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A shot of origin into your cup?

The options for Ethiopian coffee with geographical indications in Austria

Master thesis

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Statutory Declaration

I declare that I have authored this thesis independently, that I have not used other than the declared sources / resources and that I have explicitly marked all material which has been quoted either literally or by content from the used sources.

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Abstract

Coffee is a commodity that is mainly produced by smallholder farmers in developing countries and consumed in industrial countries. Many of these smallholder farmers face poor living conditions. In order to get more income they can differentiate, increase the quality and get a higher price for their green coffee beans. A very valuable feature to increase the price of the beans is the reputation of an origin. This reputation can be protected through geographical indications (GIs). GIs connect the quality of a product with the producers' knowledge and the territory. Only producers who comply with the GI standards are allowed to use the name and logo of the GI product. However it is important that there is a demand for coffees with GIs on the consumer market. To assess this potential for GIs on the Austrian market I conducted 15 qualitative interviews with Austrian coffee roasters and one with an external expert. These non-standardised, semi-structured interviews were analysed using qualitative data analysis. The research showed that the awareness around coffee quality, production and origin among Austrian roasters and consumers is quite low but it is increasing. There is a small but growing niche within the specialty coffee sector for coffee with indicated origin. The knowledge about Ethiopia among Austrian roasters and consumers is rather low as well. Following this, the options for coffee with geographical indications are limited.

Zusammenfassung

Kaffee wird hauptsächlich von Kleinbauern und Kleinbäuerinnen in Entwicklungsländern angebaut und in Industrieländern konsumiert. Viele dieser ProduzentInnen leben unter armen Bedingungen. Ein Weg um mehr Einkommen zu lukrieren und dadurch die Lebensumstände zu verbessern wäre die Kaffeequalität zu erhöhen und dadurch einen besseren Preis für die grünen Kaffeebohnen zu erhalten. Bei der Wertsteigerung der Kaffeebohnen spielt die herkunftsbezogene Reputation eine wichtige Rolle. Diese Reputation kann durch geographische Herkunftsangaben als geistiges Eigentum geschützt werden. Geographische Herkunftsangaben verknüpfen die Qualität des Produktes mit dem Wissen der ProduzentInnen und dem Herkunftsgebiet. Nur ProduzentInnen, welche die Standards einhalten, dürfen das Logo und den Namen des geschützten Produktes verwenden. Um einen positiven Effekt für ProduzentInnen zu erzielen ist es jedoch essentiell, dass auf der KonsumentInnenseite eine Nachfrage für Kaffee mit geographischen Herkunftsangaben besteht. Um die Möglichkeiten für geographische Herkunftsangaben am österreichischen Kaffeemarkt zu erheben, wurden 15 qualitative Interviews mit österreichischen Röstereien und ein Interview mit einem externen Experten durchgeführt. Diese nicht-standardisierten, semi-strukturierten Interviews wurden mittels qualitativer Datenanalyse ausgewertet. Diese Forschung zeigte, dass das Bewusstsein für Kaffeequalität, -produktion und -herkunft bei den österreichischen Kaffeeröstereien und KonsumentInnen noch sehr niedrig ist, aber ansteigt. Es gibt eine kleine aber wachsende Nische im Kaffeespezialitätenmarkt für Kaffee mit geographischer Herkunftsangabe. Das Wissen über Äthiopien als Kaffeeproduzent ist ebenso eher gering. Folglich können die Optionen für Kaffee mit geographischen Herkunftsangaben als eher limitiert bewertet werden.

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Abbreviations

CLU	Coffee Liquoring Unit
ECX	Ethiopia Commodity Exchange
EIPO	Ethiopian Intellectual Property Office
EU	European Union
GIs	Geographical Indications
ICA	International Coffee Agreement
ICO	International Coffee Organization
IP	Intellectual Property
IPRs	Intellectual Property Rights
LMU	Licensing Management Unit
LOHAS	Lifestyle of Health and Sustainability
NIR	Near Infrared Spectroscopy
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
TRIPS	Trade-Related Aspects of Intellectual Property Rights
WTO	World Trade Organization

1 Introduction

Coffee is a commodity that links countries of the global North and the South like hardly another good. It is mostly produced in developing countries by smallholder farmers that face poor living conditions (McBride, 2010). The consumption of coffee is concentrated in industrial countries in the global North like the United States, Germany or Japan (Deutscher Kaffeeverband, 2014). Due to the structure of the coffee commodity chain and excess supply over the last years, farmers often face little farm-gate prices for their green coffee beans or even parchment coffee and have little bargaining power (McBride, 2010). Subsequently many coffee farmers are living under poor conditions under a very little family income. One way for farmers to achieve a premium price is to produce high quality coffee and to gain access to the specialty coffee market. If the quality of the green beans is good, they can reach a higher price and improve their living conditions. A niche in the specialty coffee market are origin coffees or coffees with geographical indications (GIs). Origin coffees have exact declarations about where the beans come from. They can either be single-origins, that contain only beans from a certain country, region or even one farm, or also blends with a declaration of the composition. The definition of origin coffees is not exactly laid out. However they can promise higher quality, better environmental or social production conditions or better taste (Teuber, 2010).

There exists already quite a stock of research about the implications of coffee GIs for the producers (e.g. Daviron & Ponte, 2005; Marescotti & Belletti, 2016; McBride, 2010; Muradian & Pelupessy, 2005; Nigmann, 2015; Quiñones-Ruiz, Penker, Vogl, & Samper-Gartner, 2015; Teuber, 2010). In coffee consuming countries, there is little research regarding the study of GIs for coffee. For positive implications of coffees with protected GIs for producers, there has to be a demand in coffee consuming countries. Moreover, the GI protection for coffee does not necessarily lead to an increase in price for producers. This research is going to assess the potential for Ethiopian coffee with GIs on the Austrian market.

The target consumers' market is Austria since the author is living and studying here. On the production side, this research is focusing on Ethiopian coffee. Ethiopia has a long-standing tradition of coffee production and consumption as well as a good coffee quality (Minten, Tamru, Kuma, & Nyarko, 2014). This is one reason why Ethiopia either already has built up a

solid reputation of their coffee or at least has the potential; and that could lead to a higher price for producers. But only when the demand for coffee with geographical indications is given, the farmers have the potential to access the benefits of GIs. Accordingly, the underlying research questions for this thesis are following:

1. What are the determinants in Austrian roasters' purchasing decisions concerning origin?
2. What role does origin play in Austrian roasters' choices to buy Ethiopian coffee?
3. What potential can be observed for Ethiopian coffee with indicated and protected geographic origin on the Austrian coffee market?

These questions deal with the demand side of coffee with indicated geographical origin. Therefore they are an important prerequisite for the further development of protection of coffee with GIs in the field.

To figure out the potential of Ethiopian coffee with GIs, I performed interviews with Austrian coffee roasters. The roasters have on the one hand the power to choose the origin where they purchase their coffee from. On the other hand they must have solid information about the consumers on the Austrian market because this is essential to keep their businesses running.

Subsequently, this thesis starts with an explanation of origin and quality of coffee (chapter 2) to understand the basic concepts for a coffee GI. Following this, the functioning of tools to protect intellectual property and origin – especially trademarks and GIs – is described in chapter 3. Chapter 4 shows the coffee market. On the one hand it illustrates mechanisms of the global coffee market. On the other hand it gives further insights into the Ethiopian coffee market, its' specifics and the potential of GIs in producing countries. Until this point, the results are based on literature research. In chapter 5, the applied methodology is explained and discussed in more detail. This is crucial for the understanding of the results of the empirical work that is presented in the following sections. Chapter 6 first displays the actors on the Austrian coffee market – roasters and final consumer – that are central for this research. Following this, the context of the market, namely coffee consumption in Austria and prevailing trends on the market, are explained. This finally leads to the role origin plays for roasters and eventually to the potential of Ethiopian coffee with GIs on the Austrian coffee market. The Discussion (chapter 8) states that coffees with GIs are located within a

small but growing niche in the market and these results are compared to already existing literature and the Conclusion (chapter 9) gives insights into current developments and proposes further research.

2 Quality and origin as central concepts for GIs

The place where a product originates from conveys information about the good itself. The origin of an agricultural product can either be the geographical place where it is produced, where the raw material comes from or where the know-how about the production is developed (Rangnekar, 2004). In any of these cases the geographical origin is connected to certain specific quality attributes of the product (Rangnekar, 2004). In French, this connection is known as *terroir*. *Terroir* describes the relation between geographical location, its natural features and the human craft, knowledge and production. According to Wilson (1998) it goes beyond the measurable, geological attributes: *“there is an additional dimension – the spiritual aspect that recognizes the joys, the heartbreaks, the pride, the sweat, and the frustrations of its history”* (Wilson, 1998, p. 55). So it is not only the natural environment but also the people, their collective actions and experiences as well as their culture involved in producing agricultural products in a region.

In the Middle Ages for example, geographical indications were mainly used for wine. The name of the region of production contained information about the quality for the traders and consumers. Those names often stood for a certain code of practice (Allaire, Casabianca, & Thévenod-Mottet, 2011). So it is important to understand that the qualities of the agricultural goods evolve in a broader context with influences from both inside and outside the defined region. Those influences contribute to develop a certain typicity of the products (Allaire et al., 2011).

Subsequently, names of origins have a long history as a tool for product differentiation. These names alone stand for certain specifics and quality but without a legal background there is little protection against fraud and free-riders that misuse the reputation. International stakeholders agreed on various legal frameworks to protect GIs. Examples for that are trademarks, collective marks, certification marks or sui generis laws like the GI system of the European Union (EU) with Protected Geographical Indications (PGI) or Protected Designations of Origin (PDO). These are explained in more detail in chapter 3. In

this thesis the use of geographical indications with a legal background are referred to as protected GIs. GIs alone only mean that the source where the product comes from is indicated.

2.1 Origin of coffee

In the case of coffee, origin influences the quality of the beans in various ways. The soil, climate and altitude of a region determine the coffee quality. Especially coffees grown at higher altitudes show a better quality due to a slower growth (Daviron & Ponte, 2005). The locally applied system of coffee farming (e.g. forest-coffee, semi-forest coffee, garden coffee or plantation coffee) affects the taste and quality and also the local environment (Daviron & Ponte, 2005). At the same time, the harvesting technique and the processing method of the green coffee (wet or dry processing) differ from farm to farm and are crucial for the quality outcome (Mengistie, 2012). However this is described in more detail in chapter 2.2. The knowledge around coffee production has been developed in a context of social and cultural interaction among the actors within the region and influences the quality (Daviron & Ponte, 2005).

For smallholder-farmers in developing countries, a way to access food markets with higher prices is differentiation strategies like organic production, Fairtrade or GIs (Muradian & Pelupessy, 2005; Raynolds, Murray, & Heller, 2007; Teuber, 2010). These labels or certifications offer consumers additional information. For the producers they are an option to compete on the market by internalizing social and environmental costs (Quiñones-Ruiz et al., 2015).

Hence, the indication of the geographical origin can be a way to differentiate on the coffee consumer market. Over a long period of time consumers received hardly any information about differences in coffee quality, origin or production. As awareness about food production in general has risen, also a specialty coffee market emerged. Differentiation strategies targeted for example a more ecological production with an organic certification or the improvement of living conditions for coffee producers with the Fairtrade label (Teuber, 2010). Another development within the specialty coffee market are single-origin coffees. The coffee package only contains coffee coming from one country, region or farm – the definition is not exactly laid out. The origin of the coffee is indicated on the package, the consumers get – depending on the scope (country, region or even microlot) – more or less

exact information about the place of production. Most of these single-origin coffees do not have a legal framework that guarantees production or quality standards or benefits and price premiums for producers. This is why producing countries are developing various normative frameworks to protect the geographical indication (Teuber, 2010). Some of the options for growers in producing countries are the protection of GIs, trademarks, collective marks or certification marks. These are described in more detail in chapter 3. According to Marescotti & Belletti (2016) many of the normative frameworks in the coffee producing countries are still to be improved since they were developed recently. Nevertheless they allow producers to differentiate within the coffee market. Especially the protection of coffee origin using GI has the advantage that producers can be able to control the value chain when they also roast and/or package the coffee thus limiting the risk that all the benefits are solely captured by powerful enterprises (Quiñones-Ruiz et al., 2015).

To illustrate this, it is useful to have a look at the first non-European Protected Geographical Indication (PGI): Café de Colombia. It was registered in 2007 as a PGI under the EU legislation. The product specification explains the exact geographical area where the coffee has to originate from, the natural factors (e.g. altitude, agroclimatic and topographic determinants), the human factors (selective harvest, wet processing), the traditional factors as well as the reputation of Café de Colombia (e.g. recognition by consumers, or activities undertaken abroad). Only the sum of all these origin-specific influences leads to the typical taste of Café de Colombia (Federación Nacional de Cafeteros de Colombia, 2006).

Other producers that have already protected their coffee origin within the EU GI system are Kafae Doi Chaang and Kafae Doi Tung from Thailand (PGI) and Café de Valdesia from the Dominican Republic (Protected Designation of Origin - PDO) (Quiñones-Ruiz et al., 2015). Ethiopia protected three coffees – Harrar, Yirgacheffe and Sidamo – using a community trademark registered in the EU instead of the individual national levels. Also Jamaica filed community trademarks for Jamaican Blue Mountain Coffee and Jamaican High Mountain Supreme (Teuber, 2010).

2.2 Quality of coffee

GIs have not only the goal to show where a product comes from. They guarantee as well that a product – coming from a specified region – has defined quality attributes. This is the reason why it is necessary to clarify what quality in the case of coffee means. The chain from

the coffee farmers to the consumers is long – the beans have to be planted, harvested, processed, exported, roasted, brewed and finally prepared as a drink. As explained later in more detail, there are various parties, traders, exporters, roasters, retailers and baristas involved (Panhuysen & Pierrot, 2014). Some of those only trade the beans from one place to another; others transform the beans and alter the characteristics and qualities. This is why coffee quality is a complex concept where many stakeholders are involved. Daviron & Ponte (2005) distinguish between symbolic, in-person service and material quality attributes.

Symbolic quality emerges from the reputation of the good. To build that reputation, information has to be transferred to the consumer by tasting or advertisement. Sustainability labels, trademarks or GIs are tools to transfer information to consumers and increase symbolic quality (Daviron & Ponte, 2005).

In-person service quality relates to interactions between the producers and the consumers. An example for that is a preparation of a drink. Not only the drink is consumed but also the affective work: the feeling that emerges from this service like satisfaction or well-being. Also other consumers contribute to in-person service quality because they create a certain ambience at the place of consumption. In-person service quality influences the price – people are willing to pay more for a coffee served by a friendly barista in a cozy ambience than for a take-away cup bought at a coffee dispenser (Daviron & Ponte, 2005).

Material quality attributes are inherent in the product; they cannot be influenced by traders or buyers. They are the effect of physical, chemical or biological activities or procedures. Material attributes can be measured by human senses (e.g. by coffee cupping) or by technological means like near infrared spectroscopy (NIR) to determine variety and origin of coffee beans (Adnan, von Hörsten, Mörlein, & Wegener, 2013). However, who is in charge of setting standards and measuring quality is a question of power and therefore quite controversial (Daviron & Ponte, 2005). Figure 1 pictures the structure of a coffee cherry. The coffee bean is the seed of the coffee plant and is placed inside a red fruit – the coffee cherry. The cherry is a stone fruit and contains two beans that lie with the flat side together. The beans are covered by a silver skin, parchment coat, a pectin layer and lie within the fruit pulp (Daviron & Ponte, 2005).

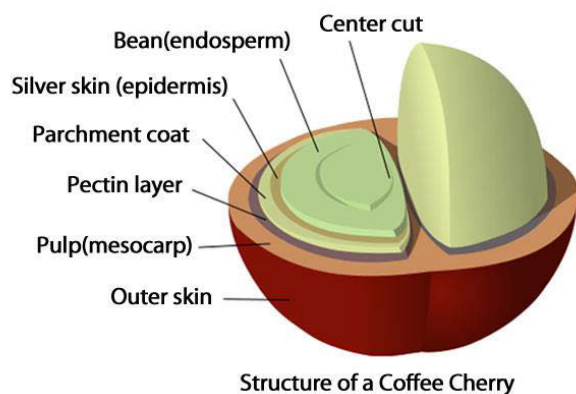


Figure 1: Coffee Cherry (Schuett, 2012)

The material quality of coffee is influenced by the species of the coffee tree, natural conditions (soil, altitude, precipitation), agricultural practices, harvesting methods, wet or dry processing, export preparation as well as handling and storage of the beans during transportation (Daviron & Ponte, 2005).

On farm-level, material quality is mostly related to farming practices. It starts with the choice what species of coffee tree is suitable for what location (Feria-Morales, 2002). While *Arabica* coffee trees grow in higher altitudes and are supposed to gain higher prices, *Robusta* coffee which is planted in lower altitudes from sea level to 800 meters and humid areas, has a higher yield. *Robusta* tastes stronger and is more suitable for instant coffee (Panhuisen & Pierrot, 2014). The way the coffee trees are grown influences not only the taste and quality but also the local ecology and environment.

Hand-picked coffee reaches higher price premiums because only the ripe cherries are taken and the amount of defect and/or diseased beans should be low. If all ripe and unripe cherries are striped of the coffee branch, the quality of the coffee is lowered. Bigger beans result in better coffee and the color of the green beans indicates the quality as well (Feria-Morales, 2002). It is important that the cherries contain a low moisture level and are not mixed with sticks, stones or other material, especially when they are sold dry because they are dried on the floor or on mats (Daviron & Ponte, 2005).

After the harvest, the skin and pulp of the cherry have to be removed from the bean. There are two ways to do this: wet and dry method. When the dry method is applied, the cherries are dried in the sun so that the bean can be separated afterwards (Daviron & Ponte, 2005). However the wet method mostly increases the quality of the coffee because the ongoing fermentation process can be better controlled. The cherry is harvested and brought to

washing stations. There it is pulped, fermented, washed and the beans finally sun-dried. The resulting beans are called parchment coffee and are still covered with the parchment coat which has to be removed. Washed coffee can achieve a higher price because the inherent quality of the coffee is better conserved. Also fewer beans become faulty (Minten et al., 2014). The taste of the coffee cannot be assessed when the beans are sold at the farm level because they would need to be roasted and brewed. All these processes require know-how on different levels (Minten et al., 2014).

This shows that coffee producers cannot influence all quality attributes of their goods. Mostly they can work on improving the material quality but they have hardly any control over the symbolic or in-person service quality. Since the in-person service quality is created at the place of consumption they have no power over these price-altering attributes. The knowledge required in the production of coffee is essential to improve the material quality. Several tools are available to protect this specific knowledge.

3 Tools to protect intellectual property assets using the origin

A crucial factor in the production of fine coffee is the producers' know-how. This can be considered as intellectual property (IP). According to the World Intellectual Property Organization, "*intellectual property refers to creations of the mind*" (World Intellectual Property Organization, n.d., p. 2). Through the establishment of Intellectual Property Rights (IPRs), the owners of the IPRs can receive the benefits from their creation. In the case of coffee, IPRs can protect the collective knowledge of coffee production in a certain area.

The practice to protect IP by using geographical names as product specification is not a new phenomenon. Over a long period of time, agricultural products have built a reputation connected to their origin. In the Greek empire, wine was labelled for the merchants and buyers with the origin to specify high quality (Allaire et al., 2011). Thévenod-Mottet and Marie-Vivien (2011) suggest that guilds in the Middle Ages were the first institutions to set collective quality standards among producers. With the rise of trade and the improved technologies of food conservation, the need for a regulatory framework increased. A reason for that was for example the increased risk of fraud due to the trade of goods without direct personal relations. Also, a general decline of consumers' trust made the importance of regulation clear (Thévenod-Mottet & Marie-Vivien, 2011). In 1883, the Paris Convention for

the Protection of Industrial Property included the origin of a product as a mean to protect intellectual property and avoid fraud. These indications of source did not define specific characteristics of the goods. In 1958, 26 states agreed on the registration of so-called appellations of origin in the Lisbon Agreement. According to this agreement, a product with an appellation of origin using the geographical name has to have quality or characteristics that are exclusive to this region. Examples for that were Gorgonzola or Parmigiano Reggiano cheese. Besides those agreements, regional and bilateral treaties existed to protect GIs (Sylvander & Barham, 2011). The history shows that GIs have become an important tool on the market for a considerable time now.

There are different ways to construct rights to protect IP. Examples for systems to protect IP and communicate benefits of certain products are patents, industrial designs, trademarks or protected GIs (World Intellectual Property Organization, n.d.). The protection of IPRs is covered by many national, regional or bilateral regulations. A crucial one on the global scale is the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) which is administered by the World Trade Organization (WTO) (Schüßler, 2009). It was set up in 1994 and it introduces minimum standards for the protection of IP. The signing parties have to set up their own legal means so that the owners of IP can benefit from their intellectual creation. With regards to GIs, the TRIPS Agreement requests the parties to avoid misuse of indications or labels (Schüßler, 2009). This agreement therefore lays out some basic principles for the creation of national and international systems like trademarks and GIs. Among others those tools can be used to indicate origin in the case of coffee.

3.1 Trademarks

Trademarks are one tool to protect intellectual property. They are signs that convey information through words or symbols associated with certain individuals or companies (Rangnekar, 2004). Owners of a trademark can use the mark exclusively to label their products and link their products to the company's reputation. There exist also collective or certification marks: in these cases, owners also have the option to allow others to use the mark and the established reputation – when they pay for it (World Intellectual Property Organization, n.d.). Therefore, trademarks have the aim to distinguish the product or commodity from similar products on the market, they protect investments of a company to

create a brand and they should transfer information about the goods to the consumers (Rangnekar, 2004). So trademarks are created to demarcate an enterprise's goods from others. They must not be descriptive or misleading (Teuber, 2010).

3.2 Collective and certification marks

As mentioned above, there are trademarks that are used by several companies:

A *collective mark* for example is owned by an association. The members of the association can use the mark but they have to comply with certain requirements or standards established by this association (World Intellectual Property Organization, n.d.).

Another form of trademark is a *certification mark* where the users are not members of the association. They just have to adhere to the standards set by the owner of the certification mark (World Intellectual Property Organization, n.d.). In contrast to collective marks where only a limited number of producers can use the trademark, certification marks can be utilized by anyone who follows the standards (Schüßler, 2009). Also, it is not utilized by the owners of the certification mark.

