10 tips for organising your coffee export to Europe

Last updated:
23 December 2022

Having a good understanding of practical export processes is crucial to becoming and remaining a successful exporter. This document provides you with some tips on how to properly export your coffee to buyers on the European market. Realise that organising your export and agreeing upon delivery and payment terms depends on many factors, such as the relationship between you and your buyer (new, short-term, long-term), transportation method (sea or air freight), type of coffee (mainstream or specialty), as well as the volume and value of the shipment.

Contents of this page

1. Agree on import delivery terms with your buyer

Before signing a sales contract, always agree with your buyer on import terms (also known as Incoterms: international commercial terms). The delivery term used usually depends on your buyer's preference. Most often, Free On Board (FOB) or Cost, Insurance and Freight (CIF) are used.

FOB means that the buyer pays for shipping and insurance and takes ownership of the cargo at the point of departure from the supplier's port. If goods are damaged in transit, the buyer (or their insurance company) is responsible. As such, this import term is often recommended, as it frees you as an exporter from having to bear costs and responsibility for the shipping and customs processes.

Under a CIF delivery term, the seller assumes the costs of shipping and insurance, and is responsible for any loss or damage to the coffee beans during transport. As such, the seller should purchase specific documents, such as export licenses and insurances, and pay for inspection costs. Once the freight loads at the buyer's chosen port of arrival, the buyer becomes responsible for the product.

CIF can be more expensive and riskier for you as an exporter than FOB. Although CIF is usually not recommended, it also has its advantages. It is a service to your buyer, as you take care of coordinating the shipping and take up more risk. If you decide to ship under CIF terms, you can charge an extra margin over the original (FOB) price of the products, as you are also providing the buyer with this service.

Cost and Freight (CFR) means that the exporter is responsible for contracting and paying for the transport to the buyer's destination port. The difference between CIF and CFR is that in the case of CFR the buyer does pay for insurance, though the exporter may still be responsible for any spoilage arising from transportation if the coffee was not properly packaged.

Tips:

- Make sure you understand the Incoterms, the risks and the costs in your specific situation. Refer to the International Chamber of Commerce website for further information on Incoterms.
- Make your own preferences clear to your buyers. Once agreed upon which Incoterms to use, include these terms in your coffee offer.
- Specify the costs of transportation and the risk of loss and damages before entering into a buyer-seller agreement.
- Communicate clearly and openly with your buyers. If you do not understand the proposed delivery terms, do not hesitate to ask for clarification from your buyers or more experienced exporters.
- Refer to Chapter 7 of the ITC's 2021 Coffee Guide to learn more about commercial aspects of the coffee trade. It provides details about contracts, logistics, incoterms and insurance.

Figure 1: International Commercial Terms (Incoterms)

Source: Velotrade.com

2. Agree on the terms of payment with your buyer

It is key that agreements on payment terms are made before signing any contracts. The most common form of payment in the coffee trade is Cash Against Documents (CAD). The supplier will be paid by the customer via a bank against delivery of required documents (such as the invoice and bill of lading). These documents are delivered to the customer against payment of a bill of exchange, which may be guaranteed by a bank. CAD implies that the party that owns the documents also owns the goods.

Letter of credit (L/C) is another form of payment, where payments will be made from the buyer's bank to the exporter's bank against documents such as the invoice, bill of lading and certificate of origin and quality. Be aware that L/Cs are the most expensive option and require a lot of paperwork. However, they are the most secure method of payment for an exporter. Given the generally high costs of this payment form, not many traders want to work with letters of credit.

Buyers usually pay for the coffee after it has been inspected and approved upon arrival. It is always useful to give yourself a time buffer in the contract delivery date, as you can often not foresee delays or difficulties in your production and export processes.

Tips:

- Should your container be late, always communicate this to your buyer in time. Warning your client of any problem is always preferred to keeping it quiet. Open and honest communication can mean the difference between your client dropping you or giving you another chance. It is also a sign of respect for your relationship, as you give them time and an opportunity to look for alternatives.
- If you have a reliable track record of high-quality exports, consider getting a distinctive trademark so importers easily recognise you and your good reputation. Read this blog from Shipping Solutions about intellectual property rights to avoid problems when choosing a trademark.
- Make sure to agree on payment conditions before signing contracts. Consider your (financial) risks and benefits according to these terms.

