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WORLD MARITIME UNIVERSITY

Shanghai, China

**MARKETING ANALYSIS OF THE CHINESE
COFFEE MARKET**

**Suggestions for a logistic system for the Colombian coffee
exporters**

By

SORAYA JARAMILLO

Colombia

A research paper submitted to the World Maritime University in partial
Fulfillment of the requirements for the award of the degree of

MASTER OF SCIENCE

INTERNATIONAL TRANSPORT AND LOGISTICS

2009 June 10

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DECLARATION

I certify that all the material in this research paper that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this research paper reflect my own personal views, and are not necessarily endorsed by the University.

(Signature):

Soraya Jaramillo

(Date):

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ABSTRACT

Title of Research paper: Marketing analysis of the Chinese coffee market
Suggestions for a logistic system for the Colombian coffee exporters

Degree: MSc

The present dissertation is a marketing study of the coffee in china and which main purpose is to preset suggestions for the construction of the logistic system for the Colombian coffee.

Marketing concepts such as the PEST, SWOT and the 4P and 4Cs are used to define the framework of the logistic system. Marketing is a useful tool for logistics because it's what gives the information about the market. As the Colombian coffee exporters know in which city coffee is consume is easier for them to plan where to build the warehouses as well as the distribution centres. The marketing information it's what helps to define the customers, the consumption capacity, the regions and even the convenience to the customers of the logistic system.

In order to generate the basis of the logistic system, the characteristics of the Chinese coffee market in china, the consumption as well as the demand and supply are examined in deep detail. Focusing the attention on the competitors for the Colombian coffee exporters and how they represent a challenge to the logistic system in terms of lower transportation prices and reliability.

The concluding chapters of the present dissertation are a guideline on how to build a logistic system for the Colombian coffee in china. As coffee is the second most traded commodity in the world and China is one of the faster growing economies in the world today, there is no doubt that this dissertation is a valuable piece of work.

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Chapter 1. Research Topic and Introduction

The vibrant expansion of China that is projected to continue in the years to come is the main reason to focus the present dissertation into the Chinese market.

Under this positive circumstance is worth the effort to develop a research topic on the opportunities for the Colombian coffee beans to be sold in the Chinese coffee market.

In the world we live in, the international trade is seen as a way to expand the market beyond national boundaries. This is the case for the Colombian coffee beans exporters who are looking forward to make some profit from the expanded market beyond Colombia.

Is this International market what creates today's interconnectivity and interdependencies that gives the logistic a crucial role in today's business success.

1.1 Definition of the research objectives

First, objective of the present dissertation is to identify the opportunities for the Colombian coffee beans to be sold in the Chinese coffee market. Second, determine if exporting coffee to China is a viable and profitable business. Third, provide recommendation on how to build a logistic system for the Colombian coffee beans exported from Colombia to China. Fourth, determine the limitations in the literature regarding this topic.

1.2 Structure of the present dissertation

In order to achieve the objective is necessary to develop the topic into chapters.

Chapter 1 Includes the introduction to the research topics as well as the research objectives.

Chapter 2 Studies in depth of the consumption of coffee in china in order to support the idea that exporting coffee beans from Colombia to China is a viable business. Also includes the literature review form a marketing

point of view and highlight some important concepts such as the PEST and SWOT analysis and the 4 Ps and 4Cs.

Chapter 3 Analyses the principal players in the Chinese coffee market and how they represent a big competition for the Colombian coffee bean exporters.

Chapter 4 Analyses the logistic system that best fit the Colombian coffee beans exporter should use to get to its product delivered to China. Concepts such as export routing, mode to be chosen as well as the carrier selection will be developed.

The present dissertation will develop this challenging topic for all the Colombian coffee exporters. And hopefully in the future contribute to the logistic field, as a guideline to follow in the coffee logistic market.

1.3 Reasons why this topic worth to be studied in a logistic field

One of the reasons why this topic is important is because the Colombian coffee bean exporters as well as importers most confront the challenge of designing appropriate logistics systems capable of handling the increasing demand and the global consumption.