Collective and certification marks can include indications of geographic origin (Giovannucci, Josling, Kerr, O'Connor, & Yeung, 2009). However, the standards of a trademark do not have to be implemented collectively. Considering this, the crucial function of a trademark is to build a reputation and trust among consumers (Daviron & Ponte, 2005).

3.3 Geographical indications

Another tool to differentiate in the market and overcome information asymmetries for buyers is the geographical indication of the product's origin. The TRIPS Agreement defines GIs as "*indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin*" (Agreement on Trade-Related Aspects of Intellectual Property Rights, 1994, p. 328). GIs can therefore connect the product's characteristics, certain quality standards and its origin (Rangnekar, 2004). GIs and trademarks have similar principles: both convey information about the product and its mode of production to consumers and protect producers against free riding from other actors that do not stick to the standards (Schüßler, 2009).

However, there are considerable differences between those tools: Whereas trademarks just connect the goods of an enterprise with its reputation, GIs link a geographical area and all of its producers with the local knowledge of production. Therefore GIs can be considered as collective monopoly rights that need cooperation among the actors in the region. They are a public right that should protect the intellectual property of producers in an area (Rangnekar, 2004). In contrast to trademarks, GIs cannot be owned by a single enterprise or producer (Schüßler, 2009). GIs are more sensitive to traditional knowledge than other forms of intellectual property rights. Reasons for that are the following: the public character of the knowledge – no single company should control it; the perpetual but evolving character of GIs and the fact that neither similar products outside the region nor unqualified products within the region are protected under GIs (Rangnekar, 2004).

Examples for protected geographical indications of origin are Cariñena Wine from Spain (Sanjuán-López, 2011) or Roquefort cheese from France (Frayssignes, 2011). According to the WTO, every member state can choose how they want to protect local characteristics and knowledge (Sautier, Biénabe, & Cerdan, 2011). So there is no common system to protect GIs. Some countries implemented a specifically drafted sui generis law for GIs while others use trademarks. This leads to ambiguous regulations on the market, some countries – like the United Kingdom – utilize even both trademarks and a sui generis law (Giovannucci et al., 2009). There are international stakeholders who favor GI systems and regulations like the European Union over trademarks. In contrast, the United States for example consider GIs as non-tariff trade barriers (Daviron & Ponte, 2005). This is one of the reasons why the US promote the use of trademarks instead (Sautier et al., 2011).

Sui generis GI law

Sui generis is a Latin expression and means particular in its attributes. A sui generis law in the case of GIs therefore means that a law was implemented only for the regulation of geographical indications. It can stand alone and is created to protect GIs. The nations can set up their own version of a GI law and construct their own specific rules (Giovannucci et al., 2009). One example for that is the PDO/PGI system of the European Union: The EU has set up legislations and regulations dealing with GIs in 1992. This system treats GIs as public property that is necessarily connected to its origin. It was designed to indicate the origin of agricultural products or foodstuff (Giovannucci et al., 2009). According to the EU there are two kinds of categories available for agricultural products:

- *Protected Designation of Origin (PDO)*: The product has to be produced and processed within the indicated area. Also the raw materials have to originate from there. So the quality and all the specific attributes of the good stem from that place (Giovannucci et al., 2009).
- *Protected Geographical Indication (PGI)*: A product with a PGI has to be either produced or processed in the defined area (Giovannucci et al., 2009). This means that the connection between the region and the product is not as strong as under a registered PDO. Under the PGI registration in the case of coffee, it would be possible that the beans originate from a defined region but are processed somewhere else.



Figure 2: Logos for PGI and PDO (European Commission, 2015)

Despite these differences between PDO and PGI, the application, recognition and controlling procedures are alike. Figure 2 shows the logos of a PGI and a PDO. PDO/PGI are translated into the national languages, in Austria a PDO is called *geschützte Ursprungsbezeichnung* (gU), a PGI is called *geschützte geographische Angabe* (ggA) (BMLFUW, 2015).

In 2006, the EU updated its regulations concerning third-party applications for the GIs. Café de Colombia – which was registered in 2007 – was the first non-wine and spirits PGI from outside protected in the EU GI system (Giovannucci et al., 2009). The EU wants to erase expressions like Feta type or Darjeeling-style. Those expressions indicate that a good does not originate from the region but has the same or very similar quality characteristics. This can lead to conflicts when countries sign trade agreements with the EU: When a country already has a registered trademark for a product, it has to make sure that it goes in line with the EU GI legislation (Giovannucci et al., 2009).

4 The coffee market

As mentioned above, the taste and quality of coffee is connected to the place the coffee beans originate from. The major share of the coffee beans is exported which makes coffee an important good traded on international markets. To get a deeper insight into the dynamics of how value is distributed and how producers can receive higher prices for their coffee, it is important to have a look at the coffee market.

4.1 The global coffee market

In 2015 the total global production of coffee amounted to 143.37 million bags of coffee (International Coffee Organization, 2016a). Coffee is traded in 60 kg bags which results in a global production of 8.6 billion kg. It is grown on 10.5 million hectare of land. Brazil, Vietnam, Indonesia and Colombia are the four biggest coffee producing countries. The top importing countries are the USA, Germany, France, Italy, Japan, Canada and Spain (FAO, 2015). Coffee is the major source of income for 20-25 million families, 70 % of the total production is grown by smallholder farmers (Panhuysen & Pierrot, 2014). Roasted coffee is mainly exported by countries in Europe and North America. Switzerland, Italy, Germany, the USA and Belgium are the major exporters of roasted coffee (Tröster & Staritz, 2015). So producing countries export the green coffee beans, while mainly industrialized countries export roasted coffee (Daviron & Ponte, 2005).

4.1.1 Historical development of the global coffee market

The market power of the global coffee market shifted over time. From 1900 to the liberalization of the market in 1989, producing countries influenced the price for coffee on the global market. In the beginning of the last century, Brazil set some programs and regulations to control the price and therefore the market. Eventually, this led to an oversupply in 1929 which resulted in a crisis. The following fragmentation of the global market was caused by the implementation of national taxes and quotas to protect the markets of the imperial powers and their colonies. In the 1950s, coffee production in Africa increased and the market internationalized again. To stabilize the region, the US signed an Inter-American Coffee Agreement including export quotas with Latin American coffee producing countries. It raised the price for coffee by 60 % and created market power for the USA. The producing countries established national institutions and regulations to influence

coffee export and prices (Daviron & Ponte, 2005). In the mid-1950s the market faced an oversupply of coffee and the stakeholders decided to establish the International Coffee Agreement (ICA). The ICA included a target price that was induced by flexible export quotas for producing countries. Those quotas were managed by the International Coffee Organization (ICO). The ICA succeeded in stabilizing the prices. Nonetheless, due to changes in consumption preferences that would have needed adaption in the quota regulations as well as low coffee prices in non-member countries, the ICA run out in 1989 (Daviron & Ponte, 2005).

The abolishment of the ICA resulted in a change of market power. Many of the stocks traded by public institutions in producing countries went over to private trading companies, located mainly in consuming countries. So the market power shifted more and more towards the side of the consuming countries. After the liberalization of the coffee market, prices for producers dropped significantly. Since the 1990s, volatile prices have been prevailing on the market. This is due to natural influences on production like temperature and rainfall and the seasonality of coffee (Daviron & Ponte, 2005). Coffee cherries are harvested from October to December, leading to a spike in exports from March to June (Minten et al., 2014). The demand for coffee on the other hand has been rising steadily over the years (Österreichischer Kaffee- und Tee-Verband, 2014a). Natural circumstances like weather conditions trigger changes in the prices: In 2014 for example, a lack of rainfall in Brazil, which is the biggest global coffee exporter, resulted in a reduced production volume and led to rise in prices (Österreichischer Kaffee- und Tee-Verband, 2014a). Additionally, increasing speculations on the futures market also triggered further price volatility (Daviron & Ponte, 2005). Especially in East Africa, the liberalization of the coffee market led to more volatile prices for the coffee producers. This was partially equalized by an increasing share of the export prices for the farmers. In the light of declining prices for coffee it is doubtful whether the farmer's income elevated through the liberalization (Tröster & Staritz, 2015). Given the highly globalized character of coffee trading, a closer look at the commodity chain can give deeper insights into how the values are distributed as well as the reasons for that distribution.

4.1.2 Global value chain analysis

Gereffi and collaborators developed the Global Value Chain analysis (GVC) (Daviron & Ponte, 2005). According to Gereffi and Fernandez-Stark (2011) the GVC has 4 dimensions:

1. the input-output structure
2. the geographical dimension
3. the form of governance
4. the institutional framework

The *input-output structure* describes the stages of production. In the case of coffee, this is growing – harvesting – processing – exports – roasting – sales on consuming countries' markets. The *geographical dimension* deals with the spatial component, where what stage of production is performed. The *form of governance* deals with how the chain is controlled and coordinated (e.g. what stakeholders have a say in what decisions). It can be distinguished between buyer-driven and producer-driven chains. In buyer-driven chains, the power over the commodity chain lies more on the consumption side of the chain with large retailers or merchandisers having a bigger influence on setting of standards or prices. Producer-driven chains are mostly prevalent in industries where special know-how or a lot of capital is required for production. *The institutional framework* is the fourth dimension that surrounds the chain. This includes the local, domestic and international circumstances and policies around the commodity chain. Gereffi & Fernandez-Stark (2011) claim that development can be promoted through upgrading along the chain. Upgrading "*is defined as firms, countries or regions moving to higher value activities in GVCs in order to increase the benefits (e.g. security, profits, value-added, capabilities) from participating in global production*" (Gereffi & Fernandez-Stark, 2011, p. 12). So upgrading can be a way forward for coffee producers to get a larger share of the retail price of coffee and therefore trigger further development. The theory of GVC should now be a lens for the coffee value chain.

4.1.3 Global coffee value chain

The main actors and elements of the chain can be seen in Figure 3. Coffee is grown mostly in developing countries by smallholder farmers. After harvesting, the cherries are washed or dried to remove the skin and pulp from the bean. Then the beans are cleaned, sorted, graded and stored. Until this stage, the production process normally takes place in the producing countries (Daviron & Ponte, 2005). For this thesis, the focus lies on Ethiopian

coffee production and therefore the stages taking place in Ethiopia are described in more detail in chapter 4.2.

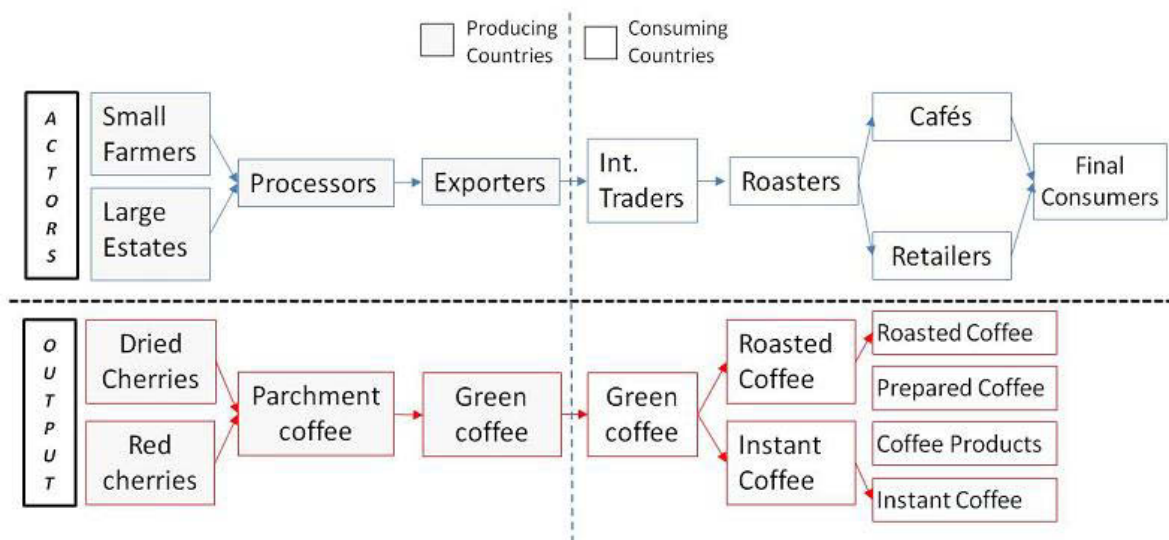


Figure 3: Global Coffee Commodity Chain (Tröster & Staritz, 2015, p. 9)

After being exported, the coffee is traded on the international market. The largest eight exporters are handling about two thirds of the global coffee exports. The biggest ones are Neumann Kaffee Gruppe (German-based), Ecom and Armajaro (merged in 2014, from Switzerland), Olam (Singapore) and Volcafe (Switzerland) (Tröster & Staritz, 2015). To reduce the risks of price fluctuations, international traders hedge the transactions. The futures and other contracts for coffee are mainly traded at the New York Exchange for *Arabica* coffee, and the London Exchange for *Robusta* coffee.

International traders use mostly prices-to-be-fixed contracts to reduce their price risk. With these contracts, the delivery date and traded amount are fixed but the price is set at a certain day between the signing of the contract and the delivery date. The price of the coffee is determined by the coffee price of the day when the price is fixed. Small and short-term changes in prices can be used to make profits on the future market for coffee (Newman, 2009). Through the use of prices-to-be-fixed contracts instead of fixed-price-forward contracts, large international traders can gain more control over the price since this requires expertise and permanent information and monitoring of the market. The traders need to have access to sufficient financial resources. All these reasons make it hard for smaller

traders to survive on the market and therefore leads to high market power of a few traders (Tröster & Staritz, 2015).

At the same time, traders can profit from volatile prices on derivate markets through speculation. By buying coffee from different origins and qualities or even trading with other commodities than coffee, they reduce the emerging risk. At the same time, they can make profits through small and short-time changes in price (Tröster & Staritz, 2015). The risks of these practices are transferred back along the value chain to local exporters that do not have access to sufficient capital and are restricted by smaller trading volumes. To secure their margins, local traders use contracts that reduce their price risk and eventually result in a low farm-gate price for coffee (Newman, 2009). On the Ethiopian markets, the influence of international traders is partially reduced: The exporters have to be citizens of Ethiopia, so international traders can only gain access through contracts with Ethiopian exporting companies or cooperatives (Tröster & Staritz, 2015).

The traders sell the green coffee beans to roasters. Roasters face the smallest price risk among the actors of the value chain since the beans only contribute around 50 % of their marginal costs. In times of high prices for green beans, their price margin is reduced but they can still earn enough to run their business. Among the roasters, concentration is also very high. The three largest roasting companies – Nestle, Starbucks and Jacobs Douwe Egberts – sell more than 50 % of the global coffee purchases to consumers. Large roasters can hedge the risk through buying coffee via future markets, where the price is set at the date the contract is signed but the delivery happens in the future. So roasters can buy the coffee when the prices at the markets are low (Tröster & Staritz, 2015). Additionally, they have diversified over the last years by adding value through the opening of own coffee shops like Starbucks or innovation in product design like Nespresso with their coffee capsules. In 2012 however, around 75 % of the coffee was still bought at retail shops (Tröster & Staritz, 2015).

It is also important take a closer look upon the forms of governance that are present along the global value chain of coffee. Before the abolishment of the ICA, the GVC could be characterized as producer-driven. The largest exporting countries regulated the prices through taxes and quotas. In the 1980s, the producers got around 20 % of the total value of coffee income, the value generated in consuming countries accounted for 55 %. When the coffee market was liberalized in 1989, private companies took over the market power. The proportion of value distribution changed to 13 % earned by producers and 78 % retained in

consuming countries (Daviron & Ponte, 2005). Hence most of the value added to the beans is earned by retailers, roasters and international traders that operate more on the consumption side of the value chain. Those actors strengthened the symbolic value of coffee (through branding and advertising) and therefore get higher prices paid by final consumers compared to the prices paid for the raw coffee beans to producers at farm level (Tröster & Staritz, 2015). In fact, the lack of quality consciousness of consumers allows roasters to differentiate their coffee blends without major differences in material quality of the coffee beans (Daviron & Ponte, 2005).

Further studies conducted by Daviron & Ponte (2005) in value chains of Uganda, Tanzania, Italy and the US show that the proportion of the final price paid to the producers at the farm gate is often less than 5 % - independent of low- or high-range blends. Their study also shows that especially the roasters get the largest share of the value added. To reduce the dependency on particular coffees, roasters developed formulas of blends where one coffee can be replaced by another one. Therefore it is not their biggest interest to pass on information about the quality and origin of the coffee blends to the consumers. They are acting as gatekeepers between producers and consumers. Another strategy of roasters is to buy coffee only from countries that can guarantee a specified amount of coffee each year. So in a way, a GI could be a constraint for roasters. This makes it harder for countries and/or producers that produce a smaller amount to compete in the market. According to Daviron & Ponte (2005), these are some of the reasons why coordination along the value chain is still relatively small. So only if a demand for a certain origin or quality evolves, the actors along the chain have to work closer together with farmers, traders and exporters. To increase the producers' share of the final price, consumers' awareness for coffee quality, production and origin as well as its environmental and socio-economic circumstances has to be increased.

GIs can create stories about the origin and ways of production of coffee that can be sold back to the consumers to receive a higher price for the coffee. In combination with a regulatory framework to protect the intellectual property, a larger share of the profit can be transferred back to the coffee producers. With the support of the state, GIs can be designed in a way that no single private actor can exert power over production. GIs promote coordination among producers and motivate them to work together. Moreover they can incorporate social and environmental concerns (Daviron & Ponte, 2005). GIs can therefore

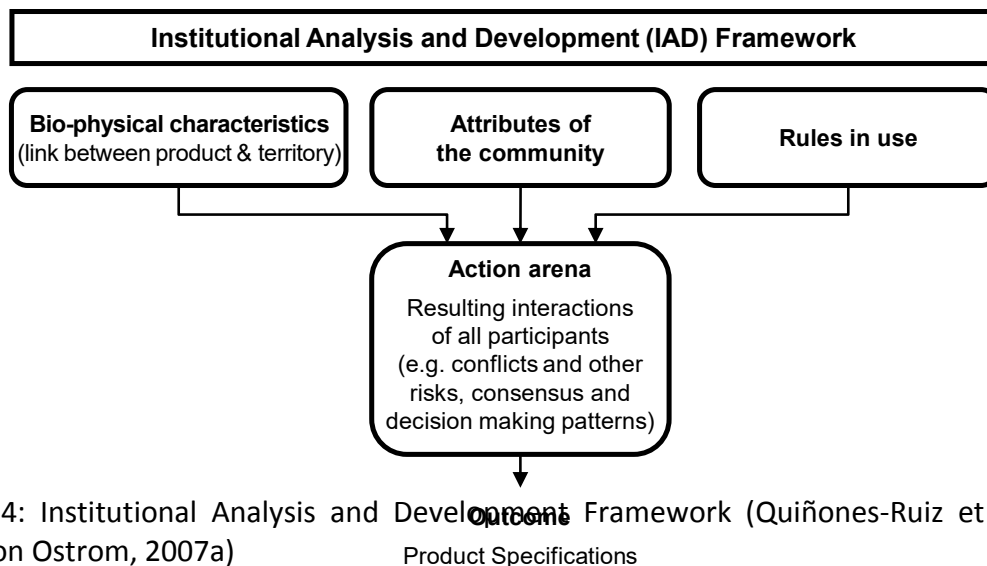
be seen as way forward. This is why Ethiopia has already protected some coffees through trademarks and set up a draft for a GI law.

4.2 The Ethiopian coffee market and coffee quality

Ethiopia is a coffee exporting country that has introduced a trademark system to protect its agricultural products and foodstuff. In 2014 it produced 6 million 60 kg bags of coffee and it is the largest producer of coffee in Africa (Panhuysen & Pierrot, 2014). Reasons for that are on the one hand Ethiopia's natural prerequisites for producing coffee: the altitude, climate, precipitation, soil and pH are excellent for growing high quality *Arabica* coffee (Minten et al., 2014). On the other hand it is Ethiopia's long-standing tradition of coffee growing. The country is said to be the birth place of *Arabica* coffee: In the 16th century, coffee was traded from Ethiopia through Yemen, Egypt and Syria to Turkey, from where it finally reached Europe. Following this, the Europeans started to grow coffee trees in their colonies (Mengistie, 2012). So, Ethiopia played the essential role in the development of coffee growing, trade and consumption.

4.2.1 The institutional analysis and development framework

In order to understand the context and conditions of coffee production and the market in Ethiopia, I decided to use the Institutional Analytical and Development framework (IAD). The IAD framework was developed by Elinor Ostrom for the analysis of the management of common-pool resources. The use of the IAD framework makes it possible to comprehend the dynamics and context of coffee in Ethiopia by looking at various components. Figure 4 briefly shows the basic components of the framework.



Transaction costs framework

The heart of this concept is the action arena. According to Ostrom, an action arena is “*the social space where individuals interact, exchange goods and services, resolve problems, dominate one another, or fight*” (Ostrom, 2007b, p. 28). This is the social space where the actors take actions and decisions that influence the outcome of a situation (Ostrom, 2011). This thesis uses the IAD framework to explain the local conditions surrounding coffee production in Ethiopia. Therefore the focus in this thesis will be on the three factors that influence the action arena: the bio-physical characteristics, the attributes of a community and the rules applied by the actors (Ostrom, 2007b). For this thesis, I use the categories of the IAD framework according to Quiñones-Ruiz et al. (2016). For their research, they defined the bio-physical characteristics as the link between product and territory. Subsequently, in this thesis the biophysical characteristics are the link between the coffee beans and Ethiopian territory with all its specifics. Therefore chapter 4.2.2 describes the countries’ natural preconditions and modes of coffee production in Ethiopia. This chapter portrays the link between the product – coffee – and the Ethiopian territory. Chapter 4.2.3 explains the attributes of the Ethiopian coffee growing community. Chapter 4.2.4 describes the role of further actors that have a say on the Ethiopian coffee market. The third influencing factor on the action arena – the rules in use – is explained in chapter 4.2.5 that deals with the regulations on the Ethiopian coffee market and the existing trademark system. The analysis of the Ethiopian coffee market will display the opportunities and challenges of an introduction of a coffee GI. This is going to be presented in chapter 4.2.6.

4.2.2 Ethiopia's specific physical/material preconditions for the production of fine coffees

Due to Ethiopia's diverse agro-ecological regions and natural conditions, there is a huge number of different species of *Arabica* coffee. This variety in genetic resources results in a range of different types and flavors. That is also the reason why the Ethiopian coffee is more resilient to diseases (Mengistie, 2012). The lower-valued *Robusta* coffee is only produced in small amounts. The combination of natural prerequisites allows Ethiopia to produce a considerable amount of specialty coffee (Minten et al., 2014). Combined with farming, harvesting and processing techniques lays herein the link between product and territory. Figure 5 shows the coffee growing regions of Ethiopia which are explained later in more detail.



