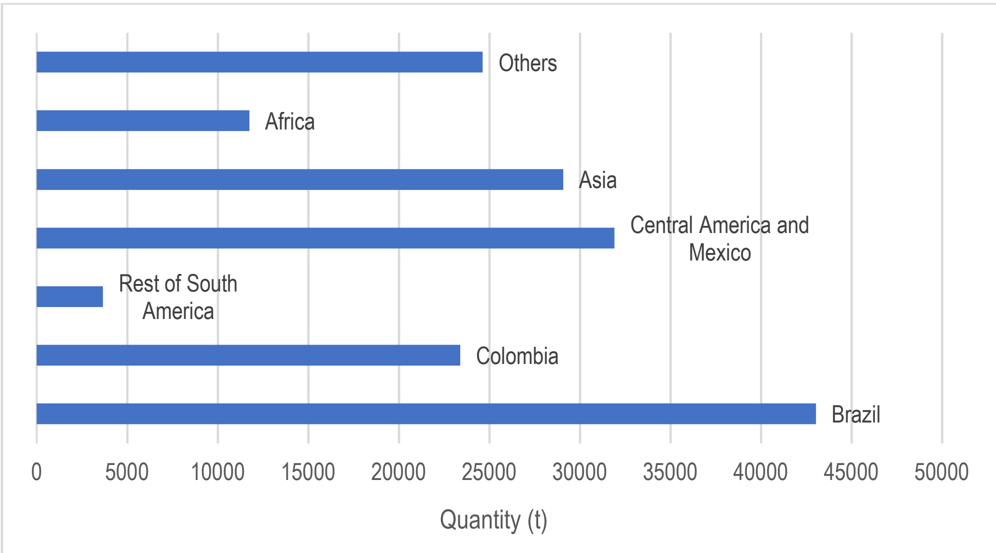
[1] Bilanz, 2016: Kaffeeland Schweiz: Viel Potenzial für die Zukunft
[2] Figures from USDA World Coffee Market Report June, 2018



World market price of coffee, 2001 - 2018 [3]

Swiss coffee imports

Switzerland processes approximately 1.52% of the world's coffee harvest (i.e. some 147,000 metric tons), with an import value of about CHF 700 million. About half of Switzerland's coffee imports come from Brazil and Central America (including Mexico).[4]



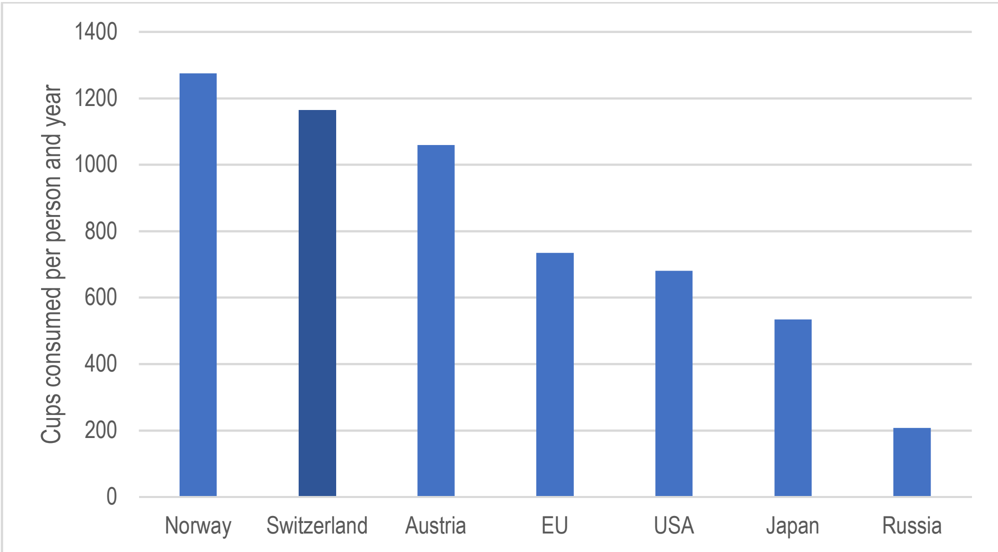
[3] International Coffee Organization (ICO)
[4] According to foreign-trade statistics of the Swiss Federal Customs Administration (EZV)

Coffee roasters

There are currently 135 coffee roasters in Switzerland, including some that operate on an industrial scale. More than half of these roasters are small businesses – a trend increasingly notable in the "micro-roaster" sector in particular. In 2017, large and small-scale operations combined processed approximately 156,000 metric tons of imported green coffee and some 11,000 tons of imported roasted coffee or coffee extract[5]. While 1,050 persons were engaged in commercial and industrial coffee processing (not including micro-enterprises) in Switzerland in 2012, this figure had risen to 2,670 employees by 2016[6] . This corresponds to an increase of 150% over four years. Roasted coffee, supplied as beans or ready-ground, is either packed directly or processed further to make instant coffee or pods and capsules for use in machines.