Other reason why is important to analyze the opportunities of the Colombian coffee bean exporters in the Chinese market is to create the right strategies to penetrate a market than in words of International Coffee Organization China is a big player in this field, is an emerging economy and has a big power of buying by its citizens.

Regarding the contribution and importance of this topic to the Colombian coffee market, this kind of studies are very valuable for the Colombian coffee beans growers to learn from.

The Colombian coffee exporters can improve its revenues as well as its position in the producers ranking of the world.

As a result a better logistic system in China can help to upgrade Colombian coffee sales and revenues.

1.4 Limitations for the development of the present dissertation

For many years now, many studies, research and papers had been discussing and analyzing the topic of the Colombian coffee. But there is an empty space or a gap in the literature regarding the trade of the Colombian coffee beans in the Chinese market.

Only few relevant organizations, for example the International Coffee Organization and Euromonitor have updated data regarding this topic of the international trade. Reason why a big limitation of the present dissertation is the use of recent year's information.

Chapter 2 Literature Review

A critical point of view regarding the literature available about the present topic, is that few of literature deeply develops and give advice on the logistic field on how to export coffee beans form Colombia to China. The present dissertation pretends to overcome this limitation.

The present dissertation will use the marketing analysis as a framework to help design the right logistic system for the Colombian coffee in China. In order to do so is necessary to define the characteristics of a PEST analysis, a SWOT analysis, the marketing mix or 4P's as well as the 4 C's.

2.1 PEST analysis

As it will be shown along the dissertation is a most for any company, in this case the Colombian coffee exporters to study its environment before beginning the marketing process as well as the logistic development. In order to do so, the literature provides the guideline of the PEST analysis.

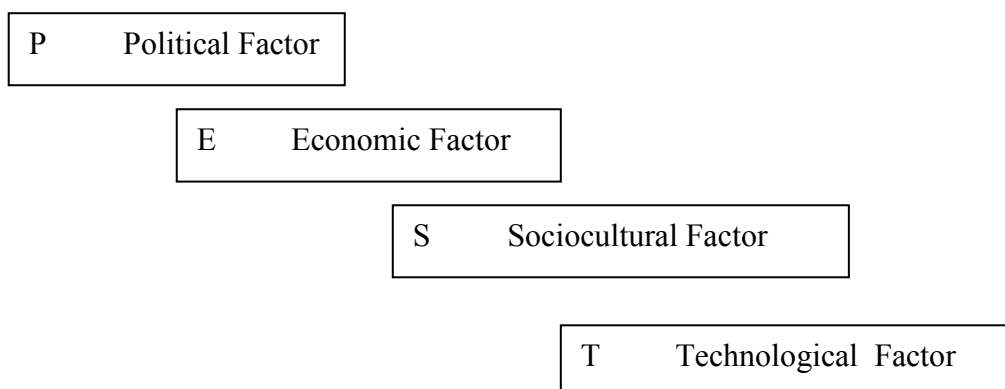


Figure 1 - PEST

Source: marketingteacher.com

Political factors: analyze the influence the Chinese government has over the trade of coffee (tariff or quotas) as well as in the development of a logistic system.

Economic factor: analyze the Chinese market economy upon the commodity is been trade, in this case coffee.

Socio cultural factors: is important to pay attention how the Chinese culture will influence the business of coffee in china, consumption, importing and distribution. A tip to the logistic system can be to see how something as ordinary as the language can influence the process even to see the attitude toward foreign products.

Technological factors: in the case of the design of the logistic system this may be one of the most important variables. As technology is vital for the competitive advantage in a global world. Some questions taken from the Marketing Teacher website will be quoted to in order to highlight the importance of this topic. *“Does technology allow for products and services to be made more cheaply and to a better standard of quality?. How is distribution changed by new technologies? Does technology offer companies a new way to communicate with consumers e.g. banners, Customer Relationship Management (CRM)”*.

2.2.1 A critical point of view & inferences

- P Political Factor:

In order to export coffee to China the exporter must pay tax and the description of the product must be in Chinese.

- E Economic Factor:

The Chinese economy has expanded 6.1 percent in the first quarter of the present year 2009 and the GDP Gross Domestic Product reached 6.5745 Renminbi. Important to mention is that especially now a days China has started to implement economic stimulus plans to counter the impact of the global crisis by more than 4 trillion Renminbi.