Figure 5: Coffee Growing Regions of Ethiopia (TYPIKA coffee roasters, 2014)

Besides wild growing coffee, there are four systems of coffee farming applied: forest coffee, semi-forest coffee, garden coffee and semi-modern plantation (Petit, 2007). Forest and semi-forest coffee grows in a forest surrounding with more or less human actions involved. The cherries are picked by the farmers but they undertake hardly any other agricultural activities except e.g. weeding. Garden coffee grows close to the farm and is often

intercropped with other plants like bananas. Estimates suggest that garden coffee accounts for 50 % of the national coffee production. Only 5 % of the total production comes from plantations owned by large farms, where modern machinery is used (Minten et al., 2014). Considering the fact that washed coffee beans receive higher prices than sun-dried coffee beans, the government tries to increase the sales of washed coffee (Petit, 2007). However, the share of washed coffee of total coffee exports has remained around 30 % since 2006 (Minten et al., 2014). So farming, harvesting and processing techniques have a considerable influence on the price premiums received by the coffee farmers. This is crucial not only for the farmer's income but also for the overall development of the country.

The quality of coffee depends on one hand on agricultural practices in different coffee regions. On the other hand the quality of Ethiopian coffee is strongly related to the biophysical characteristics combined with local practices and coffee producers' knowledge. Depending on the region, the coffee tastes differently. Table 1 shows the regions with the associated flavors according to the website of Ethiopian Fine Coffee (Ethiopian Fine Coffees, 2014), Minten et al. (2014) and the USAID-sponsored Ethiopian Coffee Buying Manual (Boot, 2011). Nevertheless, more scientific studies have to be conducted to get "objective" cup profiles for the regions. Besides the described regions below, coffee is also grown in the regions of Tepi and Bebeke.

Table 1: Coffee growing regions of Ethiopia and the according coffee specifications

Name of the Region	Features	Taste
Sidamo	<ul style="list-style-type: none"> altitude: 1500-2200m washed and dried coffee 	<ul style="list-style-type: none"> various grades profound complexity balanced acidity and body spicy
Harar	<ul style="list-style-type: none"> altitude: 1500-2100m mostly sundried 	<ul style="list-style-type: none"> medium to light acidity mocha flavor partially amber bean blueberry note
Yirgacheffe	<ul style="list-style-type: none"> altitude: 1700-2200m micro-region within Sidamo mostly high-quality washed, but also unwashed 	<ul style="list-style-type: none"> bright acidity medium body fruity and floral flavors top grade washed coffees have citrus flavors

Wellega and Nekemte (coffee traded as Lekempti)	<ul style="list-style-type: none"> • altitude: 1600-2200m • more rainfall than other regions • mostly sundried, but more and more washed coffee • large bean size 	<ul style="list-style-type: none"> • full flavour • fruity •
Jimma (also spelled DJimma)	<ul style="list-style-type: none"> • altitude: 1400-1800m • sundried coffee 	<ul style="list-style-type: none"> • medium acidity • heavy body • winey
Limu	<ul style="list-style-type: none"> • altitude: 1100-1900m • washed coffee 	<ul style="list-style-type: none"> • milder acidity than Sidamo and Yirgacheffe • balanced cup • winey
Bench Maji and Kaffa	<ul style="list-style-type: none"> • altitude: 1300-1800m • more rainfall than other regions • washed and sundried coffee 	<ul style="list-style-type: none"> • balanced, full body • hearty flavor • used in blends

Sources: Boot, 2011; Ethiopian Fine Coffees, 2014; Minten et al., 2014

Ethiopia has a national grading system to determine the quality of the coffee beans. The Coffee Quality Liquoring Unit (CLU) assesses each lot of coffee that is going to be exported. 1 is the best quality, 5 is the worst, only ungraded coffee is worse. Only washed coffee obtains grades 1 and 2 whereas unwashed coffee can reach grade 3 at best (Minten et al., 2014). The amount of defects of the green coffee beans determines the grade of the coffee lot. Also the moisture level, bean size, shape and color as well as odor are taken into consideration. The cup inspection comprises the acidity, body, cup cleanliness and flavor. Coffee with a bad quality is exported to markets with a low demand for quality or goes to the domestic market (Minten et al., 2014). Generally speaking, the link between product and territory is established with the farming, harvesting and processing techniques combined with the natural and material preconditions of the region.

4.2.3 Attributes of the coffee growing community in Ethiopia

95 % of the Ethiopian coffee is produced by smallholder farmers (Minten et al., 2014). According to Petit (2007), around 15 million Ethiopians are somehow dependent on earnings from the coffee sector – the total population counts approx. 100 million people. Considering that Ethiopia is still a poor country – 31 % of its population have to survive under US\$ 1,25 per day, purchasing power parity considered (World Bank, 2015) – the development of the coffee sector is important for economic and social progress. One reason for the prevailing poverty is the low share of the coffee retail price that gets back to the coffee farmers. Even though Ethiopian specialty coffees can reach a high price on the export market, the farmers

only receive 5-10 % of the price (Mengistie, 2012). That is not enough to afford a living and the farmers cannot maintain the quality of their coffee. Some are even forced to replace coffee trees with a narcotic plant called khat. Farmers can receive higher income with khat production compared to coffee but in the long term, it has negative effects on the environmental quality and health (Mengistie, 2012). The khat production also collides with Ethiopia's long-standing tradition of coffee growing.

Additionally, Ethiopia is, except for Brazil, the only coffee exporting nation that has a coffee-drinking culture as well. About 50 % of the total production is consumed domestically. The prices are sometimes even higher than on the international market (World Bank, 2014). In 2014, 3.6 million 60 kg bags were consumed domestically – the total production was 6 million bags (Tchibo, 2016). Coffee consumption plays a role in social activities like family meetings or religious festivities (Quiñones-Ruiz et al., 2016). Therefore coffee is important in many areas of life, socially as well as economically. Nevertheless, to afford a living it is important for the farmers to get an adequate price for their coffee. One way to receive a higher price is to diversify and sell high-quality coffee. The natural conditions as well as the social attributes of the community and the community's actions within the Ethiopian regions determine the quality of the beans. Apart from the coffee farmers, other actors are involved in the domestic coffee business.

4.2.4 Further actors on the Ethiopian coffee market

Coffee is an important commodity for Ethiopia's export earnings: in 2012/13 coffee accounted for 24 % of total exports (Minten et al., 2014) with a volume of 0.7 billion US\$ in 2013 (World Bank, 2014). To increase the farmers' income and therefore reduce poverty and to undermine the substitution of coffee with khat, the Ethiopian government wants to improve the coffee quality and increase the value of the coffee sold and exported (Quiñones-Ruiz et al., 2016). Figure 6 shows the value chain of coffee within Ethiopia, until the beans reach the international traders at the nation's border.

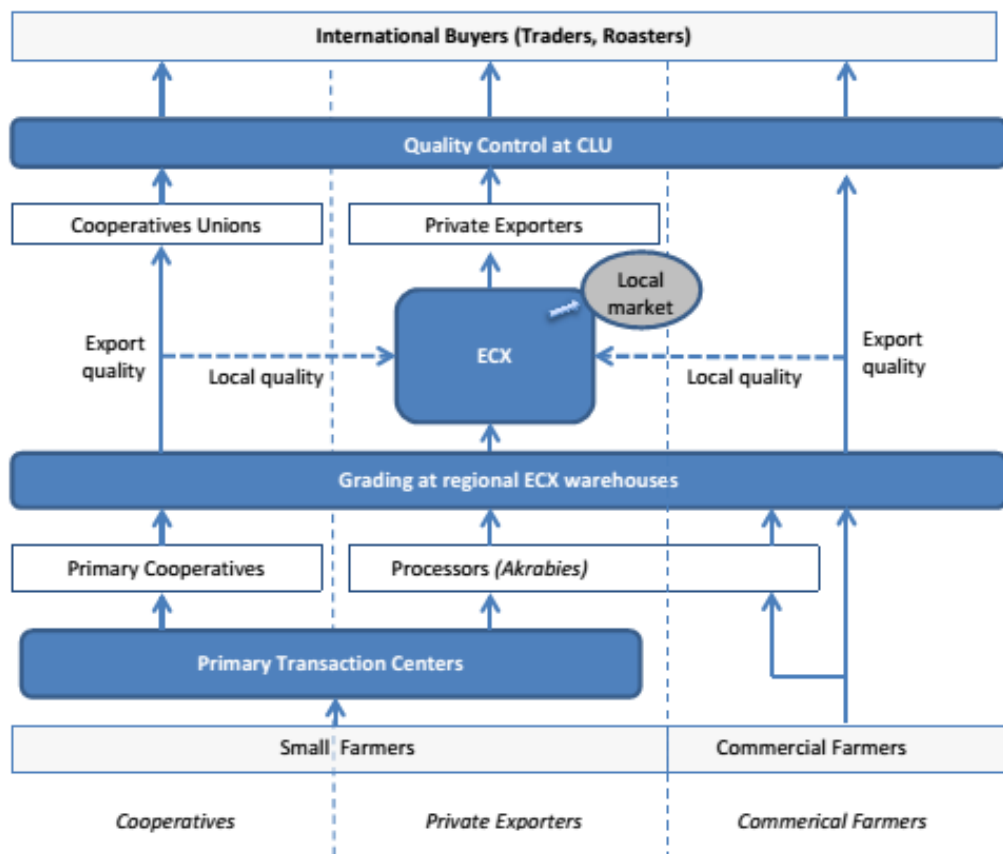


Figure 6: Ethiopian Coffee Value Chain (Tröster & Staritz, 2015, p. 15)

The Ethiopian coffee supply chain starts with the coffee farmers that trade their coffee beans at the local market. This is done either through cooperatives or directly. The next trading institution is the Ethiopian Commodity Exchange (ECX). The ECX was founded as a trading platform in 2008. All private traders have to export the coffee beans through the ECX. ECX is responsible for coffee grading and sets standards in terms of transaction size, payment and delivery (Minten et al., 2014). The coffee is also labelled with the geographical origin of the beans on a sub-regional level. Each one of the bigger regions like Harar or Sidamo is divided into sub-regions indicated by letters, which stand for several districts. Accordingly, the coffee lots get a designation like Sidamo C, Gr. 3. That means that the beans come from sub-region C (Kembata & Timbaro, and Wollaita) and are classified as Grade 3. After grading, the coffee is stored and sold at an auction by the ECX where sellers and buyers bid for the coffee in an Open Outcry System. There is also a separate auction for specialty coffee, called Direct Specialty Trade auction (DST) (Boot, 2011). If the coffee is graded as suitable for export, it is not allowed to sell it on the domestic market anymore, even if there

is a higher price on the domestic market. The reason for this is the country's need for foreign currency export earnings. However, this regulation led to a shortage of coffee on the local market and therefore an increase in domestic coffee prices as well as a reduced domestic consumption (Minten et al., 2014).

Cooperative trade unions have been formed by farmers with smaller parcels of land to be able to export their coffee. Cooperative unions are allowed to export their coffee directly without passing the ECX. Large scale private growers or plantations are also allowed to directly export their coffee. However, both have to stick to the ECX's quality standards (Boot, 2011). The share of coffee exports done by cooperatives is around 5 to 6 % of the total coffee exports. The major share of coffee is exported by private exporters. The large exporters that sell coffee for more than 5 million US dollar account for around 80 % of the coffee, so the concentration is very high. Accessing the export market is difficult for new companies (Minten et al., 2014). Exporters have to transport the parchment coffee – that is the bean with the parchment skin– to Addis Ababa, where the beans are further processed. After this, exporters transport the green beans to the port in Djibouti. This process takes about four weeks. Due to this limited period of time, the risk for the exporters in terms of price fluctuations and quality management is relatively low – compared to farmers and processors (Tröster & Staritz, 2015).

Especially the coffee farmers face fluctuations of the received prices for their coffee beans. This is due to the price difference at the time when the coffee is produced and when it is sold. For fresh cherries, a higher price can be received but they have to be sold right after harvesting. If farmers dry and store the cherries, they can sell them at a later point in time when the price is higher but the risk of wrong treatment and quality deterioration also increases. Exporters and processors are able to use their bargaining power to increase their profit margins and convey the risks to the farmers. To reach a higher price, farmers can either sell the coffee illegally to the local market, or participate in a cooperative that reaches higher export prices (Tröster & Staritz, 2015). In order to conquer these challenges on the Ethiopian market, regulations were introduced.

4.2.5 Rules in use: regulations on the domestic Ethiopian coffee market

The Government of Ethiopia introduced several rules that affect the coffee market. The most important ones are the following:

- If a coffee is graded as suitable for export, it is not allowed to sell it on the domestic market. Even if the domestic price is higher, the coffee has to be exported (Tefera & Tefera, 2014).
- The export of coffee can only be done by Ethiopian citizens. No foreign investor can enter the export business (Boot, 2011).
- The government implemented a regulation to undermine hoarding and excessive stocks of coffee in 2011. It reacted to actions of some exporters who hoarded the coffee in order to reach a higher price in the future. This led to a shortage of foreign exchange in the country (Minten et al., 2014). So the ECX has its own warehouses where coffee is stored. Private exporters are only allowed to store up to 500 tons of coffee – unless they have a written contract with an importer (Tefera & Tefera, 2014).
- Licenses have to be obtained for any business involved in coffee. This includes the domestic sales of coffee, exports as well as roasting (Tefera & Tefera, 2014).

These regulations have the aim to increase the export value of coffee in order to get foreign exchange. In 2012/13 the top target countries for coffee exports were Germany (26.4 % share in export volume), Saudi Arabia (14.3 %), Japan (12.2 %), Belgium (7.9 %), USA (7.2 %) and France (5 %) (Tefera & Tefera, 2014). Austria imported coffee from Ethiopia for 1.36 million US Dollar (The Observatory of Economic Complexity, 2013) which accounts for 0.2 % of Ethiopia's total export volume. A way to increase the value is to promote the quality and reputation of Ethiopian coffee. Ethiopia did this by introducing trademarks for their coffee.

The Ethiopian trademark system

Stakeholders led by the Ethiopian Intellectual Property Office (EIPO) decided to apply for trademarks for Ethiopian coffee (Schüßler, 2009). They chose three brands: *Sidamo*, *Yirgacheffe* and *Harar*. These brands seemed to have a significant potential for export and demand on the international market. However, the coffees do not grow in a certain location in Ethiopia but in different regions. For example: Yirgacheffe is the name of a district but not all of the coffee produced there fits in cup profile of Yirgacheffe. On the other hand, Sidamo and Harar coffee is also grown outside the regions of Sidamo and Harar. This is the reason why they introduced trademarks – instead of GIs – to protect the intellectual property of the coffee production (Mengistie, 2012).

The trademarks are registered in the important export destinations including the European Union, Saudi Arabia, Japan, USA, Brazil, China, Canada and Australia. The established trademark is a certification mark that can be utilized by anyone who follows the standards. The licensed producers should also create a network to work together and improve the quality and quantity of the produced fine coffee. The licensing of the coffee is done by the EIPO, Light Years IP (LYIP) – a non-profit organization that works with intellectual property tools to alleviate poverty – and the Ethiopian embassies in the target countries. The EIPO also founded the Licensing Management Unit (LMU) to promote the brands, negotiate agreements, inform and train stakeholders and monitor the licensed distributors (Mengistie, 2012). An umbrella brand – Ethiopian Fine Coffees – was created as well as the three brands for Sidamo Ethiopian Fine Coffee, Yirgacheffe Ethiopian Fine Coffee and Harar Ethiopian Fine Coffee. Also a website (ethiopianfinecoffees.com) was established for promotional purposes. The campaign should also help to expand the country's reputation as the birthplace of coffee and attract tourists (Mengistie, 2012). To increase coordination, the National Fine Coffee Stakeholder Committee was established. This Committee consists of farmers, cooperative unions, exporters and government representatives working in the field of coffee branding and licensing (Mengistie, 2012).

In 2005, the process of introducing trademarks was challenged by a dispute with Starbucks, an international coffee roaster and retailer. When Ethiopia applied for the trademark *Sidamo* in the United States, it had to find out that Starbucks had already applied for trademark protection for *Shirkina Sun-Dried Sidamo*. Starbucks' application was first, so Ethiopia's trademark application was suspended. Ethiopia asked the company to withdraw and offered a free use of the trademark in turn. The company denied first but then withdrew the application due to international pressure from the US Congress, the UK parliament, NGOs like Oxfam, media and academia. After negotiations, the dispute was settled in 2007 in favor of Ethiopia. Starbucks signed a marketing, distribution and license agreement, hence the company uses the trademark and promote the origin of the coffee (Mengistie, 2012).

GIs could be the way forward for Ethiopia because they are developed collectively by all stakeholders in the concerning regions. Moreover they connect the region and its producers with a certain quality. This is why the country has to implement a law for GIs. The TRIPS Agreement requires countries to set up a legal framework to protect intellectual property and therefore GIs. Ethiopia is not a member of the World Trade Organization (WTO) yet, to

become a member it has to adapt its national legislation accordingly to fit to the WTO and TRIPS regulations (UNCTAD, 2016). The country would have to implement a sui generis GI law. Challenges in implementing this law are on the one hand to reach an agreement among local stakeholders concerning the boundaries of the designated origin. On the other hand there is a need for further information and development of intellectual property rights and tools. Moreover the origin has to be recognized by the consumers of the coffee. This is only possible if the roasters and traders convey this information on to the final buyer (UNCTAD, 2016).

4.2.6 The benefits and challenges of coffee GIs on the production side

With the background of the IAD framework described in chapter 4.2.1, the potential of coffee GIs on the production side can be assessed. As explained above the physical/material conditions in this thesis are the features of the certain local origin of the coffee with its natural resources like soil, climate, precipitation etc. This is linked with the local knowledge and modes of coffee production as described in chapter 4.2.2. The attributes of the community are – as mentioned in chapter 4.2.3 – connected to the fact that 95 % of the coffee producers are smallholder farmers. The remaining 5 % are grown on private or state-owned plantations (Mengistie, 2012). Other stakeholders on the Ethiopian market are the cooperatives, plantation owners, traders and exporters, the government of Ethiopia, the ECX and international buyers (chapter 4.2.4). The rules in use consist on the one hand of the regulations by the government and on the other hand of the implemented trademark system as described in chapter 4.2.5.

All these characteristics, attributes and rules determine, limit and regulate the feasible strategies in the action arena. The implementation of GIs can be seen as one of those strategies to improve the living conditions of smallholder farmers in coffee producing countries. By having a closer look at the action arena, the benefits and challenges of GI implementation in Ethiopia can be analyzed.

Potential benefits of GIs for Ethiopian coffee producers

Considering the structural background, GIs can have the following benefits for coffee producers:

- It is expected that through GIs, a higher share of the value for the coffee growers can be achieved (Daviron & Ponte, 2005). Not only the material quality is sold, also symbolic quality is transferred to the consumers. That includes the story about the origin of Ethiopia being the birthplace of Arabica coffee, the coffee farmers as well as their culture and identity. Therefore it is essential that this information is communicated to consumers to increase their willingness to pay a higher price for the coffee (Daviron & Ponte, 2005).
- In-person service quality can be vended through the establishment of coffee shops controlled by producer organizations. The Federación Nacional de Cafeteros de Colombia has already established coffee shops in the US (Daviron & Ponte, 2005). Another example for that is Moyee Coffee, an Ethiopian and Dutch coffee farming and roasting company that wants to increase the value share for the farmers by selling Ethiopian origin coffee online (Moyee Coffee Ethiopia, 2016). Also through partnerships with roasters or brand owners, the in-person service quality attributes can be influenced and sold by producer associations.
- Communication is also important in the other direction: As explained above, the GI process requires stronger communication not only among producers but also with other actors along the value chain (Rangnekar, 2004). Those established communication channels or networks provide the opportunity for farmers to receive feedback for their coffee production. It is important for producers to know what quality is appreciated on which markets, for what attributes they can receive price premiums and on what motives consumers take their purchasing decisions (Daviron & Ponte, 2005). Based on this information, they can take more suitable production decisions.
- During the process of establishing GIs, more communication and collaboration among farmers is needed (Rangnekar, 2004). Once those communication networks are established, they can have benefits for further development on the local coffee market. That could open opportunities for further information exchange, collaboration, sharing of knowledge or even collective investments among actors in the producing countries. Stronger cooperation on farm-level can also strengthen their bargaining position. However, public institutions play an important role here.

The producers are still competing actors and the dialogue between them has to be supported (McBride, 2010).

- The GI on Ethiopian coffee is also a tool that connects the country with the products itself in the perception of consumers. So the promotion of Ethiopia's reputation as birthplace of *Arabica* coffee should on the one hand increase the sales of fine coffee. On the other hand it could also increase tourism to Ethiopia and therefore trigger further development in other sectors (Mengistie, 2012).
- In the process of defining the standards how to produce coffee, environmental concerns have to be incorporated. The use of ecologically suitable and sustainable agricultural practices is necessary for the health of the ecosystem as well as the people's health (e.g. through the avoidance/reduced use of pesticides). To avoid erosion, deforestation, water shortages and pollution as well as coffee pests and diseases, it is crucial to include environmental aspects to secure the natural resources for the next generations (Panhuysen & Pierrot, 2014). Additionally, climate change will change the natural conditions (through uncertainty or extreme climatic events). Therefore strategies for coffee farmers to adapt and build up resilience have to be developed. Through the creation of networks for knowledge exchange and collective investments, those strategies can evolve (Panhuysen & Pierrot, 2014).

The outlined benefits of GIs face challenges as well. The challenges in establishing GIs within the country of origin can be identified on local, national and international level.

Challenges on local level

- In order to apply for a GI, producers have to take collective actions to agree on the definition of boundaries, qualities and modes of coffee production. This is a challenging process, especially if the current cooperation among the coffee producers is little. Therefore it is crucial to build up producer organizations and associations to establish communication channels among producers (UNCTAD, 2016). In particular, the definition of regional boundaries can be challenging since the current designations of the coffee do not go in line with the political borders (Mengistie, 2012).