3. Look into trade financing options

Specialty coffee buyers may be willing to pre-finance your production, so that you are able to cover costs related to production and export. If a buyer decides to pre-finance you, the amount can range from 20% to 100% of the costs. The remaining part is paid on arrival in Europe, if the coffee is in good condition. The agreements you manage to make will all depend on the nature of your relationship with the buyer, including the mutual level of trust and commitment. Note that a buyer will usually not pre-pay the full or even partial amount of first shipments, as trust must be established first.

Instead of pre-financing, many buyers prefer that you work with social investors or a bank for trade-finance. They may provide 60 to 70% of the value of a contract signed by you and a (reputable) buyer. Note that such financial institutions will only lend money if you have a track record of a few years of successful export. This means you should have no claims or financial losses. When starting up, this can be a challenge, as you might not have working capital nor a track record yet. Refer to our study on Going digital in the coffee sector for specific tips on how digital tools can help you access finance.

Received funds will serve as working capital to organise your production, for instance to buy coffee cherries or parchment coffee from your farmers for export. The remainder of the money will be paid to you by the buyer upon receipt of the coffee (or documents), and the amount of the loan will be paid by your buyer to the bank. The bank can then lend it to you again for subsequent containers against other contracts.

Examples of financial institutions that offer trade finance to coffee producers include Rabo Rural Fund, Triodos Investment Management and Oikocredit (the Netherlands), Root Capital (United States of America), responsAbility and Impact Finance (both from Switzerland), Alterfin (Belgium), Shared Interest (United Kingdom) and Sidi (France).

Tips:

- Any type of arrangement should always be included in the contract between you and your buyer.
- Read this article on Perfect Daily Grind to assess whether taking out a business loan is beneficial for you as a coffee producer.
- Check out case studies highlighting the role of financial institutions in supporting the coffee sector, such as Oikocredit’s support of the Chajul cooperative in Guatemala, and learn how these services can aid you.

4. Drafting sales contracts

Once you reach an agreement on all terms, you need to draft a sales contract with your buyer. The European Coffee Federation (ECF) provides standard coffee contracts that you can use as guidelines for your own contracts. In most cases, a contract is made up by the European buyer in 'short form'.

A coffee contract usually states the following:

- Name of buyer and seller
- Name of the coffee bought/sold (for instance, Kenya Kirinyaga AA Washed)
- Quality (for instance, cupping score)
- Certification
- Volume in bags in kilograms
- Price and total amount per pound / kilogram / tonne
- Terms of sales (terms of delivery and payment, and sample approval)

If there is any doubt about any detail in the contract, the buyer and seller need to agree on a solution and clarify the draft text before signing the contract. Before signing, pay special attention to price, delivery and payment terms, quality requirements, applicable charges, and the dispute resolution procedure. When both parties have signed the contract, the trade agreement is confirmed.

Strict contract fulfilment regarding contingencies during export procedures and transport is crucial. Hence, it is very important that you are familiar with both the legal and practical aspects of export terms and responsibilities to prevent disputes. In case of disputes, coffee associations such as the British Coffee Association (and similar organisations in other European countries) can provide arbitration services. Note, however, that agreements about arbitration services should be included in your contract beforehand.

In general, and especially so when dealing with disputes, it is important to know your rights as a coffee supplier. In April 2019, the EU published a new directive (EU 2019/633) to protect small and medium-sized suppliers in the food supply chain against unfair trading practices by economically more powerful buyers. This directive applies to suppliers from outside the EU when selling to an EU-based buyer. By July 2021, 16 Member States had already notified complete transposition of the directive.

The directive includes a list of prohibited unfair trading practices, which includes:

- The refusal of a written supply agreement if requested by a supplier
- Late payments (after 30 days for perishable products, over 60 days for other agri-food products)
- Unilateral changes to contracts
- Last minute order cancellations (less than 30 days)

Tips:

Use the ECF's standard contracts for coffee when drafting contracts with buyers.

Before signing a contract, make sure to research your buyer's reputation. You can do so by asking them for bank references, or by simply googling them to see if any particular news comes up.

Always deliver on your promises. If changes are inevitable, make sure you communicate properly and discuss with your buyer to find a solution.

Refer to the Coffee Buyer's Glossary of Contract Terms on Perfect Daily Grind to fully understand all terms mentioned in the contract.

Read more about your rights as a coffee supplier in The Unfair Trading Practices Directive: a transposition and implementation guide.

Refer to the website of trader Trabocca to learn more about sample approval terms.

Read this article on Perfect Daily Grind to learn what happens when coffee farmers are sued for defaulting on contracts.