Significant is to highlight that in the Chinese market the coffee demand between 2007 and 2008 rose 35%. This number is the result of the campaign of multinationals companies like Starbucks, local coffee shops and restaurants which have made popular the coffee consumption among the Chinese consumers from 40.000 tons to 50.000 tons in 2006 alone.

The previous arguments support the idea that the Chinese market is worth to be penetrated. And it can also be inferred that the rise in the number of tons determines the need to create a logistic chain to cope with the demand in the Chinese market.

The trade of coffee is a good business, as the second most traded commodity after petroleum.

- S Socio cultural Factor

China has caught the attention of the eyes around the world, as Chinese consumers have a stronger spending power, are more liberal and trendy.

It is also a good time to export Colombian coffee beans to China because the Chinese young generations are more open and liberal towards the western products. The previous argument suggests that Chinese new generation can be attracted and enjoy drinking coffee.

But it is important to highlight, that the product information must be translated into Chinese in order to be more accessible to the public.

In China importers sacrifice quality over price or in other words Chinese consumers prefer price over taste. The reason why these happen is because the Chinese consumers like to add sugar and milk to the coffee. Which as a result diminishes the natural taste of coffee and will be a challenge for the Colombian coffee exporters.

- T Technological Factor: the technology will define the impact of the logistic system of the Colombian coffee beans exported to China. If SAP ERP or CRM are used all of them require the use of the latest technology and for that reason a big amount of money to be invested. The key is to find which are the latest technologies and how they can contribute to a better logistic system.

2.2 SWOT analysis

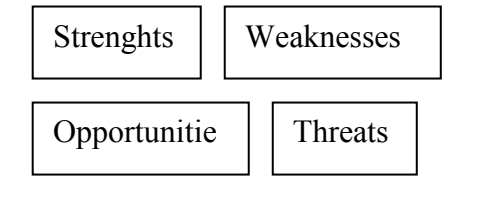


Figure 2 SWOT

Source: marketingteacher.com

The strength and weakness of a company are internal factors while the external factors are the opportunities and threats.

2.2.1 A critical point of view & inferences

The Colombian coffee exporters have as strenghts. First, their marketing expertise. Second, the quality of its process and procedures. Third, the “know how” and good reputation, due Colombian coffee beans are well known all over the world and people trust the quality. Fourth, a big number in revenues. Last year alone Colombia gain 2.000 million of dollars in revenues and lead its way to be the third coffee producer after Brazil and Vietnam.

But in contrast the weakness. First, geographical location of Colombia so far from Chinese market. Second, Colombia foresees a deficit in the production of coffee in the present year 2009.

Regarding the opportunities. First, in the last ten years world coffee consumption has ascended 128 million bags. Second, the demand of coffee is not to be significantly affected in time when the world experiences the worst financial crisis of the recent years.

As threats the Colombian coffee exporters compete with competitors in the transportations fees price as well as the channels of distribution. Colombia is very far form China the transportation of the coffee is more expensive that from

competing countries, for example Vietnam. Vietnam represent a threat because of its close distance to china, the transportation fee of the cargo will be much less compared to the Colombian one.

2.3 Marketing 4Ps

Fortunately to the Colombian coffee exporters some variables can be controlled by them, those variables are product, price, place and promotion. The objective of the 4Ps is to center the decision the company makes into the customer and as the sale time create perceived value.

As far as the term “product” means all the product physical and services has to me taken careful consideration. In the case of the Colombian coffee beans, the brand name, quality, packaging and services must be carefully design.

The P corresponding to price decision is related to the retail price it will be given to the coffee as well as the payment discounts, and seasonal pricing. Particularly important for the design of the logistic system is the P of place or distribution decisions. How to get the product to the customer. Careful attention will paid to the quoted “distribution channels, market coverage, inventory management, warehousing, distribution centers, order processing and transportation” .Finally the P of promotion is the marketing communication of information of the product as it can be a pull of push strategy, sales or even public relations.

2.3.1 The 4 Ps have been replaced over time for the 4Cs.

Product to Client, Promotion to Communication, Price to Cost and Place to Convenience.