- The quality of the GI for coffee has to be specified. Producing high quality coffee is necessary to enter the specialty coffee market and receive a better price. The increase of coffee quality and improvements in production are important to maintain a good soil quality and to build up resilience for upcoming environmental challenges like climate change (UNCTAD, 2016). To provide coffee with a certain quality, it is important that farmers have access to education, extension training and technical assistance. Only around 30 % of the Ethiopian coffee is of high quality, so there is need for quality improvements (UNCTAD, 2016).
- Connected to improvements in quality are several preconditions on local level. Access to finance, markets and infrastructure are crucial to provide and sell coffee with high quality. Especially for smallholder farmers it is difficult to get financial support, resources or market information. Many estates have cupping skills and facilities as well as connections to traders and roasters, which gives them an advantage on the local market (Daviron & Ponte, 2005).
- Another point that needs to be considered is that GIs act as entry barriers. Once the GI is set up, it requires certain minimum quality standards. Those standards set entry barriers for coffee producers that do not reach the required standards yet. This is why there have to be programs implemented that help farmers to upgrade their coffee production so that they can meet the requirements (Coombe, Ives, & Huizenga, 2014; Daviron & Ponte, 2005).
- Another challenge could evolve through unequal voices among producers on local level. There is no guarantee that large or rich producers dominate the GI process. Also actors that are not producers but have other interests in establishing GIs in an area like e.g. tourism bureaus can influence the process. If the local and national institutions are weak, other actors in the supply chain – like traders or roasters – might assert power over the GI (McBride, 2010).

Challenges on national level

- The challenges on national level are in the first place that Ethiopia has no GI law yet. This is connected to the fact that Ethiopia is not a member of the WTO. Ethiopia is applying for the membership but the country still has to adopt some policies in other economic sectors (Costantinos, 2015). However, that means that it has to adopt the

national legislation according to the TRIPS Agreement as well. The TRIPS Agreement requires the country to set up a sui generis law for GIs. A sui generis law is the prerequisite for GI registrations on national but also on international level. In the process of designing the sui generis GI law, Ethiopia has to make sure that the law goes in line with the already existing trademark law. Moreover, the public and private stakeholders on national level have to share information and experiences collectively to develop a functioning system of GIs (UNCTAD, 2016). Other cases of the protection of GIs presented by Coombe et al. (2014) show that if certain actors – like the government or big producers – have too much power over the implementation process and the governance of the GI, smallscale producers can even face worse market conditions. This can happen for example through very high production standards, political interests involved in the determining of the geographical boundaries or industrialization of traditional production processes.

- The Ethiopian government depends on getting export earnings from coffee. So farmers are not allowed to sell their coffee with export quality on the domestic market even if there is a higher price (UNCTAD, 2016). That is a conflict of interest. On the one hand, the government needs to reduce poverty among the population. On the other hand it is forbidden to sell the coffee on the local market, receive a higher price and therefore increase the farmers' income.
- The government does not promote export of roasted coffee even though the value addition would be promising. They are worried that local roasters will not export the high quality roasted coffee and the government will lose export earnings through this. However, they are planning to allow the export of roasted coffee with strict controls and monitoring (UNCTAD, 2016). Since a big share of the value generated lies in the sale of roasted coffee, that would be a promising opportunity for economic development.
- Similar efforts to protect intellectual property like "Kafae Doi Tung" and "Kafae Doi Chaang" from Thailand (Nigmann, 2015) demonstrated that it is crucial to develop a larger plan for the coffee sector. The national policy framework has to integrate the principles of participation, collaboration, traceability and vertical integration. Furthermore, legal regulations and institutions have to be build up and ensure that a

bigger proportion of the value of coffee is generated in Ethiopia itself (UNCTAD, 2016).

- It is important to construct the GI in an appropriate scope. Marescotti & Belletti (2016) draw conclusions from already existing GIs. They argue that country GIs that comprise a whole country like Café de Colombia have the aim of building a general reputation of the country as coffee producer instead of referring to local specific characteristics. On the one hand they give more freedom to the roasters because the roasters can still choose from quite a large quantity of producers, origins and tastes within a country. On the other hand they can lead to a uniform price all over the country and eradicate local specifics of coffee production. For example the regions could offer different qualities and varying production costs that are all subsumed under such a big GI (Marescotti & Belletti, 2016).
- Additionally a successful GI needs healthy and stable national institutions and policies. On the one hand they have to support a viable and context-specific formulation of standards. In other words, they have to make sure that the standards are not just adopted from already existing GIs. On the other hand national public actors need to strengthen the authenticity of the GI. When the connection of the product to the region is not transparent and strong enough and the control mechanisms are weak, the risk of fraud is higher. Fraud eventually erases consumers' trust in GIs and the benefits of it are gone (McBride, 2010).

Challenges on international level

- Oxfam International (2002) argues in a publication that the exploitation of niche markets might be a viable tool for some producers but it is definitely not the solution to stop poverty among all coffee producers. It cannot be the solution for all coffee producers to try to enter the coffee specialty market. McBride (2010) argues that the strength of a GI lies in the fact that the coffee is something special. If too many GIs would pop up, consumers will get tired of them.
- The price premiums for farmers that are reached for the protection of origin for GIs depend on the roasters' and consumers' willingness to pay for it. So GIs do not immediately guarantee a higher price, it strongly depends on the reputation of the

origin. However, price premiums can be expected in the long run (Quiñones-Ruiz et al., 2015).

- McBride (2010) criticizes that product specifications are not properly reviewed by national as well as international authorities. Since domestic actors generally want to introduce a GI in order to gain future incomes for developing countries, they are not going to investigate the specifications properly. Also the review of the product specification by international actors like the EU or the US is too little. Therefore review mechanisms for the product specifications have to be introduced.
- Due to the fact that many coffee producers are located in environmentally vulnerable areas it would be important to integrate the protection and conservation of the environment into the specification of a GI. To adapt to climate change and to preserve resources for further generations, stakeholders have to set up environmentally friendly production processes for their GIs. However, according to Belletti et al. (2015), it is important not to create too many rules and administrative regulations so that producers refuse to use the GI. The right balance between these two ends of the spectrum is crucial.

The producers face numerous benefits but also challenges on multiple levels. But then what about the situation on the consumption side of the value chain? To assess the market opportunities for coffee GIs among roasters and consumers, one has to have an overview about the coffee consumer market.

4.3 Coffee consumer markets in Europe

The major part of coffee production is consumed in importing countries. In the coffee year 2015/16 (October-September), 104.9 million bags of coffee were consumed in coffee importing countries. In exporting countries, the consumption volume was 46.4 million bags. In absolute terms, the biggest consumers are the EU followed by the United States of America, Brazil, Japan, Russia and Canada (International Coffee Organization, 2016b). As the EU is the biggest coffee consumer, the European coffee market should be portrayed in more detail. Within the EU, the top 5 consuming countries were Germany with 21% of the total coffee consumption, Italy (14%), Spain (9%), United Kingdom (7%) and Poland (4%) in 2013. The growth of the European coffee market is limited: expectations lie around 2.2% by 2020 (CBI Market Intelligence, 2016b). 70% of the coffee is consumed at home and purchased at

supermarkets or specialty shops. The remaining 30% are bought at coffee bars, restaurants, hotels or the workplace through e.g. vending machines. Europe is geographically segmented concerning the coffee preferences and market development. Figure 7 shows that the Northern European countries prefer lighter roasts compared to Southern European countries. In Eastern Europe, the consumption level as well as the quality offered is quite low but the market growth is high.

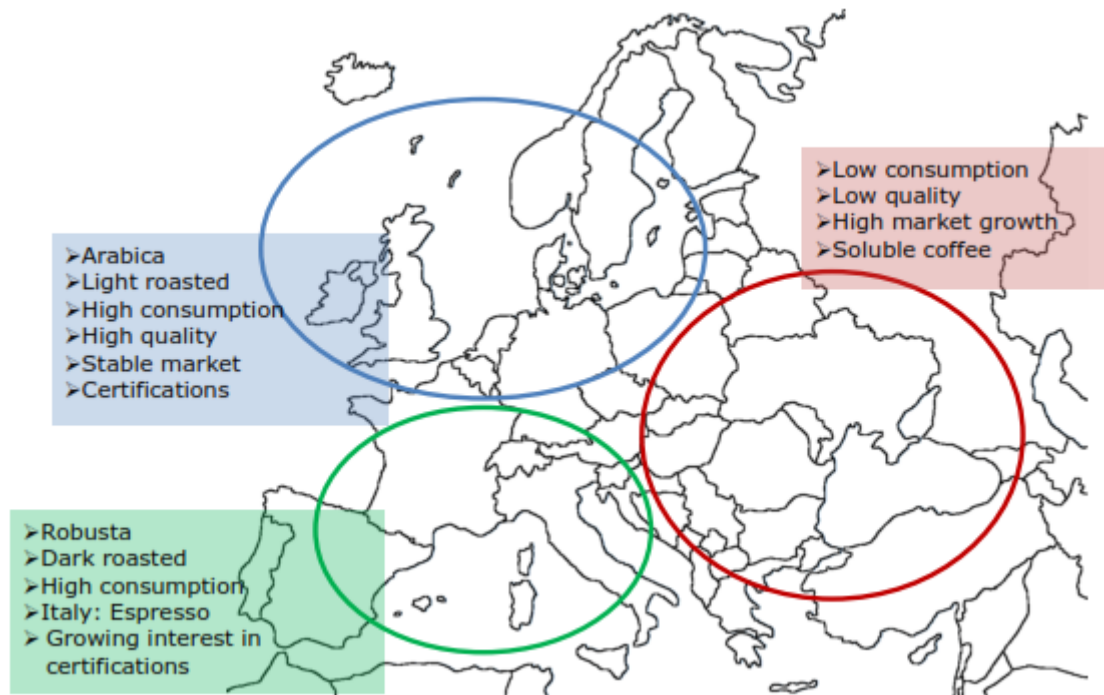


Figure 7: Geographical Segmentation in European coffee consumption (CBI Market Intelligence, 2016a, p. 7)

Prevailing trends on the European coffee market are the increase of single-serving products like coffee capsules or pads. Especially in Western and Northern Europe these coffee products are popular. The variety of flavors, the standardized and convenient preparation and the individualistic character of the products are the underlying arguments for consumers to buy single-servings instead of ground coffee (CBI Market Intelligence, 2016a).

Another trend is the rising demand for specialty coffee. However there are no official figures on the market share of specialty coffee. This is also because the specialty sector is hard to define (CBI Market Intelligence, 2016a). Estimations for the market share of specialty coffee reach from 5 to 17 % depending on the definition of the specialty sector. In other words, it is hard to define the boundaries: e.g. is Starbucks quality already specialty coffee or is it just a mainstream coffee with a higher quality? In Europe, the specialty market aims at customers

who are really enthusiastic about coffee and its quality. Especially in Southern Europe the specialty market is highly valued. Italy for example counted 1500 individual roasters (International Trade Center, 2012).

Sustainable coffees are on the rise as well. In the Netherlands for example, 50% of all the coffees that were purchased in 2012 had at least one certification (Rainforest Alliance, Fairtrade, UTZ or organic certification). In Belgium 40% carried a sustainability certification (CBI Market Intelligence, 2016a). These trends on European level are partially reflected on the Austrian national coffee market as well.

4.4 The Austrian coffee consumer market

Austria has the third highest per capita consumption of coffee in Europe. Every Austrian consumes 8.3 kg of coffee per year; the average German consumes 6.3 kg (International Coffee Organization, 2014). In 2014, Austrians consumed 1.2 million bags that are 72,000 tons of coffee. On average, every Austrian drinks 2.9 cups of coffee per day (Österreichischer Kaffee- und Tee-Verband, 2015). The present coffee drinking culture faces a rather long history.

In 1683, the Turks brought coffee to Vienna. When they left the city after the siege, they forgot numerous bags of coffee. This led to the development of a coffee culture not only in Vienna but all over Austria (Österreichischer Kaffee- und Tee-Verband, 2014b). According to a study conducted by the Austrian Coffee and Tea Association and marketagent.com (Österreichischer Kaffee- und Tee-Verband, 2014d) Austrians value coffee as cultural asset. By 51.2 % of the interviewed persons, the consumption of coffee is an old tradition. Coffee consumption is connected to pleasure and relaxation. The quality of the coffee is becoming more and more important. 66.2 % stated that the taste is the crucial factor to enjoy the moment of coffee consumption, followed by a comfortable atmosphere, a relaxed surrounding, the strength of the coffee, the people coffee is consumed with as well as the mode of preparation.

Not only the taste of the coffee is contributing to the perception of quality but also the way the coffee is grown. The demand for certified coffee is increasing continuously. For example: In 2012, 1570 tons of coffee were certified by Fairtrade. This was an increase of 6 % compared to 2011 (Österreichischer Kaffee- und Tee-Verband, 2014c). Under the Fairtrade

label, farmers are guaranteed a certain minimum price for their coffee and receive further benefits like long-term contracts or extension programs (FAIRTRADE Österreich, n.d.) Other certifications on the Austrian market are for example Rainforest Alliance, UTZ Certified or 4C-Association. This growing demand for certified coffee shows that the consumers' awareness for sustainable and fair production of coffee is growing.

But coffee is not only consumed in Austria – it is also roasted: The production value of roasted coffee – that is the value of the roasted coffee produced and the connected services – in Austria was € 65 million in 2014. Compared to Austria, Germany's production value was € 1490 million with a decrease of 6 % since 2000 (Tchibo, 2016). In 2012, Austria exported 13,159 tons of roasted coffee, accounting for a sales volume of 105.13 million US Dollar (Tchibo, 2016). The coffee sales are mainly controlled by big multinational companies. Market leader is the Tchibo-Eduscho GmbH (Euromonitor International, 2015). Besides this overview of the Austrian coffee market only very little information about the Austrian coffee market is publicly available. This is the reason why further information was gathered in direct interviews with coffee roasters. The methods and results of this are going to be presented in the next sections.

5 Methods

The questions which are the base of this research are the following:

1. What are the determinants in Austrian roasters' purchasing decisions concerning origin?
2. What role does origin play in Austrian roasters' choices to buy Ethiopian coffee?
3. What potential can be observed for Ethiopian coffee with indicated and protected geographic origin on the Austrian coffee market?

The questions are answered with a review of the existing literature and qualitative interviews. Target consumer market is Austria because of its rich coffee culture and history and also because the author lives and studies in Austria. On the production side, coffee originating from Ethiopia is on focus. As already described above, Ethiopian farmers produce an outstanding quality of coffee and the country also has a long history of coffee consumption. Additionally, Ethiopia has already protected 3 of its coffees with trademarks and set up a draft for a GI law. These factors combined are already very good preconditions

for the successful establishment of a coffee GI in Ethiopia. The Institute for Sustainable Economic Development, where this thesis is written, currently conducts several international research projects that focus on GIs. For example one project had a closer look on the coffee GI Café de Colombia (Quiñones-Ruiz et al., 2015), another focused on GIs from Thailand (Nigmann, 2015) and one study was conducted in Ethiopia (UNCTAD, 2016). These were the criteria to select Ethiopia as the coffee producing country with a potential for GIs in this thesis.

5.1 Literature review

To answer these questions, it is necessary to understand the current situation of coffee origin, production, trading and consumption as well as the tools available to protect GIs. This background information was gathered through literature research. For the research, the library as well as the online search engine of the University of Natural Resources and Life Sciences was used. Further search engines included ScienceDirect and Google Scholar. Through several key papers and books, additional material was found.

Limitations of the literature review are that the author is only fluent in German and English language. Especially for the understanding of the tools to protect GIs, several publications are written in French or Spanish. However, the amount of English and German papers should be sufficient to understand the concepts of GIs and trademarks.

Another limitation is that there is very little information publicly available about the Austrian coffee market. It would be important to understand the structure of the Austrian market. So I tried to gather this information exploratively through the interviews. Nevertheless it is important to add that there are hardly any surveys and quantitative data about the Austrian coffee market, the knowledge of the roasters about it is limited as well, this will be shown in the result section 6.

5.2 Qualitative expert interviews

The fields of interest are on the one hand the structure of the Austrian coffee market. On the other hand the role of origin in the coffee sector in general and Ethiopian origin in particular should be found out. A central point in this research is to understand the context of the Austrian coffee market and the actions of the involved value chain actors in relation to GIs of coffee. To get this deeper understanding, explanations of the underlying motives and

market circumstances are crucial. Therefore I performed qualitative expert interviews according to Gläser & Laudel (2010). Those are non-standardized, semi-structured interviews. A guideline of questions covers the required aspects but the interviewer can adopt the formulation and the order of the questions so that the interviewee feels free to talk openly. Also questions that are not in the guideline can be asked by the interviewer. The methods of choice were semi-structured interviews because in this way, it is possible to understand the contexts of meaning of the interviewees. The interview partners can focus on the points that are important to them. This gives valuable information to understand their motives, opinions and actions. In contrast to the structured interview – where a prepared questionnaire does not allow any additional questions or changes – the semi-structured interview leaves more freedom to the interviewee and the interviewer (Atteslander, 2010). The semi-structured interviews make it possible to understand the roasters' actions and attitudes towards GIs.

The interview guideline (see appendix) structures the question into five sections:

1. *The position of the interviewed company on the Austrian market*: Information about the sales volumes, target customer group as well as sales and purchasing channels of the company is gathered in this section.
2. *Specific characteristics of coffee on the Austrian market*: Questions deal with the characteristic cup profile (type of coffee, taste, blends, roasting, origin) and market trends of coffee sold in Austria.
3. *The role of the origin of the coffee beans*: The importance of the coffee beans' origin for the company and the final consumers as well as the reason behind that purchasing decision is in question here.
4. *Coffee with indicated (Ethiopian) origin*: This section deals with the future potential for coffee with indicated origin in general and more specifically with coffee with Ethiopian origin.
5. *The structure of the Austrian coffee market*: These questions are important to understand the overall structure of the Austrian market in order to identify further interview partners. Further questions are asked about the channels through which coffee beans are bought and sold on the market.

According to Gläser & Laudel (2010), there are methodological principles in the conduction of guided interviews with experts. Those principles should be met in this research in the following way: The interview guideline was developed on the basis of the theoretical background information that was gathered through previous literature review. The questions are formulated in an open way, so that the interview partner can answer them according to his/her knowledge and interests. To meet the principle of understanding as the basis for social sciences, the questions are adopted to the language used in the coffee business. Moreover, the interviewer has to pose the questions in a way that they are suitable in the interview situation (Gläser & Laudel, 2010). This is a prerequisite to establish an interview atmosphere that makes it comfortable for the interviewee to answer the posed questions completely and thoroughly.

The interview guideline has to be adopted to the interview partner. All of the interviewees provide information about their coffees online. Therefore it was possible to figure out, whether they sell single-origins and/or Ethiopian coffee with indicated origin before the interview. That knowledge was used to avoid unnecessary questions and to show the interviewees that the interviewer is prepared and has used the available information (Gläser & Laudel, 2010).

5.3 The selection of interview partners

To gather information about the potential of Ethiopian coffee on the Austrian markets, coffee roasters and one external expert from Fairtrade Austria were interviewed. As explained in chapter 4.1.3, roasters function as gatekeepers for information about the coffee's characteristics and origin. So roasters can determine where they purchase the green coffee. Additionally, they are supposed to have an overview of the overall trends on the coffee market. Regarding the market power and sales volumes, smaller and bigger actors with a roasting volume from 3 to 4000 tons/year were interviewed to get a broader range of perspectives. The external expert was also a valuable source of information for the market development of sustainable and Fairtrade coffee.

Since the available data about the stakeholders and the structure of the Austrian market is limited, the members of the Österreichischer Kaffee- und Teeverband were contacted in the beginning. The next step to identify possible interview partners was to figure out what coffee is sold at the biggest Austrian supermarket chains. Through the association

“Qualitäts-Röster” further interview partner were identified. Additionally, more potential interview partners were contacted to get opinions from roasters with diverse market shares, price and quality segments, business segments and geographical variation in Austria.

5.4 Data collection

To answer the research questions, 16 interviews were performed. 15 of them were done with the owners of the coffee roasting companies or with representatives like the sales manager or marketing director of large coffee roasting companies. One interview was conducted with an external expert working in the field of coffee, to add another perspective on the Austrian coffee market. The interviewees were initially contacted per E-Mail or telephone. If they did not answer within a week, they were contacted again. The 16 interviews took place in the offices of the interviewees or in cafés. They were recorded with a tape recorder to make sure that no information got lost. The interviews were conducted from Mid-June to August 2016. There were some delays when scheduling the interviews due to the holiday season. On the other hand it was easier for the interviewees to make time for the appointment during the summer months. The interviews took from 25 to 75 minutes and were conducted in Vienna, Linz, Salzburg, Bad Goisern and Graz. Especially the roasters with a bigger production volume had their head offices in Vienna and sold their coffee on the national and international market. So those actors had a good overview over the whole Austrian market and the regional differences in coffee consumption.

Even though 4 mainstream roasters ((MR1; MR2; MR3; MR4) were interviewed, several other main players on the Austrian market were contacted but they were not willing to talk to the author. Most of them answered that they do not undertake interviews due to their company’s policy. The interviewees are categorized in chapter 6.1.

5.5 Data analysis

All the interviews were transcribed. To extract the important information, the transcripts have to be analyzed. Since this research is based on qualitative interviews, the method of choice is qualitative data analysis according to Gläser & Laudel (2010). Mayring’s Qualitative Content Analysis (Mayring, 2015) was developed in the 1980s and was one of the first analyses that used qualitative methods to understand complex information. However, Mayring’s Qualitative Content Analysis counts often frequencies of interviewees’ statements

instead of the real content (Mayring, 2015). Gläser & Laudel's approach seems more suitable to analyze market mechanisms and their context. Additionally in their methodology, it is possible to add, change and adapt the categories for the content analysis in the process of coding (Gläser & Laudel, 2010). This allowed me to integrate the newly gained knowledge of the research process into the analysis. Mayring's proposed content analysis suggests rather rigid and inflexible steps, it is more effort to add and adapt the categories that changed through a deeper understanding of the mechanisms. Table 2 gives an overview about the performed steps of the data analysis.

