

Thank you Mr Chair, and a very good afternoon to you, ladies and gentlemen.

Sustainable and Fairtrade certified coffees, which until only a few years ago did not significantly register with consumers in the UK marketplace, can now no longer be ignored. **In fact, we are standing at a point where perhaps it won't be too long before this category is considered part of the mainstream.**

Although proportionally making up only a small percentage of the coffee market, companies like us operate in a sector that has consistently punched above its weight. This has been accomplished by offering consumers an effective mechanism through which their demands for improved conditions at producer level can be channelled in a positive way.

Let's recognise that it's been a team effort to reach this point - with much of the success creditable to the drive of the Fairtrade movement towards inspiring and improving recognition. **Undoubtedly, retailers - especially some of the multiples - have been important in raising the ethical coffee market's accessibility and visibility. But how far can we attribute recent surges of growth and demand within the sector to the attitudes of these players alone?**

In answering this question, I'm going to open with a case study of how retailers' attitudes *can* play a pivotal role in the successful development of new line-ups, by utilising an example of partnership between Union Coffee Roasters and a major multiple which has helped lead to a sustained and positive change in a previously impoverished community.

The tiny nation of Rwanda has been high in the public's consciousness in recent weeks, given that this year marked the tenth memorial of the genocide. Before the horrific events of 1994 took place, the Rwandan coffee industry represented a significant part of the national economy - with more than 70% of its exports attributed to coffee and tea. However, Rwandan coffee at the time, did not have a perceived value in the consumer market. Unremarkable in quality, buyers condemned the national crop for use in commodity blends. It was little surprise that this dependency on a commodity market which crashed in early 90's- led to economic destabilization. Some commentators have since concluded that this destabilising effect was a factor to the start of the atrocities.

Moving rapidly forward to the later 90's following a period of emergency aid and support after the genocide, there has been a programme of development assistance and reconstruction, targeted towards rebuilding agriculture, with particular emphasis on the coffee industry. This was viewed as a central mechanism to regenerate the economy and reduce rural poverty.

One strategy emerged from a report by Schluter and Finney to develop mini-pulping & washing stations. Their core recommendations were taken up by USAID, who sought to extend these so Rwandan producers could capitalise on the emerging speciality coffee market - rather than relying on established, high volume channels. In a pilot project, USAID targeted a specific population of coffee farmers in Maraba, in the country's most impoverished areas and undertook intensive training and farmer education.

In 2001 when we first cupped the early harvests we considered the quality of the coffee at Maraba to hold great promise. We also recognised a commercial proposition: offering a great tasting, certified Fairtrade, single origin Rwanda coffee would communicate a positive message and allow consumers to understand that the country was beginning to rehabilitate itself after the horrors of the past.

But for the project to work, we required access to a viable, mass market. The unique status of this coffee meant our preference was for a retail partner. The opportunity was to build an entire new origin's credentials and reconnect producer with consumer, two aims which were only possible by interacting directly with shoppers at the point of purchase. Through its high quality and powerful story we would challenge existing perceptions and invite consumers to contribute to a specific locality's continued development not charitably, but because they found the coffee delicious and could connect with the people involved in its production.

We discussed this concept through different divisions within Sainsbury's, working to develop relations not just at buyer level, but also through personnel involved in its CSR programme. Representatives of the supermarket quickly realised the positive nature of the project, and that by linking farmer and roaster with retailer, a supportive partnership through the supply chain could be promoted.

The programme at Maraba, is now in the midst of its third harvest and although these are still early days, very positive results have emerged. Most importantly is its role as a touchstone for related development across the country: from the original pulping and washing station, some 25 are scheduled to be in operation by the end of the year. At the Co-operative level, premium-priced sales of coffee have completely regenerated the Maraba community. Growers have been able to invest in healthcare, education and improvements to their living conditions, while additional cash in the locality has helped create spin-off commercial enterprises.

So our experience in this instance, where we were able to develop a highly beneficial partnership with a major retailer, is inherently positive.

Yet in examining attitudes within the sector as a whole, it is worth acknowledging that this is but one instance - and that issues remain in the market which, if left unchecked, may negatively influence the multiple's viewpoint. First, there is the issue of Fairtrade certification. Although we as an industry may be aware of the complexities of the ethical coffee market, in the minds of the consumer, this sector is defined solely as Fairtrade.

Increasing instances of the question 'is this Fairtrade coffee?' illustrate the success of Fairtrade marketing, yet this ignores the diversity of the market. Retailers do not operate in a vacuum and recent decisions by key players to establish own label Fairtrade ranges show just how the Fairtrade logo is a symbol of the ethical sector.

But the lack of access to Fairtrade status to private coffee farms does place companies like us who want the freedom to create our own identity, in an

uncomfortable situation. Even though we are committed towards paying producers a sustainable premium, buyers feel they should make more shelf space for Fairtrade certified lines. Could there be a time when the conscientious private coffee farmer could find it is tough to find a market for their coffee in the UK retail sector?

Company's must therefore be prepared to innovate to stake their presence on shelf. The growth of the market we operate in should not solely be attributed to the recognition of retailers to need to service their consumers' demands - but also to businesses that take a longer term view in the pursuit of an on-shelf presence and equitable trade for all elements of the supply chain; producer / processor / retailer.

In conclusion, retailers have been positive to the ethical beverage sector in recent years and through their weight and power, have helped to grow it. Although on occasion we can be critical of their approach, ultimately they are only reflecting the trends of the consumers they seek to serve. We must recognise that the retailer is in a pivotal position, and it is up to us - as responsible members of the coffee community - to do their thinking for them and ensure the market grows in the desired manner.

Fundamentally, we must modify from allowing our sector to be dictated on fair pricing alone. Because if we get to a position where the majority of coffees carry an ethical badge, how will producers be able to gain differentiation, advantage or even sustainability? Consumers will ultimately make their judgement on quality.

It is my view that to grow the market in the best manner, responsible partnerships between farmer, roasters and retailer are key, so producers invest their premiums in innovation, and in turn are brought closer to the consumer. And it is this 'Relationship Coffee' - where outstanding quality, fair pricing and the personality of the farmer combine to positively influence the attitude of the retailer - and provide them with an irresistible commercial proposition.

Thank you.