Product to Client: produced what is going to be sale is the key today, and the managers pay attention to the clients’ needs and wants.

Promotion to Communication: which include the CRM Customer Relationship Management is the approach to get some feedback form the client and not just to

give them lost of information without evaluation it impact on them. The emphasis is to do one to one approach to the customers.

Price to Cost: goes beyond the price the customer pay for the product, here includes the time the customer invests, the psychological and emotional price.

Finally, Place to Convenience is from the logistic point of view the most important. Convenience is defined as how to approach the customer, no matters were it is. Due to the telecommunication these days almost any one any were can access to internet thanks to the e –commerce and e – business.

2.3.2 A critical point of view & inferences

Communication: The main strategy of the Colombian coffee bean exporters is to communicate the desire to fulfill the large Chinese market demand for coffee.

As the uniqueness of the Colombian coffee bean is what gives to the production its high value.

Advertisement campaigns trough CRM customer relations management to show the uniqueness of the Colombian coffee beans, teaching the potential clients about the selection and efficient distribution channel there is to offer.

Some tactics to communicate the strategy are, personal selling, print advertisement and media advertisement to the target market in particular, vanguards information systems and a reliable web site. In detail in order to captivate the Chinese based companies that are interested in the Colombian coffee beans other tactic is to invite them to visit Colombia and se the coffee bean selection and the company facilities at the Colombian party expense.

Cost related. The Colombian coffee beans regarding the price are really competitive against the biggest competitors in the Asia market.

Chapter 3 Analysis of the Chinese coffee market

3.1 Size of the Chinese coffee market

In order to support the design and further develop of a logistic system for the Colombian coffee beans in China is necessary to study the Chinese coffee market as a starting point. The world wide known Euromonitor International has dedicate 30 years of its history to make intelligence on industries, countries and consumers. And is one of the reports it published on the year 2007 it define that the expenditure of coffee per capita in China was de 0.2 USD,

Table 1 - Coffee consumption per capita (2007)

Country	USD per person
China	0.2
Japan	36.0
United States	22.7
Germany	44.4
Finland	54.9

Source: Euromotitor

One of the cities where the coffee consumption is highly popular in China is Shanghai, where the sales in year 2006 represent a 33% of the total Chinese market. And a city where the number of coffee shops and cafes grew by 13% in 2007 up to the point that traditional tea houses now offer coffee.

The coffee market in China is estimated to be 200 million of people. Whose preferences in taste are the RTD of ready to drink coffee, the instant coffee and the 3 in 1 coffee. For all this demand the local production of coffee in china is not enough to satisfy the demand.

Reason why, only in year 2007 around 20.500 tones of coffee where imported to China. From that number most of the coffee it was none roasted and came basically from Vietnam, and Indonesia in Asia and Brazil in South America. The domestically production mentioned before is done principally in Dongguan and Guangzhou.

The regions in China where coffee is produced are: Yunnan, Hainan, Guangxi and Fujian in the southern part of China. Yunnan is the main producer followed by Hainan as far competitor.

As an inference, even thought as the coffee consumption in China is low compared to other countries coffee consumption per capita. The coffee consumption in China has registered a growth per year of 15% very much higher than the global growth. In words of the National Federation of Coffee Growers of Colombia, is not possible to think the Chinese market as a 1.300 million of consumers, but it can be seen as a 200 o 250 million of persons market. Numbers that are as big as the United States of American market, been one the biggest market in the world.

3.2 In-depth of the consumption of coffee in China

Deep into the consumption of coffee in China, Nestles Nespresso and its annual revenue of USD\$ 1.7 billion position itself as the preferable coffee among Chinese. In this periods of actual global crisis at home made coffee is the trend. And as a result of the lack of traditional drinking of coffee traditional Chinese prefer 3 in 1 instant coffee, cappuccino and café latte.

The latest trend in the Chinese coffee market is the ready to drink coffee RTD. Which distribution is widely popular in Shanghai and Beijing. The RTD coffee is sold in these two major cities because is positioned as a premium beverage, targeted to busy people and it can be find in the bus tops and subway stations. Cold coffee is a

growing market, Euromonitor data estimates that by the year 2011 around 38 million of coffee liters will be sold per year.