Table 2: Steps of the data analysis (Gläser & Laudel, 2010)

Step	Method	Output
Determine the underlying variables	<ul style="list-style-type: none"> Define the variables the Austrian coffee market and the potential for an Ethiopian coffee GI consist of Illustrate the relations between the variables and external influences 	Definition of the variables ¹ and relations
Definition of extraction categories	<ul style="list-style-type: none"> Develop categories on the basis of the variables Categories structure the information from the interviews and describe concepts, characteristics, actions, influences, implications Each category has sub-dimensions that portray the values of the category 	12 extraction categories with sub-dimensions
Extraction	<ul style="list-style-type: none"> Go through the transcripts and assign the text passages to the according extraction category The sub-dimensions indicate the value of the text passages Use macros in Microsoft Word for the extraction 	Extraction tables in Microsoft Word
Preparation of the data	<ul style="list-style-type: none"> Summarize and sort the gained information in the tables Reduce repetitions and check for mistakes during the extraction Figure out contradictions and check the context Keep the sources for the passages along the whole extraction and preparation process Sort the extraction tables for each category according to the topics or dimensions Work in steps and save the tables for each preparation step 	Prepared and sorted extraction tables for each category
Evaluation	<ul style="list-style-type: none"> Answer the empirical questions Identify causal mechanisms and understand reasons and implications Form types of similar actions, mechanisms, implications and reasons 	Answers for the research question and a deeper understanding of functions and structure of the Austrian coffee market and its actors

¹Variables: market position of the roasters, structure of the Austrian coffee market, structure of Austrian consumers, characteristics of coffee consumed in Austria, characteristics of Ethiopian coffee sold in Austria, importance of origin for Austrian consumers, importance of origin for roasters, market potential for protected coffee GIs

The transcriptions of the interviews were the base for the analysis. In the first step, the extraction categories were figured out. This was done according to the underlying variables of the research. The variables can be defined as general, theoretical concepts that have underlying dimensions (Gläser & Laudel, 2010).

The central question in this research is the potential of Ethiopian coffee with protected geographical indications on the Austrian market. That depends on the importance of origin of coffee for the Austrian consumers and roasters as well as the role that Ethiopian coffee plays on the Austrian market. Following the variables and considering the topics mentioned in the interviews, the following extraction categories were created:

1. Market position of the roaster
2. Characteristics of coffee consumed in Austria
3. Austrian coffee consumption
4. Role of origin for roasters in purchasing decisions
5. Role of origin for roasters in sales
6. Buying motives consumers
7. Market development
8. Characteristics of Ethiopian coffee
9. Characteristics of Austrian consumers
10. Role of Ethiopian coffee in Austria
11. Potential of protected origin
12. Potential of protected Ethiopian origin

Each evaluation category included various subordinated dimensions that dealt with the specific values of the category.

According to Gläser & Laudel (2010), the next step for the analysis is the extraction of the data. Therefore they created a computer program that uses macros in Microsoft Word to extract, structure and categorize the data. For the extraction, the transcripts were analyzed paragraph by paragraph. The important information was collected, paraphrased and categorized. This guarantees that all the information is considered equally and prevents that results that do not fit into the picture are unconsciously excluded (Gläser & Laudel, 2010). The categories and the according dimensions were adapted during the process of extraction. So therefore the theoretical assumptions and preliminary thoughts are included but also

complemented later with further insights and knowledge about the data (Gläser & Laudel, 2010). Step by step, the systematic analysis makes it possible to understand the implications and consequences of the phenomena. Also the documentation of each step of the analysis makes the extraction and its interpretations comprehensible (Gläser & Laudel, 2010). For the extraction itself, extraction rules were defined. Especially if aspects did not clearly fit in one category, I set up rules for the categorization. That helped me to categorize the information consistently for every interview throughout the analysis.

After the extraction of the transcriptions, the data had to be prepared for the final evaluation. This preparation was performed on the basis of the extraction tables that resulted from the previous extraction. The information was summarized, sorted and opposing ideas were identified. The categories were sorted separately so that a proper overview over all the statements about one topic was possible. After that, the material was prepared to evaluate the statements, identify the most important information and understand implications and consequences of the identified mechanisms. In this thesis, the roasters' answers varied strongly according to their roasting volume and the sales price of their coffee. Therefore I grouped the roasters using roasting volume and sales price as determinants. To identify the cited statements, these codes indicate the interviewees and therefore the citations. The following scheme shows who is behind the codes:

Table 3: Codes for interviewees

Interviewees	Code
4 mainstream roasters	MR1; MR2; MR3; MR4
6 specialty roasters	SR1; SR2; SR3; SR4; SR5; SR6
3 specialty roasters selling only Ethiopian coffee	SRE1; SRE2; SRE3
1 coffee vending machine company	VM
1 external expert	EE

6 Results

Succeeding the variables and categories explained in chapter 5, chapter 6 is going to present the results from the interviews. The opinions and statements of the roasters are the basis of the findings. Figure 7 shows the actors of the coffee value chain. While chapter 4 has already described the actors in the coffee producing countries, the result-section deals with the actors in the consuming countries. The roasters, cafés, retailers and final consumers determine the structure of the whole chain with their purchasing decisions. At first, chapter 6.1.1 describes the characteristics of the interviewed roasters. Following this, I will present the roasters' statements regarding to the attributes of Austrian final consumers. Their actions, opinions and decisions determine the market potential for GIs and have to be understood thoroughly. In order to assess the potential of GIs on the Austrian market; one has to understand the context of the Austrian coffee market. As explained above, the GVC analysis calls this context the institutional framework of the value chain. Chapter 6.2 describes the context surrounding the actors in general, namely how and where coffee is consumed in Austria and the prevailing trends on the market. This thesis focuses mainly on Ethiopian coffee; therefore the characteristics of Ethiopian coffee sold in Austria are described in chapter 6.2.3.

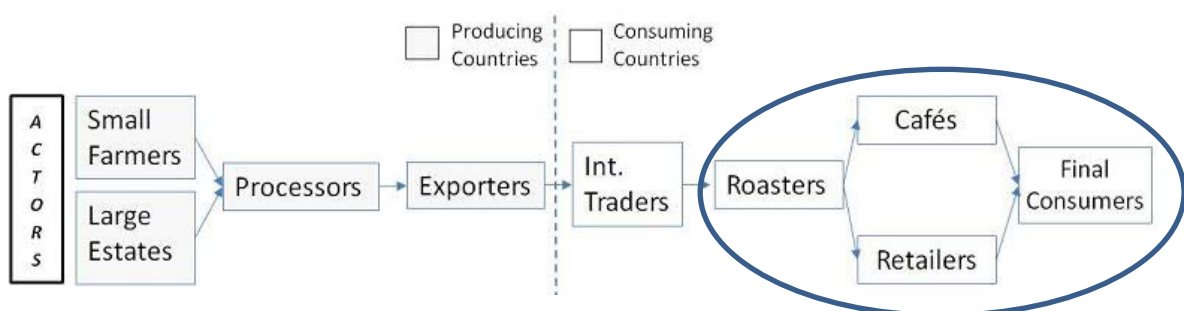


Figure 8: The actors of the value chain that are on focus in the following chapters (adapted from Tröster & Staritz, 2015, p. 9)

The next chapter 6.3 deals with the role of coffee origin for the roasters. The extent to which the roasters value origin is a precondition for the potential of protected GIs. Eventually, chapter 6.4 presents the roasters' opinions on the market potential of GIs.

6.1 Actors on the Austrian coffee market

Figure 8 shows the coffee value chain. The latter actors in the chain – in the consuming country – are in focus in the next chapter. Especially the roasters and final consumers have an influence on what coffee beans and how coffee is consumed. This is why the next chapters are structured accordingly. Chapter 6.1.1 describes the characteristics and purchasing motives of the final consumers according to the roasters. These factors influence the roasters' decisions in terms of purchasing, sales and marketing. As described above, the roasters are gatekeepers for information and have a relatively big market power. Following this, the roasters have the ultimate say in the introduction and market relevance of GIs.

6.1.1 Characteristics of the interviewed coffee roasters

As explained above, 16 interviews were performed. 15 of them were conducted with coffee roasters. Since the target consumer groups, purchasing motives and marketing activities differed strongly among the roasters, the interviewees were categorized. The two main indicators for the categorization was the roasting volume and the sales price of the roasters' coffee because these imposed the biggest difference in the answers of the roasters. The information about the sales prices was gathered in the interviews as well as from the roasters' homepages. Following this, the roasters were categorized into four groups:

1. mainstream roasters (big roasting volume, low sales prices)
2. specialty roasters (lower roasting volumes, high sales prices)
3. specialty roasters selling exclusively Ethiopian coffee (low roasting volumes, high sales prices)
4. coffee vending machine traders (buys roasted coffee, low and higher price)

These actor categories are explained in more detail in the following chapters.

Mainstream roasters

Four of the interviewees can be classified as mainstream roasters (MR1; MR2; MR3; MR4). The information about the exact roasting volume was quite vague, so the classification was done by the self-description as industrial/mainstream/large roaster. The sales price for their coffees in food retailing or the supermarket lies between 4 € and 16 € per kilogram of coffee. However, most of them have different product lines with higher and lower coffee quality and therefore higher and lower price segments. Their purchases are performed mostly

through the international stock market, international trading agencies or some of them even possess own coffee plantations. The interviewed mainstream roasters sell the coffee through different channels: supermarkets, webshops, hotels, restaurants, cafés; each of them to another extent. The coffee is mostly roasted according to taste samples, so the blends taste the same over years. The major part of their coffee is sold to the lower price segment. It is important to note here that some of the most important roasters in Austria in terms of roasting volume and market share were not willing or able to meet the author for an interview. Reasons for this were either that they do not perform interviews according to their corporation policy in general, that no responsible interview partner could be found or that they were not available.

Specialty roasters

For this thesis, the roasters within the specialty coffee sector are divided into specialty roasters and specialty roasters that sell only Ethiopian coffee. 7 specialty roasters that sell coffee from different countries of origin were interviewed (SR1; SR2; SR3; SR4; SR5; SR6; SR7). Their roasting volumes differed strongly; they roasted between 3 and 100 tons of coffee per year. The average sales price for a kilogram of coffee lies between 20 € and 40 € whereas most of them have several specialties that cost up to 160 € per kilogram. They conduct their purchases either directly with the producers, through other direct importers or through traders that convey the regional specifications along the value chain. Therefore they declare the origin and other information about the beans pretty detailed on the packages. The target consumers are aware of coffee quality and that is the reason why the coffee beans sold by specialty roasters dispose of a high quality as well. In general, the origin of the beans is important to the roasters. 5 of the 7 specialty roasters had an own café where they sold the coffee beans as well as coffee as a drink. Other channels of distribution used are online shops, sales to hotels, restaurants, cafés, offices or local supermarkets.

Specialty roasters selling exclusively Ethiopian coffee

3 interviews were held with small specialty roasters that only sell Ethiopian coffee (SRE1; SRE2; SRE3). Each of them sells one to four different kinds of coffee, all of them imported exclusively from Ethiopia. Reasons for that was either a personal relation to Ethiopia or Ethiopia's outstanding coffee quality. Their roasting volume is quite small, it lies around 3 to 7 tons of coffee per year. The sales price is fixed between 25 € and 30 € per kilogram coffee.

All of the coffees sold are organic; two of these roasters sell wild coffee that grows in the forest. The farmers only have a picking right to harvest the wild-growing cherries. The roasters purchase their coffee either directly from the producers or through other direct importers. Their customers are very diverse; however most of them are aware of quality. The channels of distribution used are either online shops, offices, restaurants, cafés, events or local markets. Two of them serve and sell the coffee at their own café.

Coffee vending machine trader

Also one actor on the coffee vending machine market was interviewed (VM). This company is one of the main players on the Austrian coffee vending machine market. Their vending machine dispose over various product options: the customer can choose between conventional coffee products or sustainability coffees (like Fairtrade certified coffee, Rainforest Alliance certified coffee or even a single-origin coffee product). The product range of the machines is adopted according to the place where the vending machine is located and the corresponding target group. So they offer various price segments at the machines. The places where the vending machines are located are for example big companies, schools, universities, public spaces, fuel stations or offices. The vending machine company buys the coffee itself from roasters and assembles the coffee vending machines accordingly. Depending on the point of sale, the demand for coffee quality differs. In general, the so-called sustainability coffees (Fairtrade-certified, Rainforest Alliance certified, single-origin) contribute 6-8 % to the total sales.

6.1.2 Characteristics of the final coffee consumers in Austria according to roasters

The interviewed roasters need to have information about their customers to sell their coffees. They described the coffee consumers in Austria, whose preferences determine the roasters' sources of supply.

The final consumers are the last players within the global coffee value chain. Their purchasing decisions determine the whole chain. This is the reason why it is essential to know and understand their characteristics, actions, decisions and preferences.

On average every Austrian drinks 2.9 cups of coffee per day (Österreichischer Kaffee- und Tee-Verband, 2015). This shows that coffee is a very important consumer good in Austria. However, the interviewed roasters stated that the knowledge about coffee and its production is still very low (MR1; MR3; MR4; SR1; SR3). Issues around coffee production and

preparation are for example not included in the curriculum of tourism schools even though coffee accompanies nearly every dessert – whereas knowledge about wine is taught there (SR3). Also the awareness about the quality of coffee beans is not high among the major part of the consumers. This results in a low willingness to pay for coffee (MR1; MR3; SR1; SR3; SR4). Most of the Austrians do not want to pay more than 10 € per kilogram of coffee (MR3). That is also connected to the income situation. Two roasters stated that people who earn little are not willing to pay a lot for better quality and taste of the coffee beans (SR3; SR5).

Yet there are consumers that are aware of quality and the different tastes of coffee. The roasters described this group as mainly young and urban who want to do something good for themselves (MR2; SR1; SR4; SR7). One interviewee mentioned that his target group consists especially of the so-called LOHAS – the abbreviation for Lifestyle of Health and Sustainability (SR7). LOHAS are a group of people that value health and sustainability in order to build up harmony with the nature and the society. Marketing concepts use the term to describe a target group for sustainable market segments. LOHAS generally dispose over a medium to high income and value individuality, personal development, social responsibility and are eager to try new things (Glöckner, Balderjahn, & Peyer, 2010). Also other specialty roasters described their customers as LOHAS without using this term (SR3; SR4; SR5).

But also traditional coffee drinkers changed their long-standing tradition of drinking cheap, low-quality coffee. One reason for that was the market introduction of Nespresso coffee capsules. These capsules showed the consumers that taste and quality of coffee differs. Even though most the capsules contain blends, the information given about the different flavors, content of caffeine, origins and roasting created a higher awareness among coffee consumers. Some of the roasters mentioned that this initiated interest for different tastes of coffee and led to further engagement of consumers with coffee (MR2; MR; MR4; SR1; SR4). One roaster claimed that the easy and standardized preparation process of coffee out of capsules leads to new demands of consumers for gastronomy; they just have to insert the capsule with the grinded coffee and press a button. If the coffee prepared at home with the capsule machine is better than the one you can buy at a café, why would the consumers be willing to pay a higher price for out-of-home consumption? Therefore new requirements are set for hotels, restaurants and cafés (MR2).

Most of the roasters observed that the group of consumers that is really aware of quality and taste is still in a niche on the market (EE; MR1; MR3; MR4; SR1; SR2; SR3; SR4; SR5; VM). Following this, what are the purchasing motives of consumers to buy coffee?

The first and very important factor influencing the coffee purchasing decision is the price. Most of the roasters – and all of the mainstream roasters – estimated that for a major part of the consumers it is important that the coffee beans are cheap (MR1; MR2; MR3; MR4; SR3; SR5; VM). A trader of coffee vending machines said that in places where most of the consumers are production workers, the demand for the cheap coffee segment is especially high (VM). Another mainstream roaster that is engaged in sales to hotels, restaurants and cafés agreed with the statement that the price is very important. He stated that it is crucial for most of the caterers that the price for the beans is low (MR3).

However, most of the specialty roasters claimed that there is a group that is willing to pay more for coffee beans than the Austrian average. Especially the above mentioned group that is interested in quality and taste spends more money on coffee. These consumers accept that the beans are sold for a higher price when they get an additional value like better quality, taste or more sustainability for their money (EE; MR1; SR1; SR2; SR5; VM).

This leads us to the extent that quality plays in consumers' purchasing decisions. The group that values quality does that because they are aware of the differences that exist in coffee quality. These differences result on the one hand from a proper handling in the production of the coffee beans – like the cultivation, harvest, processing, grading and storage of the beans. On the other side, the specialty roasters explained that their customers would buy the coffee because it is freshly and carefully roasted (MR1; SR2; SR5; SRE1; SRE2). The use of a long-term roasting process where the coffee beans are roasted for 15 to 20 minutes with a relatively low temperature results in better quality. Most mainstream roasters use shorter processes. This is more cost-efficient but certain acids like the chlorogenic acid take a longer time to be removed from the bean. If the beans are roasted only very shortly, the acids are still inside the beans and can cause stomach ache (Coffee Circle, n.d.). This is one reason why consumers would buy high quality coffee. Additionally, one specialty roaster mentioned that his customers see coffee as something very special – similar to an expensive bottle of Champagne – and are therefore willing to pay more for a higher quality: *“This is like when I*

buy a special bottle of Champagne once in a while [...] Those are highlights, when you do something special for Christmas or Birthdays. And that niche has a future”² (SR2).

In general, the interviewees estimated that origin itself has a minor role in consumers’ purchasing decisions (MR2; MR3; SR3; SR4; SR5; VM). They mentioned examples where the buyers had a personal connection to a certain coffee producing country – like travel experiences or relatives living there (SR2; SRE1). Besides that, origin can be interesting for consumers when they try several coffees from different countries (EE; SR1; SR4). So at the moment, the origin itself is used for educational purposes and to try out the varying tastes of the beans, not really as the major marketing tool. Especially the quality of the beans is more important for consumers than where the beans come from (MR2; SR5; VM).

The established and well-known brands like e.g. Nespresso or Illy under which coffee is sold are very powerful purchasing motives for buyers. Two mainstream roasters and one specialty roaster explained that Austrian coffee drinkers rely mainly on trademarks when they buy coffee beans. Since the knowledge about coffee in general is quite low, the visible trademark on the coffee package is a very strong symbol for consumers (MR2; MR3; SR3).

Connected to the prevailing brand loyalty is the taste of the coffee. Four of the roasters claimed that the taste is strongly connected to the consumers’ habits (MR2; MR3; SR5; VM). The knowledge about variances in coffee flavors is still very little. The Austrians like to drink coffee because they are used to the taste of the coffee they normally buy. So most of the mainstream roasters said that it was very important that their coffee blends always taste the same: *“just for example, a [...] coffee that exists for 10 years tastes the same for 10 years. The blends are always adjusted to get this taste because the people are used to it. Many [people] don’t know that the weather and environment has a huge influence on the harvest”* (VM)³.

So the taste of coffee seems to be an important factor in purchasing decisions. All of the three specialty roasters that sell Ethiopian coffee exclusively named the good taste as the

² Das ist so wie wenn ich irgendwann mal einen besonderen Champagner kaufe [...] Das sind halt hin und wieder Highlights, wo man sich zu Weihnachten oder zum Geburtstag was Besonderes macht. Und diese Nische hat Zukunft

³ Nur als Beispiel, a [...] Kaffee, den es seit 10 Jahren gibt, der schmeckt seit 10 Jahren gleich. Weil die blends immer darauf abgestimmt wird, dass man diesen Geschmack so kriegt, weil die Leute sind das gewohnt. Viele wissen aber nicht, dass die Wettereinflüsse, Umwelteinflüsse wahnsinnigen Einfluss auf die Ernte haben.

main purchasing motive of their customers (SRE1; SRE2; SRE3). Nonetheless, the awareness about various flavors is increasing. Two specialty roasters explained the importance of consultancy and advice in a sales conversation. In this way they describe the differences in taste to their customers and help them to find the right coffee for every preference and cause. This slowly increases the general awareness (SR2; SR4).

Other factors in consumers' purchasing decisions are issues connected with ecological and social sustainability. Organic coffee is on the rise, according to the interviewees (MR1; SR1; SR5; VM). Especially among consumer groups that are confronted with sustainability in their daily routine, the demand for some kind of sustainability certification or label is high. Examples for that type of consumers are companies with environmental or sustainability departments, public institutions like municipal authorities or hospitals or the University of Natural Resources and Life Sciences. In all of these places, the people are working with social, ecological or economic sustainability and are therefore more likely to buy sustainable coffee (VM). Additionally two of the specialty roasters who are selling Ethiopian coffee exclusively said that it was very important for their customers that the coffee was organic (SRE1; SRE2). However, the mainstream roasters claimed that this is still a small segment of their total range of products (MR1; MR2; MR3; MR4).

On top of all the already mentioned purchasing motives stand also personal reasons. This could be the consumers' personal connection to a region, social motivations to support a certain project, memories from a vacation in a coffee producing region or just a recommendation from a friend (SR2). One specialty roaster for example adopted a child from Ethiopia and started coffee import and roasting coffee because of that. Through their network of parents that also adopted children from Ethiopia, they attracted new customers (SRE1).

6.2 The context surrounding the actors on the Austrian coffee market

The actors along the coffee value chain take decisions embedded in a context. This context deals on the one hand with the way coffee is consumed in Austria and also the trends on the Austrian market.

6.2.1 Coffee and coffee consumption in Austria

This chapter deals with the specifics of coffee sold on the Austrian market. It should also give deeper insights on how and where coffee is consumed.

Taste of the coffee beans

The roasters were asked how a typical coffee in Austria should taste like. The roasters answered that for many people it is important that the coffee tastes the same like they are used to (MR2; MR3; SR5; VM). The knowledge about various coffee flavors is not widespread. However, regional differences in preferences in Europe and even in Austria were observed. In northern Europe, the coffee beans are lighter roasted which leads to a higher content of acids in the prepared coffee. According to the interviewees, this is not what the average Austrian coffee consumer prefers (MR2; SR1; SR5). Also the eastern European countries have differing preferences (SR3). In general, Austrians go for a darker roasted coffee with a lesser content of acid. The cup should taste nutty, more like cocoa or chocolate instead of a fruity flavor (MR2; SR1; SR3). Additionally, there are regional differences within Austria as well. In the western and southern parts of Austria, the coffee preferences are different from the eastern region (MR1; MR2; SR1; VM). One interviewee mentioned that due to the fully automated coffee machines in the touristic regions in Austria's west, most of the coffee consumed there is coffee Americano. This contains a larger amount of water than an Espresso. In the eastern regions of Austria, the hotels, restaurants and cafés use portafilter machines therefore more Espresso is consumed (MR2). So the roasters have to adjust the flavors of their coffee blends according to the preferences in the region the beans are sold.