Read more about your rights as a coffee supplier in The Unfair Trading Practices Directive: a transposition and implementation guide.

5. Invest in good-quality packaging for storage and transportation

The condition in which your shipment arrives at your buyer's warehouses will make or break your reputation. As such, you should invest in good-quality packaging to protect your coffee beans during storage and transportation. Poor-quality packaging will negatively impact the quality of your coffee, and therefore damage the trust your buyer has in your company.

The kind of packaging used and who is responsible for the costs of said packaging should be agreed upon in the contract. In all cases, coffee beans should be stored and transported in cool and dry conditions, with proper ventilation. It is not uncommon to send samples of your packaging size, material and design to potential buyers before making a large shipment.

Common packaging options are jute and burlap bags as well as plastic bags. Jute and burlap do not protect against moisture, while plastic bags provide better protection but may still let some moisture in. Hence, specialty coffees are often packed in Grainpro before being packed in jute bags. The most exclusive specialty coffees are vacuum-packed to preserve quality. Note that environment-friendly packaging is increasingly appreciated by buyers, so you might consider reusable bags.

Tips:

Between harvest and shipping, your coffee will be stored in warehouses. Make sure to store your product in the best conditions possible. This implies good packaging (avoiding moist), no direct daylight and ideal humidity and temperature levels.

See the website of the Transport Information Service for information on safe storage and transport of coffee.

For more information about packaging and consumer labelling, see our study on buyer requirements.

Read this article from Perfect Daily Grind on how to ensure green coffee quality in transit and storage.

6. Organise transport and logistics efficiently

When you do not have sufficient volumes to export Full Container Loads (FCL) of coffee, you must try to find economical logistics solutions to lower you costs. For instance, you can look into transportation options of small ocean freight shipments which allow for Less than Container Loads (LCL). Realise, however, that containers that are not full are more susceptible to damage during shipment, because bags can move around the container when they are not solidly packed.

As such, it is recommended that you choose a consolidation solution (if available in your country), which means that a freight forwarder or agent will organise multiple LCL shipments into one container. Finding other lots of coffee with the same destination port may cause delays in your export but will lower the costs significantly. Note that organic coffee cannot be transported in the same container as non-organic coffee because of the risk of cross-contamination.

Tip:

If you organise transport and logistics, contact at least three local transport companies in order to get different quotations. Assess their costs against the services they provide to reach the best cost-benefit deal. Make sure to investigate their reputation and ratings through existing customer reviews on the internet, for example.

7. Meet your country's export requirements and have export documents ready

Exporting your coffee is only possible if you meet your country's local export requirements. It is crucial for you to know and understand the legal procedures required by your country. You can access the requirements at the website of your Ministry of Trade or on your country's local trade portal (examples: Rwanda, India and Brazil).

In addition, the International Coffee Organization has introduced voluntary targets for minimum quality export standards for Arabica and Robusta under resolution 420. This resolution aims to reduce the export of inferior beans worldwide. Coffee exporters are advised to closely follow this resolution, except for the exports of specialty coffees which can be exempted as long as this is clearly mentioned in the Certificate of Origin.

Regarding the Certificate of Origin, there are two different certificates. One is issued by ICO, the other by the EU. The ICO certificate is a document which shows a unique identification code for coffee exports from producers in the originating countries to importers. Refer to this link for an example of a ICO Certificate of Origin. The certificate issued by the EU identifies the origin of the coffee being exported and is commonly issued by a chamber of commerce. Refer to this example of specialised importer Nordic Approach to see a Certificate of Origin issued by the EU.

If you wish to export your products, you are expected to have the following documents ready: an export license, commercial invoice, certificate of origin, packing list, all required permits, bill of lading and proof of tariff payments. As an exporter it is crucial that you prepare your export documents well. These documents are part of the customs procedure. Make sure these documents are correct, as mistakes can cause delays in shipment.

Regarding the commercial invoice: this is part of customs declaration and should include the following information:

- Contact details of buyer and supplier (name and address)
- Date
- Reference to order
- Invoice number
- Invoice value and currency of payment
- Payment conditions
- Delivery conditions

- Country of origin

Tips:

Discuss with your buyer how and when they would like to receive your export documentation.

Consult your buyer as well as your freight forwarder if there are any other additional documents required to facilitate the shipment.

Hire an export agent or contact your local chamber of commerce to help you meet the required regulations.

Make sure to have copies of all the requested documents and financial transactions.