In depth in the consumption of coffee in China important is to mention that the price of a retailed cup of coffee still is expensive for most of the Chinese consumers. In big chains for example McDonads and Starbucks a retail coffee cup is approximately 12 RMB per cup.

3.3 Overview of the Chinese import

An over view of the Chinese import of coffee is important because it helps to delineate the challenges of the logistic system that this dissertation will present at the end of the study. In numbers the amount of coffee imported by to China is 10.000 bags or 1.2% of Colombian total export of coffee. As far as the World Trade Organization (WTO) studies stated the import of coffee was approximately 20.500 tones in the year 2007. That amount in USD represent 48.3 million.

Table 2 - China import of coffee by tones in year 2007

Non roasted coffee 88%	Roasted Coffee 8%	Roasted coffee with out caffeine 4%
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Source: World Trade Organization

3.3.1 Non roasted coffee

The World Trade Organization (WTO) explain in march last year, that in terms of evolution of the coffee type that Chinese importers buy, non roasted is taking the lead by 7.8% between the years 2003 and 2007. In tons this number is 17,600 and in millions USD\$30. Good news to the Colombian coffee exporters is that the price of the coffee has rise as much as the quantity demanded.

One of the challenges for the Colombian coffee exporters is that percentage of the non roasted coffee (88%) is bought from China neighbor countries, Vietnam and Indonesia. Due to its close distance, the imports form Vietnam and Indonesia

represented the 93% of the tons imported in 2007. And 85% of the coffee was bought in Vietnam.

Table – 3 Countries from which china bought non roasted coffee in 2007 in tons percentage

Vietnam	Uganda	Indonesia	Brazil	Colombia
85%	1%	8%	2%	3%

World Trade Organization

In South America, China buys coffee primarily from Colombia and Brazil. Competing with the Asian county of Vietnam. Vietnam experienced a growth in its sales by 50 percent between years 2005 and 2007. The imported tons of non roasted coffee come into China mainly through Guangdong specifically the Huangpu district with the 85% of the imports.

Followed by Shanghai by a small 8% of the imports of green coffee. In tons the Huangpu district received 1000 tons, Shanghai 988 tons and Tianjin 360 tons in the year 2007.

3.3.2 Roasted coffee non – with out caffeine

Corresponding to the taste of the Chinese consumers 70% of the imports corresponds to coffee with caffeine while the 30% left correspond to non caffeine coffee. Very important to mention is that the import of coffee with caffeine has grown 1,000% in the last five years. During the years 2003 to 2007 approximately 800 tons were imported.

Relevant is to mention that the roasted coffee imported by China was done mainly from non producing countries, for example, The United States of America representing the 75% of the imports followed by Italy 6%, India 2% and Costa Rica 0.4%. The imported tons of non roasted coffee come into China mainly through Shanghai, Guangzhou, Beijing and Tianjin. Through each one of them represented US dollar of 300.000 approximately.

Finally for this section, what is a contribution to the design of the logistic system is to mention that Shanghai is the city where more consumption is done in China. Reason why, distribution centers, as well as logistics hubs must be located in Shanghai.

Chapter 4 Analysis of the competition

4.1 Principal companies in the Chinese market

The ICO International Coffee Organization stated that two brands dominate the Chinese market: Nescafe and Maxwell House. Both dominate the 70% of the instant coffee market in among the urban households.

Table 4 - The top 5 most important coffee companies in the Chinese market:

Position	Company
1	Nestlé (China) Ltd.
2	Guangzhou Kraft Food Co. Ltd.
3	Dalian UCC Ueshima Coffee Co Ltd.
4	Jiangsu Mocca Food Co LTd.
5	Hainan Haikou Lisheng Coffee & Foods Co Ltd

Source: Euromonitor

Ones the coffee is imported to China the production is made domestically and in the case of the Nestle and Maxwell house most of it production is done in Guangdong province, Nestle plant for instant coffee making is in Dongguan and Maxwell House plant for instant coffee making is in Guangzhou. Remarkable is two say that even though both are competitors Nestle is the race leader.