Coffee consumption in Switzerland

Total domestic consumption of roasted coffee in Switzerland amounted to 74,100 metric tons p.a. over the three-year period from 2014 to 2016, as part of a tendency still slightly on the rise. This in turn represents an average annual consumption of 9 kg (almost 20 lbs.)[7], i.e. about 1,200 cups, per person[8]. This makes the Swiss (see chart) some of the world's biggest *per capita* coffee-drinkers.



Swiss consumers appreciate the quality of their coffee, and there is a tendency for them to look for coffees from specific growing areas.

The coffee market in Switzerland

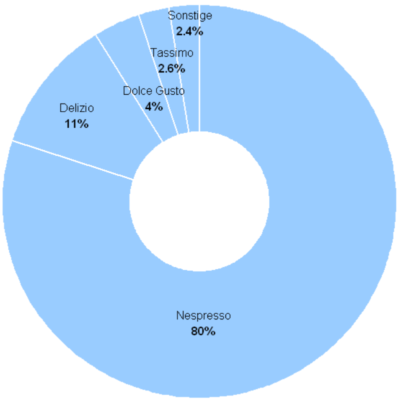
The two main sales outlets for coffee are the retail trade and the catering and hospitality sector. A certain proportion is also accounted for by vending-machine sales, and recent years have likewise seen part of the market migrate to the Internet as online sales. (Most capsules for Nespresso machines, for example, are sold online).

Several hundred million francs of trade in Switzerland's retail sector is accounted for by coffee every year, with the country's two biggest retailers, Migros and Coop, playing the most-significant role in this respect. The Swiss retail sector markets both domestically-processed and imported coffee, most of which is obtained from industrial-scale processors.

[5] According to foreign-trade statistics of the Swiss Federal Customs Administration (EZV)
[6] According to the General Classification of Economic Activities /(NOGA) 2008 (Federal Statistical Office): NOGA no. 1083
[7] Figures supplied by Procafé
[8] Figures from ICO Trade Statistics (World Coffee Consumption). This indicator of cups per year is based on an assumed figure of 7g of coffee per 130 ml cup (CafetierSuisse).

The catering sector, which provides the main market for small and medium-sized roasters, accounts for approximately 1.5 million cups per day; equivalent to an annual turnover of around CHF 2 billion.[9]

The market for coffee pods and capsules for machines is meanwhile expanding without pause, and has constituted the fastest-growing segment in recent years, with an ever-growing and extending range on offer. More than 30 different companies now market coffee-pod and capsule systems of one sort or another. In this highly competitive Swiss market, suppliers of capsule systems had the following shares of the sector in 2013:[10]



The size of the capsule sector is significant in the context of the world coffee market as a whole.

Swiss coffee exports

Switzerland exported an annual average of 60,800 metric tons (worth CHF 1.8 billion) of processed coffee in the years 2014-2016. Exports in 2016 grew by 10% in value and 7% in volume, compared to the previous year.[11]

Sustainability

The most well-known definition of sustainability as a concept is based on the United Nations Brundtland Report of 1987, which defines sustainability as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[12]. Translated into everyday day-to-day business terms, this means that a balance must be found between the social, ecological and economic objectives involved. Consumers are increasingly aware of the significance of sustainably traded products, which are playing an ever-larger role in the coffee market. Expectations are likewise high when it comes to efforts to achieve sustainability along the value-added chain as a whole, with the coffee trade operating under the banner of social-sustainability and ecological labels such as "4C-Program – Common Code for the Coffee Community", "Rainforest Alliance", "UTZ Certified" and "Max Havelaar", among others.

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[9] Figures supplied by CafetierSuisse

[10] Figures as per Nielsen/Delica in *Handelszeitung* of 25th July 2013. More-recent data are not yet available.

[11] According to foreign-trade statistics of the Swiss Federal Customs Administration (EZV)

[12] Report of the World Commission on Environment and Development: Our Common Future, 1987, p 41, part I, chapter 2, section 1: www.un-documents.net/our-common-future.pdf