Origin of the coffee beans

Another question was where Austria imports its coffee beans from. The roasters estimated that every country that exports coffee would sell a certain amount to Austria. They guessed that the biggest exporters – Brasil, Vietnam, Colombia, Mexico and some African countries – would represent the major share of Austria's imports (EE; MR1; MR2; SR1). Two interviewees mentioned that this could shift due to climate change. Climate change will pose a challenge for producing countries and can change the exporting structure on the global coffee market (EE; SR3).

Quality of the coffee beans

Due to the fact that the major share of the Austrian coffee consumers are not willing to pay for a higher coffee quality, the roasters described the quality of most of the coffee sold in Austria as rather low (SR1; SR2; SR3). However, one specialty roaster said that the mainstream roasters still create a minimum quality on the Austrian market: *“Coffee quality in Austria in general is – like in every other country – bad. If you are lucky, it is moderate to good. [...] However in Austria, the huge mainstream roasters still create a basic quality. If you are going to Rio, you get Nescafé”* (SR1)⁴. Through that basis quality, a bottom line is fixed. The roasters are forced to maintain a certain quality on the coffee market.

Another roaster stated that the price in the supermarkets for Fairtrade certified coffees is very low. This results in a bad quality of these coffees because the mainstream roasters buy poor quality to maintain a low price (MR2).

The interviewees did not agree on the quality of *Robusta* coffee. Some roasters said that *Robusta* coffee is needed to create a good crema – the light brown foam on top of the coffee (MR1; MR3; SR2). One mainstream roaster declared that *“Arabica coffee is a very sensitive coffee; all the parameters have to be right. That means that the cups have to be preheated, the coffee machine has to be well-kept, the coffee machine has to be serviced, the pressure parameters have to fit, the coffee grinder has to be adjusted every day [...] Robusta is a bean that forgives a lot, that produces a nice crema and makes a round coffee flavor”* (MR3)⁵. So *Arabica* coffee requires careful preparation, exact handling of the coffee machine and well-trained staff to produce good coffee. Some other interviewed roasters declared that *Robusta* coffee was of lower quality, tasted badly (SR5) or was even poisonous (SR3). This shows that the industry is divided over the *Arabica/Robusta* issue. Additionally, the mainstream roasters answered that the proportion of *Arabica* and *Robusta* in a blend is basically the only information, their customers enquire about (MR3; MR4). The roasters are not required to

⁴ Kaffequalität in Österreich generell, wie in jedem anderen Land auch, sehr unterschiedlich, meistens schlecht. Wenn man Glück hat, ist sie mittelmäßig bis gut. [...] Aber in Österreich ist es so, dass die Großen immer noch eine Basisqualität schaffen. Also es geht. Wenn man nach Brasilien fährt, kriegt man Nescafé.

⁵ Arabica ist ein sehr heikler Kaffee, das wirklich alle Parameter passen müssen. Das heißt, die Tassen müssen vorgewärmt sein, Kaffeemaschine muss wirklich top gepflegt sein, die Kaffeemaschine muss serviciert sein, es müssen die Druckparameter passen, Kaffeemühle täglich nachgestellt sein [...] Robusta-Bohne ist eine Bohne, die sehr viel verzeiht, die eine sehr schöne Crema macht, die ja, einen runderen Kaffeegeschmack macht.

indicate the coffee origin and production on the packages, so the mainstream roasters do not pass this information on to their consumers. On the mass market, the proportion of *Arabica* and *Robusta* is the most common data to be declared on the packages, especially if it is a 100% *Arabica* coffee but there is no information about the origin of the green beans (MR3). Connected to that topic is the market share of blends and single-origins.

Blends and single-origins on the Austrian coffee markets

The roasters explained that mainstream roasters have mostly blends without specific declaration about their composition. A reason for that is that they need large volumes of coffee. Their coffee blends have to taste the same all year long. So if there is a supply bottleneck or a shortfall of coffee somewhere, they can reduce the risk by replacing one origin by another and maintain the taste. If they declared the specific composition of the blend on the package, they would face a constraint (MR1; MR2; MR3; MR4; VM). For specialty roasters it is more accepted among their consumers that one origin is out of stock (MR3).

Additionally, since the knowledge about coffee flavors is so little among consumers, the mainstream roasters blend their coffees according to predefined taste samples. As mentioned above, the coffee blends from mainstream roasters taste the same over years. Therefore it is crucial for mainstream roasters to stick to their typical taste (MR3; VM).

Coffee purchasing places in Austria

According to the roasters, the place of purchase determines what quality is sold. Most of the customers in the supermarket buy coffee based on the price, so the quality sold there is relatively low. On the other end of the spectrum are specialty coffee shops that serve and sell freshly roasted coffee. In specialty coffee shops more information about the beans is passed on to the buyers (MR1; MR2; VM). That can lead to a higher willingness to pay for the coffee. Other places mentioned by interviewees that are more suitable to sell high quality coffee are bakeries, communal catering or canteens because quality can be used as a better marketing tool there (MR1; VM).

This way how and where coffee is consumed in Austria follows some underlying trends. In order to understand the market development, the trends observed by the interviewees are to be presented.

6.2.2 Trends on the Austrian coffee market

The interviewees were questioned about the prevailing and observable trends on the Austrian coffee market. The answers can be categorized into trends concerning coffee beans, trends around the origin of coffee, trends in the preparation and other trends.

Trends concerning coffee beans

A major trend that could be observed by nearly all of the interviewees was the rise of overall coffee quality (SR1; SR2; SR3; SR4; SR5; SRE2). The interest about coffee and its production among consumers is increasing. Also the mainstream roasters introduced specialty coffee product lines that are sold in the supermarkets. One roaster expressed this fact: *“what makes us very happy is that the awareness concerning coffee has risen over the last ten years. It was just coffee before, no matter where it came from, as long as it was coffee; but now a completely new era has begun”* (SR2)⁶.

According to the roasters, coffee and wine are somehow comparable (SR1; SR2; SR4; SR5). They are both agricultural products; the quality and taste is influenced by the soil, the location of the plantation, natural influences like the weather, the handling during the growing, harvesting and processing. Both are consumed as a drink and they offer a wide variety of flavors, qualities and price segments. The general knowledge about wine, wine production and flavors is relatively higher compared to coffee. Even though the roasters said that coffee has not reached the same status as wine, this comparison is used by the roasters to explain coffee. Through that connection, the consumers understand that coffee can taste different from year to year, depending on the origin and processing. Two of the interviewees compared that to the development of wine after the wine scandal (SR4; SR5). In 1985 it became public that wine producers used diethylene glycol – a chemical that was forbidden in the wine production – to make the wine sweeter and more aromatic. This led to a huge outcry in the Austrian population and to new standards in wine production. Eventually, the quality of wine has improved significantly since then (Moser, 2015).

As mentioned above, for a big part of Austrian consumers it is still important that the coffee tastes the same as always (MR2; MR3; SR5; VM). However, the roasters can see that there is

⁶ Was uns wahnsinnig freut ist, dass eigentlich das Bewusstsein in den letzten 10 Jahren, was Kaffee betrifft, deutlich gestiegen ist. Wo es vorher nur Kaffee war, egal wurscht wo er herkommt, Hauptsache es war Kaffee, ist jetzt eine komplett neue Ära angebrochen.

a growing group of people that is interested in trying out coffees they have not consumed before. Two of the roasters offer roasting classes or coffee tasting courses (SR3; SR5). People or even school classes that are interested attend these to learn more about coffee. Another roaster reported that the number of private people who are taking barista classes is steadily increasing (MR2). These facts show that the interest among the population is growing. The education of consumers through these courses and classes contribute to a growing knowledge and awareness about coffee.

Concerning the proportion of *Arabica* and *Robusta* in blends, one interviewee stated that the hotels, restaurants and cafés tend to go back to blends with a certain amount of *Robusta* coffee. The reason for this is that for 100 % *Arabica* coffee, all the other factors in preparation like machine, cups, water, pressure and eventually the staff have to be perfect to get a good cup of coffee. If there is a proportion of *Robusta* coffee in the blend, it is easier to get quite a good cup of coffee even if not all parameters of preparation are ideal (MR3).

Trends connected to the origin of the beans

The roasters were split over the topic of trends connected to origin of coffee beans. On one hand all of the mainstream roasters said that the consumers did not care about origin. One of them even said: *“So I am doing this for 18 years now [...] in Austria, Italy, Germany and I NEVER got a request about where the coffee comes from; nor it was questioned in more detail, not at all”* (MR3)⁷. Another mainstream roaster agreed that they would very rarely get enquiries about the origin, more about the proportion of *Arabica* and *Robusta* in the blends (MR4).

On the other hand the specialty roasters can indeed observe a growing attentiveness of consumers about coffee origin (SR1; SR2; SR3; SR4). In the specialty coffee sector, the number of declarations of origin on the packages is growing. Sometimes the specialty roasters even declare the microlot – that is the exact location where the plants are growing, normally the size of several hectares (SR4). One specialty roaster also mentioned that the size of the coffee farms is getting smaller and smaller (SR1). This development benefits countries with smaller production areas like countries in East Africa, Central America, Indonesia and Southeast Asia (SR4). Another interviewee answered that origin in

⁷ Also ich mach das jetzt seit circa 18 Jahren [...] in Österreich, Italien, Deutschland und da ist noch NIE eine Anfrage gekommen, wo kommt der Kaffee her, oder detailliert nachgefragt worden, überhaupt nicht

combination with direct trade – trade more or less directly between roasters and producers without middle men – is becoming more important (EE).

Trends concerning the preparation of coffee

The roasters were also asked about the trends in the preparation of coffee. The way the coffee is prepared influences the requirements of the beans. For example: If the customer orders a Cappuccino or a Latte Macchiato, a lot of milk is added. This requires a darker roast so that it still tastes like coffee, compared to the preparation of a café Americano (SR5). The interviewees said that filter coffee is on the rise again (EE; MR3; SR2; SR3). Especially customers of specialty roasters developed a very sophisticated way of preparing filter coffee. Also other new forms of coffee preparation are increasing. Examples for that are cold brews, preparation through a siphon, Chemex, French press or Aeropress are trendy at the moment (EE; SR1; SR3).

Cappuccino has a high market share on the international market. Vienna is no exception here – the coffees with milk and especially Cappuccinos are very popular (MR1; MR3). Two of the mainstream roasters said that coffee with some kind of flavors or flavor shots have a fair market share but they are not very popular in Austria (MR1; MR3). Another specialty roaster declared that the trend concerning Latte Art – where the barista creates pictures with milk foam on top of the coffee – is decreasing again (SR5). The specialty roasters assessed this trend as good for their businesses because the taste of the coffee itself can be drowned in milk and additional flavors if they are added in a large extent (SR1; SR2; SR3; SR4; SR5).

There are also new forms of coffee processing, like honey processing where the beans are depulped but a little bit of the mucilage still remains around the bean during the drying process. Through this process the taste is sweeter and has a pleasant acidity (SR3).

Another trend that was observed by one mainstream roaster was that the demand for beans instead of grinded coffee is growing (MR4). In home-consumption, the preparation of coffee with capsules however is still an ongoing trend. Mainstream as well as specialty roasters said that many of their customers have a capsule machine at home (MR4; SRE1).

Further trends

An additional trend on the market that was mentioned by the roasters is Fairtrade certified coffee. As described above, the market share is rising each year. The external expert estimated that the total market share of Fairtrade certified coffee on the Austrian coffee market lies around 3.5 to 4 %. There was still a big potential for growth (EE). The other interviewed roasters estimated that Fairtrade coffee was a trend but not a major one. They said that for a part of the consumers it is important that the living conditions of the farmers are improved and that they receive a fair price for their products (EE; SR1; VM). To integrate this social consciousness into the purchasing decisions, the consumers do not only buy Fairtrade coffee but also directly traded coffee from the producers to the roasters.

Also ecological sustainability in coffee production is becoming more and more important for consumers. Organic coffee is an increasing trend reported by the interviewees (MR1; SR1; SR5; VM). Also other certifications like Rainforest Alliance certified coffee or UTZ certified coffee are used as a proof of sustainable coffee production and as marketing tools. Particularly in the areas of Vienna and Graz the demand for sustainability coffee is high but the interviewee did not know the reason for the augmented demand (VM).

Other trends the roasters talked about are the use of coffee by-products like Cascara, an infusion made out of the husks of the coffee cherry (SR1). Another roaster reported that coffee to go – so coffee in a disposable cup to take away – reports a plus of 20 % each year (MR1). The interviewee in the coffee vending machine industry recognized a strong trend towards individual solutions in the composition of the products of the vending machines. Each customer that demands a coffee vending machine wants another combination of coffees (Fairtrade, organic, ways of preparation, price segments etc.) offered at the machine (VM).

In this thesis the focus lies on Ethiopian coffee. Therefore the next chapter is describing the characteristics of coffee from Ethiopia sold in Austria.

6.2.3 Characteristics of Ethiopian coffee sold in Austria

5 of the questions dealt with the specifics of Ethiopian coffee and the role Ethiopian coffee plays for the interviewed roasters. The share of Ethiopian coffee in the roasters' product range varied strongly. While 3 of them only sell Ethiopian coffee (SRE1; SRE2; SRE3), one roaster stated that they do not buy coffee from Ethiopia at all (MR1).

The roasters described the taste of the Ethiopian coffee beans as fruity with a higher content of acid (SR1; SR2; SRE2). However, they said that the regional differences in taste within the country are enormous. This is one of the reasons why the bags of beans are labelled with the region and not the exact variety of coffee. So a bag coming from one cooperative in a certain region can contain several breeds (SR3; SR4; SRE1). According to the interviewees, the strong differences in taste result on the one hand from the soil, water availability, insolation and shadow but also through the way the coffee is harvested and processed (SR1; SR3; SR4).

Although the majority of the roasters appreciated the high quality of Ethiopian coffee, they agreed that the quality of the beans varies strongly. While 5 out of 7 specialty roasters declared that Ethiopian coffee was one of the best coffees available on the market, they added that there are differences in quality (SR1; SR2; SR3; SR4; SR6). One specialty roaster claimed that especially the sorting of the green beans was very bad (SR5). This is the reason why it is important to keep the grades of beans separately at every stage of production and transportation. Two of the specialty roasters that sell only Ethiopian coffee also emphasized that the coffee quality was excellent (SRE1; SRE2). The coffee they import is wild coffee growing in a forest where the farmers have the rights to pick beans in a determined area but there are basically no further agricultural measures taken. Also the harvesting method – selective hand-picking of the ripe cherries – contributes to a good quality (SR3). Anyhow, the bean sizes of the wild coffee vary. This is the reason why the roasting of the wild coffee beans has to be done very carefully – ideally by hand – so that all of the beans are roasted properly and still not burnt (SRE1).

The interviewees do not agree on whether the consumers know about the fact that Ethiopia is supposed to be the country of origin for *Arabica* coffee or not. Some of them estimated that their customers do know about it and that it is important for their purchasing decision (EE; SR1; SR2; SR3; SR4). One interviewee assessed the situation like that: *“Ethiopia and coffee and coffee ceremony [...] that creates a picture in your head. I think somebody who has no connection to that at all will not buy it because it is a bit more expensive”* (EE)⁸. Others doubt that the majority of coffee consumers associate the country with coffee at the first place (SR1).

⁸ Äthiopien und Kaffee und Kaffeezeremonie [...] das erzeugt schon so ein Bild im Kopf. Ich denk, wer da gar keinen Bezug dazu hat, der wird wahrscheinlich auch dann, wenn der ein bisschen teurer ist [...] auch gar nicht dazu greifen.

So the perception of overall quality and taste of Ethiopian coffee among the interviewed roasters is pretty good. However, they are unsure if the Austrian consumers appreciate the value of the coffee and are therefore willing to pay a higher price (EE; SR1; SR3). Therefore a crucial factor that determines the role of Ethiopian coffee on the Austrian market is the knowledge surrounding Ethiopia's role as coffee producing and consuming country.

6.3 The role of coffee origin for Austrian roasters

This chapter presents the importance of origin for the interviewed roasters along the value chain, namely in their purchasing decisions and on the marketing and sales side. This is a precondition for the roasters' assessment of GIs' potential.

6.3.1 Origin in the roasters' purchasing decisions

The answers the interviewees gave concerning the role of origin in their purchasing decision differed strongly among the actors. Therefore, the answers are presented according to the actors.

The role of origin for mainstream roasters

The mainstream roasters acknowledged the influence of the coffee beans' origin on quality and taste. They use the diversity to put the blends together. As explained above, most of the mainstream roasters' blends are created after taste samples so that the coffee tastes the same. Hence they consider the origin of coffee in their purchases. Nevertheless, they stated that single-origins or single-estate coffees often are just not suitable for them because the cooperatives or farms can only provide a limited amount of coffee. That is too little for the mainstream roasters because they have to supply big markets with the same blends and brands: *"If we go on a market we have to assume that we need several tons of the product [...] to bring it onto the international market. And then the market wants the product. And you cannot really guarantee that if you limit yourself to only a few coffee farmers, to offer the product for this quality and the next 10 years under this brand on the market"* (MR3)⁹.

⁹ Wenn wir am Markt gehen, müssen wir davon ausgehen, dass wir wirklich etliche Tonnen brauchen von dem Produkt [...], da tust das international auch vermarkten. Und dann will aber der Markt auch das Produkt haben. Und da kannst dann fast nicht garantieren, oder wenn du dich auf ein paar Kaffeebauern einschießt, dass das Produkt [...] in dieser Qualität und die nächsten 10 Jahre am Markt unter dieser Sorte anbietest.

This shows that the mainstream roasters are not willing to take the risk of creating coffee brands or blends that prevents them to exchange one farmers' beans by other ones.

The purchases are made through international agencies or on the stock market. Another mainstream roaster pointed out that the price fluctuations on the international stock markets are a problem for them. The coffee in the supermarket has to be sold for a fixed price. The price calculations are very sharp, so if the prices change a little, their profit margin shrinks significantly (MR1).

Also the coffee vending machine company appreciated the differences of coffee connected to its origin. Nevertheless, they do not purchase the coffee themselves, they leave the choice of what blend to fill into the machines up to the roaster from which they buy the roasted coffees. So it is out of their area of influence (VM).

The role of origin for specialty roasters

As already described above, the interviewed specialty roasters considered the origin of the coffee beans. They purchase the beans either directly from the producers, through other direct importers or through traders with exact declarations of origin. For most of them it was very important to know where their coffee comes from (SR1; SR2; SR3; SR4; SR6). All of them claimed that it was very important for them that the farmers receive a fair price for the beans (SR1; SR2; SR3; SR4; SR5; SR6). The specialty roasters expressed social concerns for the people producing the coffee (SR1; SR3). They told the author that the prices they pay for the beans lie above the common market price. Especially for a good quality of the coffee beans they would pay more (SR1; SR2; SR3).

The topic of direct trade was addressed in some interviews. Some of the roasters responded that they try to trade their beans as directly as possible. However, it is often a bit difficult (SR1; SR4; SR5). The interviewees described that larger trading companies have a better infrastructure and can therefore import the coffee beans more efficiently (SR1; SR4). Due to scale effects, traders have better options to control and secure the good while transportation (SR1). Additionally, the interviewed roasters do not need a large quantity of coffee beans. Often they do not require a whole container of beans – which is 18 tons of coffee – from one origin. Even the larger specialty roasters have a broader range of products – they need smaller volumes from different origins (SR1). This is why the interviewed roasters are following several strategies. Either they get a smaller amount of coffee beans

from one direct importer (SR5; SRE1), they get together to a common purchasing group, they import through traders that grant traceability (SR1; SR4; SR6) or they buy directly from the producers and organize a shipping company to bring the beans into the country (SR3; SRE2). Since there is no clear definition of direct trade, all these forms are considered as such. It is important to add here that direct trade and Fairtrade certified coffee is not contradictory. There are brands that import Fairtrade certified coffee directly from producers (EE). Since no official standards for direct trade exist, consumers have to believe the roasters that they pay a fair price to the producers. So the ability to control if direct trade has a positive impact for the producers is not given (EE). One interviewee reported another challenge connected with direct trade: Within the specialty coffee sector there is another specification that is called micro-lot coffee. This coffee stems from a specific field of a farm, a certain area or a defined range of altitude and has an extraordinary quality. Some traders now go over to purchase these specific quantities directly to omit the cooperatives. The result is that the cooperatives – and with them the coffee infrastructure – do not earn money with the micro-lots and cannot survive anymore. Additionally the farmers cannot share the knowledge about the production of high-quality coffee if they do not interact and communicate in the cooperatives (SR7). This shows that direct trade poses some challenges.

The specialty roasters declared no particular preference for a certain origin. They agreed that the taste depends on personal choices of themselves and their customers (SR1; SR2; SR3; SR4; SR5). In general, they assessed that African coffees taste fruity with a higher acidity, Brazilian coffees sweeter and chocolaty, Central American coffees also very fruity and Indian and Indonesian coffees have a dry flavor (SR1; SR3; SR4). Also the way of processing influences the aroma (EE; SR3). However, this does not mean that one origin is better than the other one given that the quality of production and processing is the same. Just the tastes of the origins are distinct. These differences in tastes can be used to educate consumers about the variations of coffee (EE; SR1).

The role of origin for specialty roasters selling only Ethiopian coffee

Particularly for the roasters that sell only Ethiopian coffee, the origin was very important. Their purchases were either done directly with the producers (SRE2; SRE3) or through another direct trader that imports a larger volume (SRE1). The buying motives for the Ethiopian coffee were various. One roaster had a personal connection through an adopted daughter coming from Ethiopia (SRE1). Additionally it was in their personal interest for fair

trading conditions: *“Charity is one thing and for securing of livelihood necessary but the farmers there [in Ethiopia] have a good product and they should receive a fair price; we wanted to create a trade at eye level”* (SRE1)¹⁰.

The other one decided for specializing on Ethiopian coffee because it is supposed to be the birth place of *Arabica* coffee and because of the good quality and taste (SRE2). The third roasters moved from Ethiopia to Austria some years ago and decided to introduce the coffee and the Ethiopian coffee drinking ceremony to the Austrian people (SRE3).

6.3.2 Origin for roasters in sales and marketing

The last chapter dealt with the role of origin in the roasters purchasing decision. The roasters make purchasing decisions on the basis of the wishes and preferences of their customers. Therefore it is necessary to understand the reasons why the origin of the bean is communicated to the customers or not.