4.2 Marketing target and positioning

As mentioned before Nescafe is the leading brand in the Chinese coffee market. As a result of the construction of brand loyalty. Nestle has invest on line and off line promotions in order to target young workers and in store free stating a popular way to promote coffee for the family time. Interesting is to say that imported high price of coffee are usually given as gift among Chinese.

In order to penetrate the Chinese market, the Colombian coffee exporters most have a strategy to do so. The logistic system will be the tactic to achieve the strategy.

Organizations like the USDA Foreign Agricultural Service USDA suggest not to sell Colombian coffee bean to the big companies based in china but to target the hotel and restaurant sector.

Marketing strategy proposal. The Colombian coffee bean exporters most use as a marketing strategy targeted printed and media advertising on one side and on the other capitalized the exiting good relations among world buyers which can recommend the Colombian coffee bean to other buyers around the world. The most important objective of the marketing team of the Colombian coffee bean exporters is to make all the effort to communicate that they exist to the potential customer in China.

The Colombian coffee bean exporters most design a creative and eye-catching website for the clients in china and their needs. As well as, doing advertising both media and printed in order to increase brand awareness in china and communicate the high quality of the coffee beans grown in Colombia

4.3 A critical point of view & inferences

The coffee production in the southern part of China is not enough to supply the demand of the domestic market, reason why it can be inferred that China most consider importing coffee from the international market. Points that strengthen the need to designed and develop a logistic system to cope with the growing demand.

Colombian coffee exporters will be competing with two powerful companies that already have long time of experience in the coffee market, Nestle and Kraft. Otherwise it can be sell to the coffee shops, restaurants and hotels.

The suggested strategy for the Colombian coffee exporters is to target and focus their attention to the potential clients in which whom they will have larger demand for coffee and with those clients they should build a good relationship.

The main reason for this is that these big multinational clients like Nestle and Kraft in china will help attract other clients in all over Asia.

Other reason why to target the big companies is because the price deal that this companies make, is always large amount of money and as an advantaged the amount they request are stable over time.

One more reason to target the big multinational companies is that these companies will continually improve amount of coffee imported as they seek to be bigger in the Chinese market, mining that in the future they will seek for a higher quality of coffee or high price coffee.

Market Segmentation related opportunities for the Colombian coffee exported in the Chinese market. The potential customer in china for the Colombian coffee beans are companies that already have been in the market for many years, such as Nestle (China) Ltd, Guanghou Kraft Food Co Ltd, Jiansu Mocca Food Co Ltd, Hainan Haikou Lisheng abd Foods Co Ltd. The companies mentioned before who import coffee beans are able to handle the shipments of coffee and processed it until is sold to the final customer.

Market related opportunities, for the Colombian coffee bean exporters in the Chinese market. Within the target market of china big companies such as Nestle, Maxwell house and Starbucks roasted coffee is what customers are looking forward to buy, as they claim high quality coffee beans.

The Colombian Arabian beans is classify as on of the best of the world. As result of the quality, big companies in China are willing to pay a higher price. In order to distinguish themselves from the competitors

Chapter 5 Analysis of the Logistic System

5.1 Points to keep in mind in order to develop a logistic system

The previous section developed a marketing analysis of the Chinese coffee market, and as the last part of the dissertation it's the chance to give some suggestion for a logistic system for the Colombian coffee exporters.

Before investing time on the design of a logistic system is absolutely necessary to develop the following strategy.

In China, in logistic business as well as in the importing business "relations" are a key to success. Importers of coffee beans based in china should be invited to see the farms from which coffee grows and from which the coffee bean will be purchased. Personal contact, face to face among buyers is the most important promotion to the Colombian coffee beans in China. Complemented by email communications, personal letters and so on.

Only after this face to face is done the parties can begin thinking on how to develop a logistic system.

- Is necessary to design excellent logistic systems to cope with the demand as the global consumption of coffee is increasing the demand.
- Before designing a logistic system and particularly in China where the geographical extension is so wide. The Colombian coffee bean exporters will have to decide whether to sell final products, for example Colombian brands of coffee like Café Sello Rojo or and Juan Valdez or to sell coffee beans to the companies dominating the market Nestle and Maxwell House. As the demand of coffee is growing the Colombian coffee exporters will gain money from any of the markets.
- Good logistics and reliable logistic will be transmitted as more sale and revenues to each of the parties.