See this article on what to include in an export invoice and learn how to prepare one. You can also download an export invoice form here.

8. Make clear agreements on export insurance

Marine insurance provides protection against losses of cargo carried on ships and boats. Insurance costs are usually covered by the buyer, who arranges the procedure and relevant paperwork with their insurance company. However, if insurance is the responsibility of the exporter (for instance, under a CIF contract), the exporter must provide an insurance certificate which is issued by a reputable insurance company (example: Allianz). You can arrange the insurance yourself, or work through a broker.

The insurance certificate must show that insurance has been taken out in accordance with the terms of the sales contract and should enable the buyer to claim any losses directly from the insurance company. Compensation applies as a result of factors such as total loss of cargo, water damage due to a leaking container, damage due to an accident of the vessel or the dropping of a container during loading.

Note that insurance companies will not reimburse costs related to transport problems that result from external factors that cannot be controlled (such as natural disasters, wars, riots, fire, etc.). These may be referred to as *force majeure* in the insurance documentation.

Tip:

Make sure to comply with all the insurance company's requirements to get a possible compensation should your coffee be damaged during transportation or handling.

9. Be well informed on import customs procedures

All goods imported into the European Union (EU) must be declared to the respective customs authorities by filling in the Single Administrative Document (SAD). Together with the SAD, you must provide authorities with documentation including freight documents, commercial invoices, inspections certificates, proofs of origin and customs value declarations (if value of goods exceeds €20,000).

Note that all these documents are under the responsibility of the importer that you will be working with. Your responsibility as an exporter is to help the buyer comply with the customs procedures. Therefore, make sure to send the export documents by email to your buyer, as well as in hard copy (on paper) together with the shipment.

The European Union does not apply any tariff on green coffee beans, no matter the country of origin. Tariffs may apply to roasted coffee, as the below table shows. To see if your country belongs to the Generalised Scheme of Preferences (GSP) or Everything But Arms (EBA), refer to the website of the European Commission and see the current list of GSP beneficiary countries. Refer to the Access2Markets webpage to see if your country has an Economic Partnership Agreement (EPA) or Free Trade Agreement (FTA) with the EU.

Table 1: EU tariffs for green coffee beans and roasted coffee

Origin	Green coffee, not decaffeinated	Roasted coffee, not decaffeinated (090121)
Any country	0%	7.5%
GSP	0%	2.6%
GSP+	0%	0%
EBA	0%	0%
EPA / FTA	0%	0%

Source: Access2Markets Trade Assistant

Tips:

- Refer to the Access2Markets website for a full list of documents for customs clearance in the EU.
- Access GOV.uk to find more specific information about the customs procedure in the United Kingdom.
- Access TARIC database to find more information on all measures relating to EU customs tariff, commercial and agricultural legislation.
- Check whether any preferential agreements apply to you, by selecting your country of origin and the trade code of your export product on the website of the Access2Markets Trade Assistant. The trade code for coffee is HS0901.

10. Contact organisations that offer export assistance services

As a coffee exporter you need to deal with many documents, logistics and requirements. There are organisations that specialise in helping you with the technical and/or practical aspects of organising your export.

Customs brokers help you handle import and export customs formalities. They will assist exporters and importers in meeting the European import requirements, taking care of all entry procedures, requirements, and valuation. Refer to the member list of the International Federation of Customs Brokers Associations to find custom brokers in your target country.

Freight forwarders help you arrange the logistics, transportation, and delivery of goods to Europe. Note that many freight forwarders also offer custom brokerage services. Refer to the International Forwarding Association or this list on Ezilon Europe to find a list of forwarding agents and companies. Make sure to work with someone offering the option of consolidating the shipment, meaning that your order will be transported together with those of others. This may lower the shipping costs.

Also ask around to find national export promotion authorities that are active in your country. Examples are ProColombia, PromPerú, ProEcuador and UEPB: Uganda Export Promotion Board (Uganda). Not all of these organisations have an English version on their websites; make sure to use the “Translate” function in your browser to read the content in your own language.

Tip:

- Have a look at ITC’s global Business Support Organization directory. To find institutions in your country that can guide you through export procedures, filter your search by trade promotion organisation, investment promotion agency or trade and investment promotion agency.

For more practical tips on how to increase your chances and efficiency in becoming and remaining a successful coffee exporter to the European market, refer to our other studies: our Export to Europe Manual, Tips for finding buyers, Tips for going digital and Tips for doing business.

ProFound – Advisers In Development carried out this study on behalf of CBI.