The role of origin for mainstream roasters

For most of their products, the mainstream roasters do not declare the origin of the beans. Reasons for that were already discussed above: To limit the risk of crop shortfalls and supply bottlenecks (MR1; MR3; MR4); to be able to exchange beans from one origin with other ones in order to maintain a constant taste (MR2; MR3; MR4); because the required volumes would be more than the producers can supply (MR3) or because the price for the coffee would be too high for the roasters' customers (MR1; MR3). The major part of the mainstream roasters' products consists of cheaper coffees without any information given about the composition of the blends, origin or the quality. Nevertheless, two out of the four interviewed mainstream roasters have a premium line with declared origins. Both explained that these products are mainly used for marketing purposes. Also the sales volume of the premium lines is not very big (MR3; MR4). The mainstream roasters' customers do not ask for the countries of origin. Most of their questions deal with the proportion of *Arabica* and *Robusta* coffee in the blends (MR3; MR4). Another roaster observed that the consumers buy the coffee because of the brand rather than the origin (MR2). So in general, origin plays not

¹⁰ Charity ist die eine Sache und für Existenzsicherung sicherlich notwendig, aber grad die Bauern dort haben ein lässiges Produkt und die sollen einen fairen Preis kriegen sozusagen und wirklich einen Handel auf Augenhöhe wollten wir aufziehen.

a big role in their sales and marketing. Also they are not intending to change that in the foreseeable future.

The coffee vending machine company has a premium line with sustainable coffees (Fairtrade certified, Rainforest Alliance certified and single-origin coffee) as well. As mentioned above, this contributes to 6-8 % of their total sales but within this line, the single-origin products only make up a very small proportion (VM).

The role of origin for specialty roasters

Contrary to the mainstream roasters, the specialty roasters do declare the origin of their coffees. All of the interviewed specialty roasters had several single-origin coffees in their product range. The packages of the blends also contain a lot of information about where the beans come from (SR1; SR2; SR3; SR4; SR5; SR6; SR7). The declaration of the origin can create pictures in the consumers' heads, or evoke memories and increase the sale of the coffee (SR2). Additionally they stressed the importance of the sales conversation where they try to educate the customers about quality, taste and origin. This is important for them to raise awareness about coffee and its production. In this way the consumers become more educated about coffee and learn to differentiate (SR1; SR2; SR3; SR4; SR5).

The role of origin for specialty roasters selling only Ethiopian coffee

Particularly for the specialty roasters that sell only Ethiopian coffee, the origin is very important in their sales conversations. Two of them have a personal connection with Ethiopia and their customers are interested in these stories. The origin is communicated either in personal conversations (SRE1; SRE3) or on the label (SRE1; SRE2).

So generally speaking, for the mainstream roasters the coffee beans origin is only partially used as a sales argument. The specialty roasters on the contrary communicate the origin to their customers and experience that the interest and knowledge is growing. This goes in line with the estimation of an interviewee: *“especially for these smaller [roasters] it is totally a trend to indicate origin [...]. And I think that it is a trend that also the larger companies recognize, they have a broad range of single-origin coffees that they sell in their online shops or just a bit more exquisite”* (EE)¹¹.

¹¹ grad bei diesen vielen kleinen [Röstereien] ist es ein totaler Trend, eben auch auszugeben, woher der kommt. [...] Und es ist glaub ich ein Trend, den die größeren Firmen auch erkennen, die haben auch ein sehr

All these factors surrounding the roasters' assessments concerning origin in purchasing and sales decisions are the precondition for the potential of GIs on the Austrian market. The results concerning this potential are presented in the next chapter.

6.4 Potential for protected GIs

As explained in chapter 4.1.3 protected geographical indications (protected GIs) can help to upgrade the product along the value chain and therefore improve the situation of coffee producers. In order to establish protected GIs on the coffee market, it is crucial that the roasters see a potential for protected GIs on the market. The roasters' assessments of the situation for protected coffee GIs in general and more particularly for Ethiopian coffee are presented in this chapter.

6.4.1 Potential for protected GIs on the Austrian market in general

The mainstream roasters agreed that a protected GI on the label of the package would not be a reason for their mainstream consumers to pay a higher price for the coffee. As already mentioned before, the major part of this consumer group base their purchasing decision on the price of the coffee. They would not care about a certification concerning origin (MR1; MR2; MR3; MR4). Also the coffee vending machine trader added that protected GIs are not interesting for the company because for most of the customers the price is important. The target group who is aware of quality already drinks a product out of their sustainability line and is covered through that (VM). Additionally, two of the mainstream roasters are worried that the introduction of a protected GI with another certification would lead to too much information on the label for the consumers. They claimed that there are already a lot of declarations and certifications on the coffee packages that consumers do not know about. So the protected GI would just get lost in all the other information (MR1; MR2). In addition, one roaster added that the already existing certifications have not really contributed in raising the price of coffee for the producers (MR2).

While the mainstream roasters are skeptical about the potential of the protected GI because of the higher price and over-information, the specialty roasters are skeptical because of other reasons. Three of them would rather prefer the extension of direct trade instead of

breites Sortiment an single-origin Kaffees, die sie in ihren eigenem Onlineshop verkaufen oder halt ein bisschen exquisiter.

the introduction of a protected GI. They claimed that they would appreciate a closer cooperation between roasters and producers (SR3; SR4; SR5). The claim for a higher fragmentation in the coffee business was expressed: *“I think the issue with the higher price for coffee farmers will only work out if the coffee trade is getting more fragmented again; more directly between small and medium scaled traders and producers, not only carried out by these massive enterprises”* (SR4)¹².

Another specialty roaster explained that his customers would pay more for a high quality of the beans, not only for the protected GI per se (SR1). One specialty roaster stressed that for him it is essential that the consumers do not just hand the responsibility over their purchasing decisions over to a certification. He explained that it was crucial to be a conscious and critical consumer instead of leaving the information gathering about a product to a certification agency (SR4).

The roasters' answers show that there is a very limited knowledge about the functions and implications of a protected GI. This is going to be discussed in more detail in chapter 7.2.

Even though the roasters assessed the overall market potential for a protected GI very low, one mainstream roaster estimated that for their premium line it would be promising (MR4). Another one stated that it could induce awareness among consumers (MR1). However, building up awareness towards origin takes some time and this awareness is growing (SR4). One specialty roaster selling only Ethiopian coffee saw the crucial advantage in introducing a protected GI that it would guarantee a certain quality and minimum standards in the coffee production (SRE1). Also the external expert saw a considerable potential if the protected GI was introduced within the EU system. If private labels are used – so the interviewee – it only contributes to the confusion of consumers. Additionally, the willingness to pay among consumers could be high because it is already higher for Fairtrade certified coffee. Also for coffee capsules the price is significantly higher than for the average coffee bought at the supermarket (EE). It is necessary to add here that the introduction of a protected GI is not contradictory to improvements of quality or the expansion of direct trade. On the contrary,

¹² also das mit dem besseren Preis für die Kaffeebauern wird glaub ich nur funktionieren, wenn der Kaffeehandel wieder fragmentiert wird. Wenn der Handel dann wieder direkter zwischen kleinen und mittleren Händlern und Produzenten passiert. Und nicht einfach von riesigen Konzernen massiv betrieben wird. Aber wie das funktionieren soll, weiß ich ja auch nicht, außer dass halt so kleine Röstereien wieder mehr Zulauf bekommen.

protected GIs are usually designed in a way that improves quality and quality standards of a product, as explained in chapter 3.2.

6.4.2 Potential for an protected Ethiopian coffee GI on the Austrian coffee market

Since the mainstream roasters estimated that there was barely any potential for GIs in general, they did not give an assessment for a protected Ethiopian GI. This is why the results in this chapter are derived from the answers of the specialty roasters and the specialty roasters that sell only Ethiopian coffee.

9 out of 10 specialty roasters – including the ones for Ethiopian coffee – appreciate the high quality and taste of Ethiopian coffee (SR1; SR2; SR3; SR4; SR6; SR7; SRE1; SRE2; SRE3). Some roasters stated that Ethiopia is still not associated by the consumers with excellent coffee production (SR1; SR2; SR3). This is the reason why through the raise of knowledge about and awareness for Ethiopian coffee quality, the potential for an protected Ethiopian GI for coffee could rise (SR2; SR4; SRE2). Hence it is crucial to set marketing activities to increase Ethiopia's reputation as an excellent coffee producer (SRE1). Two interviewees estimated that the willingness to pay among consumers would be high (EE; SR2). Relating to traceability, one interviewee said that through the introduction of a protected GI it is easier to check if the conditions for the actors along the value chain are fair and equal. This can be better compared to currently not protected coffees like single-origin or direct trade coffees. For those, at the moment no legal regulations exist and that makes it impossible to control (EE).

Some roasters expressed doubts about the introduction of a protected GI. One approved that he would appreciate the introduction personally but he is not expecting any increases in the sale of the coffee due to a lack of interest among the consumers (SR1). Another one feared that through the centralistic system of the EU, the conditions for coffee farmers would deteriorate. He pledged for a reduction in bureaucracy in imports instead in order to make direct trade easier (SR3). The specialty roaster that directly imports coffee from Ethiopia remarked concerns about the definition of regional boundaries when creating the protected GI (SRE2). Another roaster added that for the success it was crucial that it develops a reputation and a good quality in the long term. In the first place, a general interest for the protected GI has to be created and after the introduction, it has to be

strengthened and taken care of. Also the media plays an important role in informing the public (SR6).

7 Discussion

On the basis of that newly gained knowledge presented in the results, it is important to set this information into the context of the preexisting knowledge from the literature. At first I will discuss the analytical concepts, the IAD framework and the GVC analysis. Afterwards I will contextualize and discuss the results of the interviews.

7.1 Discussion of the analytical concepts

The first concept used was the IAD framework from Elinor Ostrom (2007b). It served as a framework to understand the context of coffee production in Ethiopia. Its components make it possible to break down the structure and functions on local level and get deeper insights. Therefore I was able to identify benefits and challenges for the registration of GIs in Ethiopia based on the existing literature. In Ethiopia, a *sui generis* law for GIs does not exist yet (Mengistie, 2012). Due to the challenges presented in chapter 4.2.7 the actors in the action arena are still debating about how they want to overcome the difficulties connected with coffee production on the national and international coffee market. For Ethiopia it is very important to increase the coffee farmers' and local traders' income because 15 million of people are making a living in the coffee sector; and the living conditions of many people are still poor (Petit, 2007). There is no definite outcome about the way forward yet (UNCTAD, 2016). Therefore the focus in this thesis was on the three factors that influence the action arena (Ostrom, 2007b). The framework was used to explain the preconditions – bio-physical characteristics (in this case the link between product and territory), attributes of the community and rules in use – and their influence on the action arena, as similarly done by Quiñones-Ruiz et al. (2016) with the registration of GIs for products in EU and non-EU countries.

Additionally, the IAD framework was only used to contextualize the producer side of the coffee value chain. One precondition explained by the framework is the bio-physical characteristics – here the link between product and territory that is essential in the construction of GIs. Coffee is not consumed in the countries it is produced, the coffee producing and coffee consuming countries lie quite far apart from each other. Hence there is

no direct link between the product – the green coffee bean – and consumers/roasters in the country of consumption. So the IAD framework was not suitable for the analysis of the Austrian coffee market.

The second analytical concept used is the GVC analysis. In this thesis, I used it to structure and explain the results for the Austrian coffee consuming market. Since the empirical research only focuses on the market potential of GIs on the Austrian market, the value chain analysis is fractured. I performed no interviews with actors in the coffee producing countries. All of the interviews – except for one external expert – were performed with roasters in Austria. Therefore the GVC analysis is limited to the Austrian market. The context and actors of previous stages of the coffee value chain were described on base of literature research in chapter 4.

Another limitation is that only roasters were subject to the interviews. Final consumers play an important role in determining the aggregate demand for coffee of consuming countries (Daviron & Ponte, 2005). Nevertheless due to the limited scope of a master thesis, it was not possible to perform an extensive survey with roasters and final consumers all over Austria. This is the reason why the interviews concentrated on roasters. It is still possible to make statements about the final consumers and the context of the Austrian coffee market though. On one hand, according to Daviron & Ponte (2005) the roasters act as gatekeepers between producers and consumers. So they need to have a lot of information about the international coffee market, prices, available qualities, origins and traders. On the other hand, roasters have to know their customers very well to sell their products. The characteristics of Austrian consumers, the purchasing motives and surrounding conditions of coffee consumption are crucial information in order to keep the roasters' business running. Additionally they must have an overview over the Austrian coffee market and the prevailing trends. For this reasons it is viable to draw conclusions from the roasters' answers about the context of the market in general and about the actors – roasters, cafés, retailers and final consumers – in Austria.

7.2 Discussion of the results

The results show a wide variety of aspects that influence the market potential and impact of (protected) GIs. In this section, those aspects have to be discussed and compared with results from the literature. The global coffee value chain is a buyer-driven chain; the retailers and roasters dispose over most of the power when it comes to setting standards or

influencing prices. Gereffi & Fernandez-Stark (2011) argue that upgrading can be a way forward for producers. One way to upgrade is to differentiate within the global coffee market. So what differentiation strategies are there for market actors?

Differentiation strategies for roasters and producers

The majority of Ethiopian coffee producers are smallholder farmers that have only little income and face tough living conditions. The living conditions can be improved by differentiation in the coffee production in order to get a higher price for the green beans (Mengistie, 2012; Petit, 2007). Examples for differentiation strategies are an increase in coffee quality (Petit, 2007) or other value addition to the beans through symbolic values like organic or Fairtrade certifications or GIs (Daviron & Ponte, 2005). However not only producers have to differentiate, it is also done by roasters. The interviewed specialty roasters pursue certain strategies in order not to be swallowed by the highly concentrated coffee market. Only a few players have a very large market share and can set standards or determine common practices in terms of prices, trade or marketing on the coffee market (Tröster & Staritz, 2015). The specialty roasters interviewed have to offer additional values like higher coffee quality or sustainability to the consumers to make themselves visible and to convince consumers to buy their – mostly more expensive – coffee. Nevertheless not only specialty roasters differentiate: the premium product lines of the interviewed mainstream roasters show that these actors do it as well to reach further consumer target groups. But what strategies to differentiate are pursued exactly?

One way to stand out in the market and receive a higher price is to increase the coffee quality. This is viable for producers as well as for roasters. The coffee producers can expand their income through the production of higher quality of the coffee beans. A study performed by Minten et al. (2014) using a hedonic price model shows that coffees graded with Grade 1 or Grade 2 obtain significant price premiums. Also washed coffees receive higher prices than unwashed coffees (Minten et al., 2014). These price differentials are passed on along the value chain up to the final consumers. The specialty roasters mentioned that the high quality of their coffees was an important purchasing motive for their customers. They report a higher willingness to pay for quality among consumers and also the roasters themselves are ready to pay a higher price for good quality of the green beans.

Other strategies to differentiate are certifications like organic or Fairtrade. The use of certifications as a way to differentiate was debated in the literature as well as among the interviewees. On the one hand the study of Minten et al. (2014) shows that Fairtrade and organic certified coffee in Ethiopia receives a price premium of around 9 % compared to non-certified coffee, other things being equal. As explained in chapter 6.2.2 organic and Fairtrade certified coffees are an observable trend on the consumers' market. Sustainability and social concerns are becoming more and more important purchasing motives for Austrian coffee consumers.

On the other hand several interviewed roasters are very critical towards certifications. Some of them said that even if the coffee is certified, they do not use the certification label as marketing tool on their package. The reasons are that it is more important for them to communicate the high quality or fair production conditions through other mechanisms – like personal conversations, other declarations on the package or document the transparency online on the homepages. One roaster argued that consumers hand the responsibility to inform themselves about a good's production conditions over to certifications. Another argument was that the price paid to producers or the sustainable production conditions of the purchased coffees are higher than the required standards for the certifications anyway. Also previous research reviews certifications in a critical manner. (Samper, 2016) questions if sustainability certifications are beneficial for coffee producers. He states that certifications require coffee farmers to adapt their production methods but the following actors along the value chain do not have to change their actions. Mutersbaugh (2004) argues that certification standards limit communication between producers, organizations, inspectors and certifying agencies to channels that are approved by the certification scheme. This sets constraints to the transmission of information and also to the integration of producers' knowledge and cultural background into the certification scheme. According to Mutersbaugh, it is essential that producers are involved in the production of standards and also in the surveillance and adoption of standards into a specific local context. Raynolds, Murray, & Heller (2007) argue that certification standards – except for GIs – are set in consuming countries without taking the producing countries' opinions into account. They promote increased cooperation, integration and transparency along the value chain. In other words, the limitations of current coffee certifications are that standards are set without taking the producers' voices into account. This is controversial because the producers are

the ones that have to comply with those standards. Accordingly, Schouten & Bitzer (2015) claim that there is a trend towards certification schemes with standards that are developed in countries in the global South (like GIs) to tackle this problem. The Southern standards take the opinions and priorities of supply side actors into account rather than the priorities of the actors on the demand side – like currently standards developed in the North. Nevertheless, the impact for the producers still has to be assessed. Weak administrative structures in the producing countries could limit the success of Southern standards because of a lack of governance (Schouten & Bitzer, 2015). This can also be a challenge for the construction of national GI laws, certification schemes and regular controls. Hospes (2014) points out that private and public stakeholders on national and international level have to work together to overcome the present limitations of certification standards.

Despite all these challenges on the production side, on the consumption side certifications have the important role of reducing complex information. For consumers it requires a lot of time to enquire about the production and trading condition of each good consumed in everyday life. In the first place, it is essential that consumers are aware about sustainability in coffee production in general. Second it is very difficult for consumers to control whether the declared benefits of a product are true or not. So certifications are a way to simplify purchasing decisions and guarantee certain product and process standards without investing a lot of effort for information gathering. Compared to other certifications, GIs have the potential to overcome some of the mentioned challenges through the participatory approach (Rangnekar, 2004) and – as explained by the interviewed external expert – build up trust among consumers through controllability.

This leads us to how origin and especially the reputation of origin can be used as strategy to differentiate. The interviewees stated that a small but increasing niche of consumers values the diverse coffee origins. The distinct tastes are one purchasing motive but there are also personal experiences and/or stories connected to the countries and regions. Therefore the reputation of the coffee origins is very valuable. Minten et al. (2014) prove that origin has a big effect on price differentials – the prices for coffee from Yirgacheffe for example lay 19 % over the prices of coffee originating from Sidamo. Through the protection of an origin's reputation, it is guaranteed that the producers receive these price premiums. The strength of a protected GI is that the producers themselves are in charge of agreeing on the product specifications and production standards (Rangnekar, 2004). So if the improvement of the

reputation of coffee origin could lead to enhanced sales or higher prices, it is crucial to know the importance of origin for roasters as they are very powerful value chain actors.

Importance of coffee origin for roasters

In their purchasing decisions the origin mattered for all of the interviewed roasters. Only the motives why it matters differed between mainstream and specialty roasters. The mainstream roasters stated that they use the variety of taste and quality to maintain the flavor and quality of their established blends through adding them together according to a taste sample. In other words, they make use of differences to equalize the taste. They reduce the risk of a supply bottleneck or crop failure of certain suppliers by replacing it with coffee from other origins. Therefore geographical indications would limit their scope of actions. Additionally Daviron & Ponte (2005) point out that roasters save costs through these practices. This is also one reason why they do not want to indicate the origin on the coffee packages or use it as a marketing tool in general. Tröster & Staritz (2015) claim that the exchangeability of coffee suppliers leads to a reduction of producers' income because of sudden changes of prices for the green beans. Together with common practices on the international market like hedging and prices-to-be-fixed contracts, the producers have to bear these resulting risks of volatile prices. In other words, Ethiopian producers have to carry most of the price risks because they are subject to price fluctuations and have only little bargaining power compared to traders or roasters (Tröster & Staritz, 2015). If the reputation of an origin can be improved, the rising demand for it makes it harder for mainstream roasters to simply replace suppliers. That could lead to long-term contracts and augmented prices.

For specialty roasters the origin of the green beans in their purchases is important as well. But they consider origins because they use the taste to offer a bigger variety of aromas to their customers. All of them declare the origin of the coffees on their packages. Additionally some of them want to transfer knowledge about the production and producing countries to the customers in sales conversations or provide extra information online. The specialty roasters said that in their sales conversations, they compare coffee with wine. This comparison makes coffee production and its specifics understandable for consumers. There is a general knowledge about wine in Austria. The basic characteristics of the two goods are similar: both are agricultural products, the natural preconditions and production processes influence the taste and quality and both are consumed as a drink on a regular basis. At the

same time the knowledge about coffee is very little. So the specialty roasters use the characteristics of wine to explain the specifics of coffee to their customers. This contributes to a better common knowledge among consumers. All in all according to the interviewed roasters, coffees with geographical indications are still a small niche on the market but their sales numbers are growing. There are several influences that determine the demand and also the supply of coffee with geographical indications.

What promotes or hinders the demand and supply of origin coffee?

On the consumption side of the value chain, the interviewees observed trends towards more social and ecological sustainability. The target group of the so-called LOHAS – consumers that pursue a Lifestyle of Health and Sustainability – is growing (Glöckner et al., 2010). The target group for sustainability coffee and coffees with geographical indications are supposed to be similar. Organic and Fairtrade certifications are on the rise. The sales of Fairtrade certified coffee increased by 13.3 % compared to the last year (FAIRTRADE Österreich, 2016). This goes in line with developments on the European coffee market. A general trend towards specialty coffee as well as sustainability in coffee production can be observed (CBI Market Intelligence, 2016a). Therefore a rise in sales of sustainability coffee could trigger an increase in sales of origin coffees as well.

One factor that promotes the supply of high quality origin coffees is the potential of a higher price for producers. As mentioned above, coffees that have an indicated origin with a good reputation and good quality can obtain a higher price, even without the GI protection. Also Fairtrade certified producers receive price differentials according to the country of origin and coffee quality (Fairtrade International, 2016).

There are several factors that hinder the supply of and demand for origin coffees. First, we have to note that price premiums are not always immediately guaranteed. As Quiñones-Ruiz, Penker, Vogl, & Samper-Gartner (2015) showed in the case of Café de Colombia, the producers did not receive price premiums specifically due to the acquired GI certification yet but they are expected to receive them in the long run. Additionally one has to note that the green coffee beans are seen as a raw material, an export good that is not consumed domestically. Coffee mostly has no or little connection to traditions of a producing country (Marescotti & Belletti, 2016). Ethiopia is an exception here because it has indeed a long-standing tradition of coffee production and consumption.