5.2 Proposal for a distribution strategy for the Colombian coffee beans

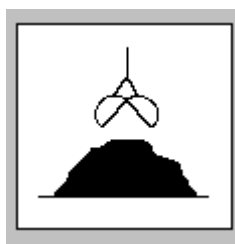
Before developing the logistics system few challenges most to be overcome in Colombia. First, the high value taxes of exporting coffee from Colombia. Second, the challenge to improve the export of Colombian coffee beans is to improve the distribution systems within Colombian territory. As a solution the Colombian coffee exporters should increase the volume of their exports as it makes it possible to reduce fees and maximize the capacity of the transportation modes – trucks and vessels.

5.2.1 Bulk versus Container shipment

The readers of the present dissertation already know that the main objective is to present a helpful tool for the Colombian coffee bean exporters who want to export coffee to China. This chapter is concerned with all the steps related to shipping of coffee as a starting point of the logistic system. The credit of the following recommendations belongs to the “Coffee Guide” created by the United Nations for Trade and Development (UNCTAD) and the World Trade Organization (WTO). In an effort to provide “*free information about coffee to accessible free of charge for developing countries*”. Few points to keep in mind when shipping the coffee to China.

First the Colombian coffee exporter must decide if it wants to ship the coffee by break bulk or and containerized cargo.

Figure 2 – Bulk Cargo



Source: The Coffee Guide

When coffee beans are transported in a Break bulk way it means that the coffee is loose and stowed in the ship. The transportation of coffee beans in break bulk began in the 1980. Since then two main disadvantages are related to the transportation of coffee in a break bulk. First, the coffee during the loading and unloading operations is exposed to the weather conditions of the port. Second, the coffee suffers the risk of being contaminated during the voyage. But the positive side

of the break bulk is that it saves cost because there is no need to use bags to pack the beans.



If the Colombian coffee exporters decide to ship the coffee beans inside containers. The coffee is usually transported in containers in the Twenty Cubic Foot Equivalent Unit (TEU) dry containers. Coffee is a delicate cargo, and is highly vulnerable to condensation or water attraction and the growth of fungi. Reason why the Colombian coffee exporter must be aware that the coffee should be transported Away From Heat (AFH) and Keep From Freezing (KFF).

Second, the coffee beans that are exported from Colombia to China most of the time are transported by ocean freight. As an advantage, the ocean freight offer containers to transport coffee and the shipper are in the right to decide how much dead space to leave inside each container.

Third, the most popular contract in to ship coffee beans is the Free on Board (FOB). This contract stated that the seller obligation ends when the goods pass through the port of shipment: the Barranquilla port and the Cartagena port. The Colombian coffee exporter has to guarantee the quality of the goods from the warehouse to the ship.

Table 5 – How to distribute the costs between sellers and buyers

	FOB
Loading at sellers' premises	S
Inland transport (from the named place)	S
Trade documentation at origin	S

Customs clearance at origin	S
Export charges	S
Loading terminal handling charges (THC)	S
Ocean freight	B
Unloading terminal handling charges (THC)	B

Source: The Coffee Guide

Fourth, a matter of size. If the amount of coffee exporter by the Colombians is not as much as 20 tons per shipment. There are two options. One is to combine cargo and the other is to pay the dead freight. The key of the consolidation of cargo is to find a product that will not put in danger the quality of the coffee. For example, combine different kinds of coffee in one container. OR the Colombian coffee exporter has the option to pay the empty space of the container in order to make the shipment.

5.2.2 Containers: key elements for the transportation of coffee

As the Manual of Maritime Dangerous of Goods, IMO states coffee beans are vulnerable to be easily damage reason why the carrier has to provide a container that is suitable for its transport. Mentioned before was the risk of condensation that can be diminished if the container is free of holes, corrosion; water; daylight, the floor must be dry; the air free of any smells and by reducing the transit time of the cargo.

The inside of the container must be covered with cardboard or paper, in order to isolate the coffee. This is done in order to prevent the coffee to absorb the water from the condensation.

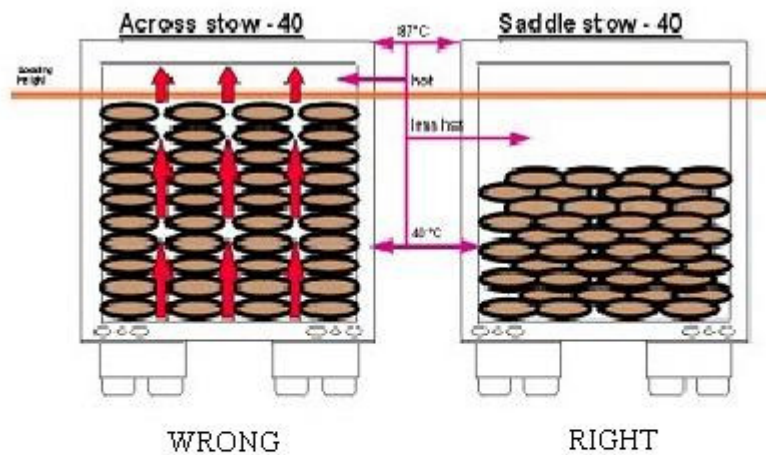
Figure 3 – How to cover the container with paper



Source: Maersk Line department of cargo care

Once the container is prepared for the loading of the coffee in order to prevent the condensation from ruining the coffee, the bags must be organized lengthwise and cradled.

Figure 4 – How to place the coffee bags inside the containers



Disadvantage:

Ventilation channels 'open'
High loading heights
Most bags touch walls

Advantage:

Ventilation channels largely blocked
Greater distance to hot roof
Easier to cover top with cardboard
Fewer bags touching walls

Source: The Coffee Guide

In comparison of the break bulk and containers, the container capacity can not be fully occupy due to the requirements to protect the coffee and as a result the cargo handling takes more time and people. In numbers a bulk container can be filled with 21 tons of coffee while the container only with 18. As a result the bulk it's much better in terms of manual labor and discharge time.

In the case of ventilated containers, this ventilation are openings along the sides of the box. As well as the standard containers the ventilated container must be stored below the deck. Because if it's left in the upper deck there is the risk of seawater coming through the ventilation openings. As the previous one, the container floor should be covered with paper.

Figure 5- Ventilated Container



Source: Maersk Line department of cargo care

Chapter 6 Conclusions, recommendations and upcoming challenges.

The main conclusion is that all the proposed objectives for the present dissertation had being successfully achieved. After reading the present paper the Colombian coffee bean exporters are able to see clearly the great opportunity that exist in the Chinese coffee market, they can also be confident that it will be a profitable business and they can design a logistic system customized for their needs by following the recommendations mentioned here.

Further recommendations, these time to the Colombian coffee buyer are necessary to be mention before writing the final point. Business is done among people, especially in the marketing arena of any product. And both parties' sellers and buyers most focus all their efforts on establishing long time good relation.

Previous experiences show that the purchase process is bases on trust and bean selection. As the political situation in Colombian is not stable and there are lots of security problems, the big companies not always trust the Colombian coffee bean exporters. The challenge is to build a customer buyer relation ship in which both parts can relay on each other. Although 100% Colombian coffee has a good will around the world, and people remember it due to high quality product and that the coffee beans have been selected with high quality standards, the unstable political situation of Colombia is threat at the time to do business in China

Worth to mention regardless the Colombian political instability the Colombian coffee bean exporters are able to fulfill the large shipments of coffee to supply the world demand. Those are the “good will” advantages that the Colombian coffee bean exporters will continue working on so the Chinese base companies know that the Colombian coffee exporters can be trust.

Finally and dedicated in particular for the Colombian coffee bean exporters. Colombian coffee exporters have the challenge to maintain the sales number because for the Colombian case the country heavily relies on the coffee as the source of mayor income.

New to this subject, is the topic of sustainable development. The Colombian coffee exporters have the pressure from the buyer countries to cope with sustainable development and protect the environment and the labor force of Colombian and as the same time to keep with the sales.

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