Second, a big limiting factor on the demand side is the lack of awareness of final consumers towards coffee. While the interviewees declared that there is a niche of consumers that has an advanced knowledge about the characteristics and production of coffee, the majority of coffee drinkers still do not know much about it. The absence of declarations on the packages in the supermarkets keeps the buyers uninformed about the real content. Mainstream roasters are rather emphasizing the brand than the origin or the quality. Therefore for many consumers, coffee beans are still a commodity; a raw material, the quality of it is determined by the processing activities of roasters in consuming countries. Many coffee consumers drink it to get energy because of the caffeine and not necessarily because they enjoy the distinct taste. It is important that coffee is available all the time for a relatively cheap price. Daviron & Ponte (2005) argue that coffee is commodified by national and international institutions. Grading, standardizing and the trade on futures markets make the coffee beans exchangeable and anonymous. Additionally the fact that producing countries sell only the material attributes without any value-addition like roasting or preparation of the drink itself limits the differentiation potential of the green beans. The lack of visibility of coffee production processes, the unroasted, green coffee beans and farmers makes it hard for final consumers to acknowledge specifics and characteristics and develop preferences for certain coffee origin. Therefore it is crucial to decommodify coffee in consumers' perception by raising awareness among consumers. Specialty roasters do that in their sales conversations and by providing more information about the coffee beans on the labels of the packages. Another way would be for example to incorporate basic knowledge about coffee in tourism schools so that the coffee knowledge in the gastronomy increases. GIs can also be a way to make farmers more visible and to convey more information about the production to the consumers. Hughes (2010) claims that GI marketing is crucial for the success. He adds that quality controls and effective legal protection is necessary for GIs to have a value-adding effect on the coffee, too. However it is very important that the roasters are willing to communicate the origin, stress the origins' characteristics and build up reputations (Quiñones-Ruiz et al., 2015).

On the supply side one challenge of coffees with indicated origin is that the value chain is so long. There are many major processing steps performed in different locations – processing of the green beans in the producing countries, roasting in consuming countries and eventually the preparation of the drink at the direct place of consumption. All these procedures alter

the quality and taste of the final drink. That makes it harder for consumers to identify what processing stage determines the quality of the final product. Especially the first processes in the value chain are happening quite far away from consumers' sphere of action and can therefore seem very abstract. Therefore certifications are used to attract consumers' attention towards the country of production. Certifications try to reduce information for consumers. A certification that protects GIs can be a way to promote origin in the consumers' perspective.

However, binding the consumers' attention towards origin on certifications can be critical as well. First, the roasters stated that the consumers face too much information in their purchasing decisions anyway. In other words, the introduction of an additional certification can lead to over-information of consumers. Second, Samper (2016) argues that certifications bind consumers towards the symbol of the certificate and uniform all specificities of the coffees carrying this symbol. The certification can become the main purchasing criteria for consumers. So the certification makes it possible for roasters to exchange and replace the coffee origins under the label again. The certification takes the reputation of the coffee origin away from the producers and bundles it under the certification symbol (Samper, 2016). So the reputation of an origin is a very valuable asset. This also goes in line with the practice of specialty roasters to declare the origin rather than using the labels of the certifications as a marketing tool.

Another challenge in the development of an origin's reputation could lie in the ongoing trend of micro-lots. Currently, more and more extraordinary coffees are traded directly from the farms to international traders or roasters, not via the cooperative anymore. If all the excellent coffees are traded directly and the cooperative is left out, farmers that produce different quality levels do not have to interact and participation processes are impossible. Additionally excellent coffees contribute essentially to maintain the local coffee infrastructure. It is crucial that the local infrastructure supports collective action and learning processes. Chabrol, Mariani, & Sautier (2015) state that a multi-stakeholder approach with interdisciplinary training can improve the reputation of an origin and therefore the establishment of GIs. Experience from other GIs show that it is important to implement a bigger plan to improve coffee quality, strengthen collective action, provide a local framework, implement strategies for value addition within the countries and involve as many private and public stakeholders as possible (UNCTAD, 2016).

All these factors influence the relevance of origin in the roasters' and final consumers' purchasing decisions. Based on the relevance of origin for roasters, the market potential for protected GIs in general and more specifically for Ethiopian coffee can be assessed.

Market potential for (Ethiopian) coffee with protected GIs

First one has to note that the roasters observed a trend towards the declaration of origin and single-origin coffees in general. That trend however is only located in the specialty coffee market and occupies a small niche. In general, there is a lack of accessible, quantitative market data on Austrian and to some extent at international level concerning the demand for origin coffees. So the structure and specific percentage of consumers that are buying origin coffees is quite uncertain. However, roasters have found that the niche market for origin coffee is growing in their outlets. Nevertheless, if the origin is not used in the roasters' marketing activities, the knowledge and awareness of consumers is not going to rise. Nevertheless, consumer awareness and acceptance of coffees with indicated and protected origin are the precondition for a success of GIs for coffee on the Austrian market. The lack of general knowledge about coffee origin and production is a substantial limitation for developing the GI coffee market.

Another limitation is the roasters' limited knowledge about the logics of GIs. The interviews showed that even though all of the specialty roasters made the origin of their coffees very transparent, most of them did not know how a GI really works. In the interviews I explained the functions and processes behind a GI but the complexity of the logics and the widespread implications would require further explanation and general knowledge about geographical indications. Since the roasters act as gatekeepers for information about origin on the one hand and have big bargaining power on the international market on the other hand, their opinion towards protected GIs determines the market success. According to the EU legislation they are not obliged to add the GI symbol on the packages (European Commission, 2004). As even some of the specialty roasters said that they would probably not display the symbol of the protected GI on the package, the market potential is questionable. In other words, if roasters do not understand or are not willing to indicate the protected GI, the final consumers' awareness is not going to grow. But this awareness is the basis for a development of a demand among consumers. So the role of GIs strongly depends on the roasters' perceptions and readiness to indicate protected GIs. But what are Ethiopia's specific preconditions that hinder and promote the establishment of an Ethiopian coffee GI?

A specific protected GI for Ethiopian coffee can profit from the story that Ethiopia is supposed to be the birthplace of Arabica coffee. This originality could be used as marketing tool and promote the already established reputation after the country's dispute with Starbucks (Mengistie, 2012). Combined with associations about the Ethiopian coffee ceremony and long history of coffee production and consumption, the country has a good background to build a reputation upon. However, the two biggest specialty roasters stated that the Ethiopian coffee only has a small niche in their product range. The reason for that is mainly the distinct taste. That fact becomes obvious when we look at the preferences of Austrian consumers. The roasters described the typical taste of coffee consumed in Austria as chocolaty and sweet with only a little content of acid. Ethiopian coffees were generally described as fruity with a higher acid content. So the typical Ethiopian cup profile does not match the typical Austrians' taste. If marketing activities and consumer education about coffee can change these preferences is questionable. The general knowledge about Ethiopia as a coffee producing – and consuming – country has to be augmented. This is a precondition for a protected Ethiopian coffee GI.

Besides the socio-economic challenges on the supply and demand sides of coffee, there are also natural limitations for the establishment of GIs that have to be taken into account.

Origin and environmental risks

Coffee is produced in very volatile ecosystem on the earth. The natural features of the areas where coffee can grow are diverse and dispose over a high biodiversity that has to be preserved. Intensification of coffee production happens due to national and international efforts. Additionally coffee farmers have to intensify their production in order to increase their income and escape poverty (Panhuysen & Pierrot, 2014). Since the expanding of areas where coffee is grown often results in deforestation, the local environment is at risk. Deforestation can lead to erosion, water scarcity and loss of biodiversity. Another threat is the coffee rust disease, roya. It occurs especially in Central America and affects the harvest (Panhuysen & Pierrot, 2014). In order to preserve the local environment and secure resources for further generations it is necessary to implement sustainable coffee production systems. Furthermore climate change poses a severe threat to many coffee growing areas. Coffee plants need a certain range of temperature – 15-24° for Arabica, 24-30° for Robusta – and annual precipitation of 1500-3000 mm. If these preconditions change, the occurrence of coffee rust disease is more likely. Uncertainty and severe weather events can impact the

production. Hence climate change will alter the structure of coffee production on local, national and international level due to changes in harvesting volumes, production regions and prices. It is necessary to develop adaption strategies to combat severe impacts for farmers. Also the contribution of coffee production to climate change through deforestation and use of agricultural chemicals has to be limited (Panhuysen & Pierrot, 2014). Possible strategies to integrate more sustainability in the coffee production can be the following: avoid synthetic agro-chemicals to maintain a high biodiversity and conserve the water supply; promote farmers' knowledge about nutrient and water management; intercropping with other food crops and shadow trees to avoid erosion, save water and maintain the yields in the long term; or develop drought and disease resistant coffee varieties (Daviron & Ponte, 2005; Panhuysen & Pierrot, 2014).

GIs have the potential to protect local environment and implement sustainable production when the specifications of the GI include sustainability aspects. The producers have to set the GI standards in a way to preserve the local resources and implement sustainability in the production processes (Marie-Vivien & Chabrol, 2014). That could result in lower environmental standards than for e.g. organic certified coffee and has to be monitored and supported by private and public stakeholders. On the other hand it is crucial to keep the entry barriers like environmental regulations and administrative hindrances low enough so that producers are willing to participate in the GI process (Belletti et al., 2015).

According to the roasters sustainability and environmentally friendly practices are purchasing motives for consumers. Organic production and the certification symbol are already quite well-known on the Austrian market. In 2013, 50.4 % of Austrian consumers knew the EU organic farming logo (Statistia, 2016). So more than half Austrian consumers – there are other organic farming labels like Bio Austria, Demeter or AMA Bio-Siegel – already connect environmental standards with organic farming. New channels to prove sustainable and environmentally friendly production have to be communicated properly to consumers. It could be challenging to communicate environmental standards that are included in a GI to final consumers. However it is important to note that certifications like organic are not necessarily contradicting with GIs. Producers can agree on the integration of certifications – like organic farming – into the GI.

8 Conclusion

70 % of global coffee is produced by smallholder farmers living in developing countries. Many of those farmers face poor living conditions. Through changes in the global coffee value chain, these conditions can improve. It is crucial for farmers to receive higher prices for their coffee beans, to get access to finance and extension training to increase the coffee quality, to establish security mechanisms to avoid severe impacts of price fluctuations and climate change and to build up local infrastructure. A variety of strategies can lead to these outcomes. In this thesis, I concentrated on the potential of geographical indications to improve the farmers' situation. As growers have the opportunity to set GI standards collectively, they can avoid the problem of other certifications where standards are set in coffee consuming countries without taking into account the voices of the producers. Hence GIs are a tool through which producers can create locally suitable, sustainable and conscious rules for coffee production. Through the collective efforts of establishing GIs, further networks and cooperation among coffee farmers can be developed. They have the aim to protect the reputation of a product which should eventually lead to a higher farm-gate price for coffee producers in a delimited area. This reputation needs to be recognized among coffee consumers. In order to have a positive impact for a considerable amount of coffee farmer, the demand for coffee with protected GIs on the consumer market is crucial.

Coffee roasters act as gatekeepers on the market in terms of determining the coffees offered at the Austrian market and filtering the information passed on to consumers about coffee production. While the origin of their green coffee beans mattered for all the interviewed roasters in their purchasing decisions, the role origin played in marketing and sales varied strongly. Mainstream roasters and a coffee vending machine company do not declare the origin in order to stay flexible from where they buy the coffee beans. Specialty roasters declare the origin and also pass on further information about the production. Nevertheless, nearly all interviewees said that the majority of consumers do not care about coffee origin. Most of them base their purchasing decisions on price. It is important that the coffee they buy at the shop or the café is cheap. Since an aim of a coffee GI would be to increase prices for farmers, cheap coffee cannot contribute to this aim and is therefore not suitable for a GI.

Despite this big proportion of cheap and mostly low-quality coffee on the Austrian market, a niche of specialty coffee consumers exists. These customers value high quality and are willing to pay more for it. Among those consumers there is also a growing number of people that appreciates coffee with indicated origin. They know differences in the distinct tastes of the coffee regions and are aware of the available qualities. According to the specialty roasters there might be potential to increase the market segment of coffees with indicated origin. This would be the baseline for an establishment of a legally protected GI for coffee together with producers. At the moment, most of these geographical indications on the coffee package underlie no legal framework and the profit of the reputation for farmers is not guaranteed. However on the Austrian market, the demand for indications of origins is important for an establishment of consumers' interest in protected GIs. Only consumers that are willing to spend more money for a coffee from a certain origin would buy coffee with a protected GI. In front of this background, the research questions can be answered:

1. What are the determinants in Austrian roasters' purchasing decisions concerning origin?

The purchasing motives differ strongly among mainstream and specialty roasters. For mainstream roasters and their customers, price is a crucial determinant. Coffee has to be available and cheap. Moreover the mainstream roasters mostly sell blends and these blends should taste and cost the same over years. Therefore they use the variances of the origins to equalize taste and price. Specialty roasters on the other side value the differences between the origins and also declare them on their coffee packages. The quality and taste of the coffee beans from diverse origins is important as well as social and environmental production conditions in the producing countries.

2. What role does origin play in Austrian roasters' choices to buy Ethiopian coffee?

For the mainstream roasters Ethiopian coffee in general played only a minor role. According to them, their customers are hardly aware about Ethiopia as a coffee producing country. Specialty roasters on the contrary valued the good quality and taste of the Ethiopian coffee. A part of the specialty roasters' customers are aware of Ethiopia's outstanding coffee quality and history of production and consumption and buy the coffee because of that. Nevertheless, for most of the roasters Ethiopian coffee did not play a major role, and if it did then it was because of the excellent quality rather than other attributes like the coffee culture.

3. *What potential can be observed for Ethiopian coffee with indicated and protected geographic origin on the Austrian coffee market?*

The potential for indicated and protected GIs in general is limited. While a small but growing number of coffee consumers is buying origin coffees, the majority of coffee drinkers is not aware about differences in coffee taste, quality and origin. This would be the precondition for a demand for GIs. The same is viable for Ethiopian coffee GIs: there is an even smaller group that does know about Ethiopian coffee production and culture and would be willing to buy Ethiopian coffee with a protected GI. However consumer awareness towards coffee is growing and this could be beneficial for the demand for GIs as well.

So for a serious market potential of a protected GI for coffee on the Austrian market – whether the beans originate from Ethiopia or elsewhere – two very essential developments have to happen.

First the general knowledge and awareness about coffee quality, taste and production among the Austrian population has to increase. That can be done for example through further declarations on the coffee packages, the integration of coffee and its' production conditions in educational institutions or through attention about coffee among diverse types of media. Through raised awareness for coffee, a demand for specific origins can develop and hinder mainstream roasters to easily replace their suppliers. This could lead to long-term contracts, a closer cooperation among the actors of the coffee value chain or a higher price for the farmers.

Second the knowledge about protected GIs has to rise. Most of the roasters did not know how a protected GI works in detail. Also the potential impacts of GIs for producers were not clear. This could be one reason why the acceptance of an establishment of an Ethiopian protected GI was relatively low. The roasters assessed that the consumers would not care too much about a protection of coffee origin. The functions, impacts and modes of establishment of protected GIs are quite complex. An augmented understanding among the Austrian population would not only be profitable for Ethiopian coffee but also for other products with protected GIs. Related to that is the need for a comprehensible and also attractive marketing of GIs. The underlying information has to be presented in an easy and yet holistic way that stimulates consumers' demand for certain coffee origins as Café de Colombia has done it.

The current market potential for a protected GI for Ethiopian coffee seems also limited. However Ethiopia has considerable preconditions to build up a reputation among Austrian coffee consumers. The high coffee quality, the longstanding tradition of coffee production and consumption and the fact that it is supposed to be the birthplace of Arabica coffee are features that can create stories. Combined with subtle marketing strategies, the demand for Ethiopian coffee could have the potential to rise.

Considering these facts, further research has to be conducted. The various ways to raise awareness towards coffee and the protection of GIs in general are of utmost importance and have to be investigated. Furthermore it is necessary to figure out how mainstream consumers could change their consumption habits and how to raise their consciousness towards sustainability and social concerns in coffee production. Furthermore, protected GIs for coffee are for sure not the only tool to improve the farmers living conditions, other options that tackle the prevailing problems on the global coffee market have to be assessed.

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Appendix

1. Interviewleitfaden (deutsch)
2. Interview guideline (translated, english)

1. Interviewleitfaden

Durch zunehmende Globalisierung gewinnt die Herkunft von Lebensmitteln für österreichische Konsumenten und Konsumentinnen an Relevanz. Dies gilt nicht nur für heimische Produkte, sondern auch Importgüter wie Kaffee. Ziel dieser Untersuchung ist es, herauszufinden, welches Potential für äthiopischen Kaffee mit deklarierter Herkunft am österreichischen Markt besteht. Für KaffeeproduzentInnen in Äthiopien könnte die Deklaration der Herkunft der Kaffeebohnen bedeuten, dass sie einen höheren Preis für ihre Kaffeebohnen erhalten und somit auch ihre Lebensumstände verbessern.

Ziel dieses Interview ist es, Ihre Einstellungen und Erfahrungen zum österreichischen Kaffeemarkt einerseits und andererseits zu Kaffee mit deklarierter (äthiopischer) Herkunft zu erheben.

Wenn es für Sie in Ordnung ist, nehme ich das Interview auf, damit keine Informationen verloren gehen. Die erhobenen Daten werden anonymisiert.

Stellung des Unternehmens am österreichischen Kaffeemarkt

- Könnten Sie zu Beginn die Stellung Ihres Unternehmens in Bezug auf Verkaufsvolumen, Zielgruppen und Marktsegmente am österreichischen Kaffeemarkt erklären?
- Welche Kanäle nutzen Sie einerseits beim Einkauf, andererseits beim Verkauf Ihres Kaffees? In welchem Umfang nutzen Sie diese?

Spezifische Charakteristika des Kaffees am österreichischen Kaffeemarkt

- Wie schmeckt ein typischer Kaffee in Österreich? Welches cup profile kennzeichnet Kaffee, der in Österreich typischerweise konsumiert wird? In Bezug auf Kaffeesorten, Geschmack, blends, Röstungen, Herkunft?
- Welche Trends können Sie aktuell am Markt beobachten? Und welche am Spezialitätenmarkt?

Rolle der Herkunft der Kaffeebohnen

- Aus welchen Herkunftsländern wird Kaffee in Österreich allgemein importiert?
 - Welche Stellung nimmt Äthiopien hier ein?

- Hat ihrer Erfahrung nach die geographische Herkunft des Rohkaffees einen Einfluss auf die Qualität Ihres Endprodukts? Welchen?
- Haben Sie die Möglichkeit beim Einkauf die Herkunft des Rohkaffees zu berücksichtigen?
- Können Sie mir bitte kurz erklären, warum Sie die Herkunft beim Einkauf von Kaffee berücksichtigen/nicht berücksichtigen?
- Woher stammen Ihre Kaffeebohnen?
- Welche Rolle spielt die Herkunft der Kaffeebohnen bei den österreichischen KonsumentInnen?
- Welche Zielgruppe kauft Kaffee mit Herkunftsbezeichnungen?

Kaffee mit (äthiopischer) Herkunftsbezeichnung

- Haben Sie Kaffee mit deklarierter Herkunftsangabe aus Äthiopien im Sortiment?
 - Wenn ja, in welcher Form (single-origin, blend etc.)? Welche Absatzzahlen verzeichnet dieser (im Vergleich zu ihrem Gesamtsortiment)?
 - Warum, glauben Sie, kaufen KundInnen Kaffee mit äthiopischer Herkunftsangabe?
- Sind KundInnen bzw. auch Sie bereit, einen höheren Preis für Kaffee mit Herkunftsangaben zu bezahlen?
- Wie beurteilen Sie das Potential von (äthiopischen) Kaffee mit *geschützten* Herkunftsbezeichnungen in der Zukunft?

Struktur des österreichischen Kaffeemarktes

- Wer sind die wichtigsten Akteure am österreichischen Kaffeemarkt?
 - Verkaufsvolumen, Marktmacht und Trends
- Über welche Kanäle wird Ihrer Einschätzung nach in Österreich hauptsächlich Kaffee importiert?
- Könnten Sie die wesentlichen Vertriebswege für Röstkaffee an die Gastronomie bzw. die Endkonsumenten beschreiben?

Haben Sie noch weitere Anmerkungen oder Kommentare, die wir jetzt nicht besprochen haben, die aber berücksichtigt werden sollten?

2. Interview guideline (translated)

Through the ongoing globalisation, origin of food is getting more and more important for Austrian consumers. This is not only viable for domestically produced products but also for imported goods like coffee. Aim of this research is to figure out the potential of Ethiopian coffee with geographical indications on the Austrian market. For coffee producers in Ethiopia, geographical indications could lead to a higher farm gate price for their coffee beans and therefore a higher standard of living.

The aim of this interview is to survey your experiences and opinions on the Austrian coffee market and also on coffee with geographical indications. If it is okay for you, I will record the interview so that no data is lost. I will make the data anonymous.

Position of the company on the Austrian market

- In the beginning, could you explain the position of your company on the Austrian market? Regarding roasting volume, target customers and market segments?
- What channels do you use for the purchases and sales of your coffee? To what extent do you use them?

Specific characteristics of coffee on the Austrian market

- How does a typical coffee in Austria taste like? What cup profile is characteristic for coffee consumed in Austria? Regarding varieties, taste, blends, roasting and origin?
- What trends can you observe on the market? And what trends can you observe on the specialty coffee market?

Importance of origin

- From which countries is coffee in Austria imported? What is the position of Ethiopia?
- Do you think that geographical origin of the green beans has an influence on the quality and taste of the final product? What influence?
- Do you have the opportunity to consider origin in your purchasing decisions?
- Can you explain me briefly why you consider origin in your purchasing decision (or not)?
- Where do you purchase your coffee beans from?
- What role does origin play for Austrian coffee consumers?
- What target consumer group is buying coffee with geographical indications?

Coffee with (Ethiopian) geographical indications

- Do you offer coffee with geographical indications from Ethiopia?
 - In what form (single-origin, blend)? What sales figures does it reach?

- Why do you think do your customers buy coffee with geographical indications from Ethiopia?
- Are your customers willing to pay a higher price for coffee with geographical indications?
- How do you assess the potential for (Ethiopian) coffee with *protected* geographical indications?

Structure of the Austrian coffee market

- Who are the most important actors on the Austrian coffee market? Regarding roasting volume, bargaining power and trend setting?
- Through which channels do you think is coffee imported to Austria?
- Can you describe the essential channels for roasted coffee to catering and final consumers?

Do you have any further comments that we did not talk about yet but that should be considered in my research?